PROGEN

PROGEN HOLDINGS LIMITED

SHAPING THE NEXT GENERATION OF SUSTAINABLE ENVIRONMENT

ANNUAL REPORT 2017

TABLE OF **CONTENTS**

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

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

The contact person for the Sponsor is Ms Jennifer Tan, Senior Manager, Continuing Sponsorship (Mailing address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

CORPORATE PROFILE

Progen Holdings Limited ("**Progen**" or the "**Company**", together with its subsidiaries, the "**Group**") is an investment holding company and forms part of the Progen Group of Companies. The Company has more than two decades of experience in the design, supply, installation and maintenance of air-conditioning and mechanical ventilation systems. The Group comprises subsidiaries in Singapore and Malaysia.

The Group was founded more than three decades ago when Mr Lee Ee @ Lee Eng started the first company in the Group, Progen Pte Ltd, to supply and install air-conditioning systems. Since then, the Group has grown to become one of the leading corporations in the industry. With the different subsidiaries, Progen is a one-stop service provider that provides a full spectrum of services from delivering proficient before-sales consultation to offering quality after-sales service and top maintenance service to our clients in the public and private sectors, in relation to a wide variety of cooling systems for industrial, commercial and residential developments.

Progen's wealth of engineering experience, proficiency and skills as well as strong market positioning have made it one of the top players in the industry. Our team of engineers designs systems that meet the precise needs of customers, and together with our after-sales service consultants, assist clients in minimising long-term maintenance costs and maximising the working life of their systems.

In recent years, the Group has undertaken research and development activities to study the possibilities of increasing efficiencies of the cooling systems commonly used in the local market. Through its wholly owned subsidiary, Progen Pte Ltd, the Company has collaborated with Nanyang Technological University (NTU), School of Mechanical & Aerospace Engineering to research into areas related to this aspect. Such collaborative research works have concluded and the Group has been granted full rights to market and commercialise the researched product.

Priding ourselves on our professionalism and engineering expertise, Progen will strive to continue to be in a league of its own for many years to come.

CHAIRMAN'S STATEMENT

For the financial year under review, the Group's revenue decreased by S$6.6 million from S$9.9 million (FY2016) to S$3.3 million (FY2017). The Group registered a net loss after tax of S$4.7 million for FY2017 compared to S$1.6 million for FY2016. The sharp fall in revenue was mainly due to the Group not being awarded two tenders that it had budgeted for FY2017 and the commencement date of a secured tender which was delayed till FY2018.

The Group's loss per share for FY2017 was 1.733 Singapore cents per share compared to 0.586 Singapore cents per share for FY 2016 and the Group's net asset value dropped to 11.424 Singapore cents per share as at 31 December 2017 from 13.153 Singapore cents per share as at 31 December 2016.

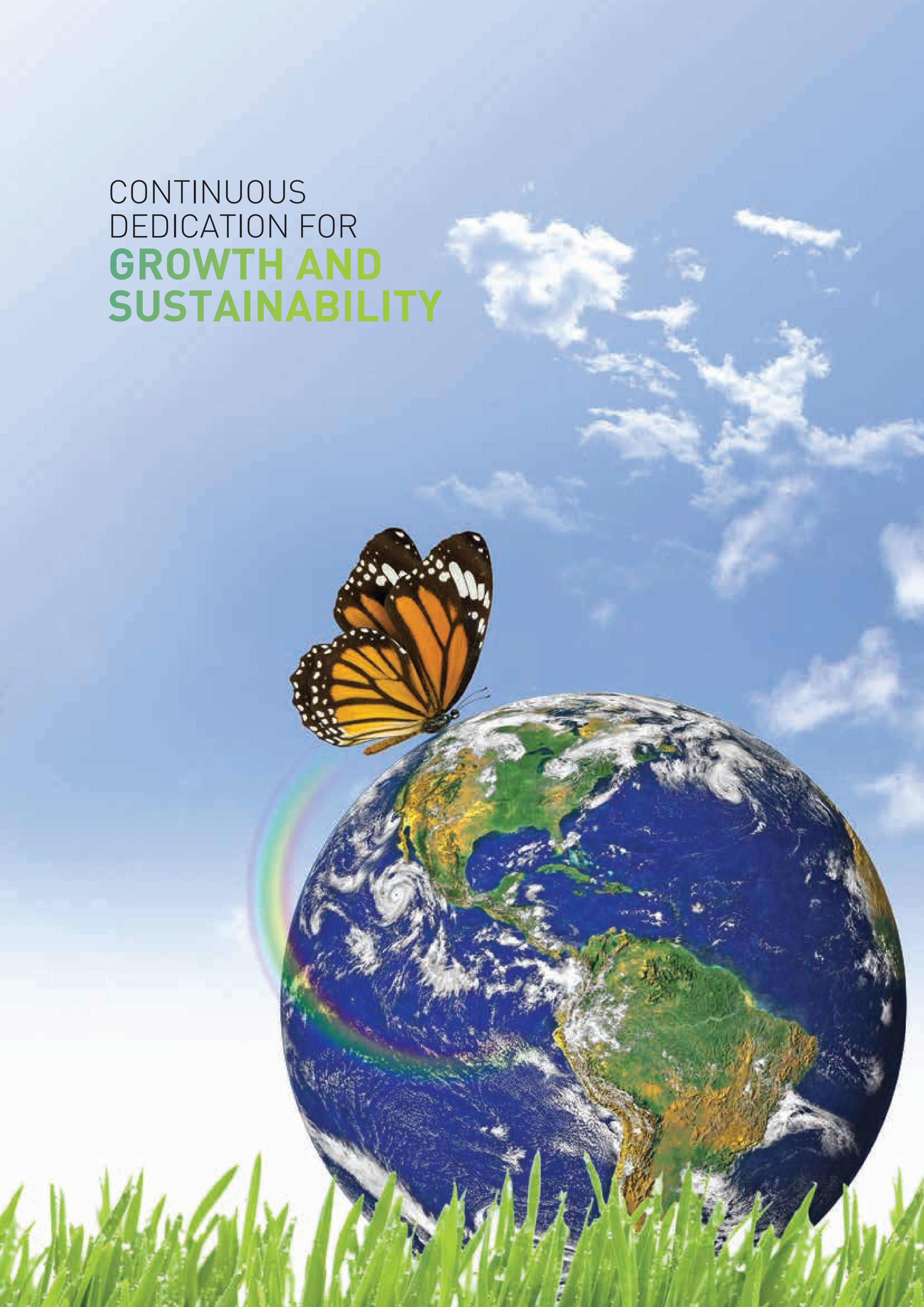
As announced on 11 December 2017, the Company will be seeking shareholders' approval to diversify into property business at a general meeting to be convened. The proposed business diversification includes the business of property development, re-development including acquisition, development and/or sale of industrial, commercial and residential property; and property investment in industrial, commercial and residential property for rental yield, capital growth and/or provision of property related services and facilities. The Company believes that such business diversification will complement the Group's existing core business in the design, supply, installation and maintenance of air-conditioning and mechanical ventilation systems.

There are signs that the construction industry is showing improvements. However, the Group's operating conditions and environment continue to be challenging with fierce competition. The Group shall remain cautious with new projects and tighten its credit risk management with the view of improving efficiency and profitability. We shall continue to tap on our established track records and networks, together with our acquired experiences and expertise to enhance shareholders' value.

On behalf of the Board, I would like to thank all shareholders, our valued customers and business associates for your strong support even in difficult economic conditions. We are also grateful and appreciative to the contributions and commitments from the management and staff during these difficult times. Lastly, I would like to express my gratitude to my fellow board of directors.

Yours Sincerely
Dr Tan Eng Liang
Chairman

CONTINUOUS DEDICATION FOR **GROWTH AND SUSTAINABILITY**



BOARD OF DIRECTORS

DR TAN ENG LIANG

INDEPENDENT DIRECTOR AND NON-EXECUTIVE CHAIRMAN

Dr Tan was appointed to our Board of Directors on 24 October 1997 and was last re-appointed on 27 April 2016. Dr Tan was appointed as Non-Executive Chairman on 1 March 2014. He is also the Chairman of the Audit & Risk Committee and Investment Review Committee, and a member of the Nominating Committee and Remuneration Committee.

Dr Tan was a Member of Parliament from 1972 to 1980, the Senior Minister of State for National Development from 1975 to 1978, and Senior Minister of State for Finance from 1978 to 1979. He also served as the Chairman of the Urban Redevelopment Authority from 1974 to 1978, Chairman of the Singapore Sports Council from 1975 to 1991, Deputy Chairman of Singapore Manufacturers' Association in 1972 and Deputy Chairman of Singapore Institute of Standards and Industrial Research (SISIR) from 1973 to 1975. Dr Tan has a Doctorate from Oxford University, England. Dr Tan was awarded the Public Service Star (BBM), Public Service Star – Bar (BBM(L)) and the Meritorious Service Medal (PJG) by the Singapore Government in 1971, 1985, and 1991 respectively.

Dr Tan currently sits on the board of Tung Lok Restaurant (2000) Ltd. He also serves as Vice President in the Singapore National Olympic Council. Dr Tan's past directorships in the last three years include SunMoon Food Company Limited.

MR LEE EE @ LEE ENG

MANAGING DIRECTOR

Mr Lee, our Managing Director, is the founder of the Group and was appointed to our Board of Directors on 13 July 1996 when the Company was incorporated. He is also a member of the Nominating Committee and Investment Review Committee.

Mr Lee has more than 40 years of experience in the air-conditioning, refrigeration and climate control industry. He started his career in Amcol Pte Ltd in 1970 and later served as Engineering Sales Manager in Sime Darby (S) Pte Ltd and as Dealer Development Manager in York International. Mr Lee spent 10 years in private companies before setting up his own business, Progen Pte Ltd in 1981.

MR CH'NG JIT KOON

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Ch'ng was appointed to our Board of Directors on 24 October 1997 and was last re-appointed on 27 April 2016. He is the Chairman of the Remuneration Committee and a member of the Audit & Risk Committee, Nominating Committee and Investment Review Committee.

Mr Ch'ng was a Member of the Singapore Parliament from 1968 to 1996. At the time of his retirement in January 1997, he was the Senior Minister of State, Ministry of Community Development. Mr Ch'ng holds a Bachelor of Arts (Economics and Political Science) degree from Nanyang University, Singapore (now Nanyang Technological University). Mr Ch'ng was awarded the Distinguished Service Order (DUBC) at the National Day Awards in 2015.

Mr Ch'ng is currently the Non-Executive Chairman of Pan-United Corporation Ltd and sits on the board of Santak Holdings Limited. He also serves in several community organisations. Mr Ch'ng's past directorships in the last three years include Ho Bee Land Limited.

MR CHEE WAI PONG

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Chee was appointed to our Board of Directors on 16 January 2013 and was last re-elected on 27 April 2017. He is the Chairman of the Nominating Committee and a member of the Audit & Risk Committee and Remuneration Committee.

Mr Chee joined the Legal Service and was appointed a Deputy Public Prosecutor/State Counsel from 1971 to 1973. He was appointed a Magistrate and then District Judge and the State Coroner between 1973 and 1976. Mr Chee then joined M/s Osborne Jones & Co as a Partner from August 1976 to December 1978 and was a Partner of M/s Ng Ong & Chee from January 1979 to December 2006. Mr Chee started his own practice under the name and style of Chee Wai Pong & Co on 1 January 2007. He has a Bachelor of Law Degree (LL.B. Hons) from the University of Singapore.

Mr Chee currently sits on the board of Tung Lok Restaurant (2000) Limited. He is the honorary legal advisor to the Medical Alumni and Ling Kwang Home for Senior Citizens. He is also a member of the Management Committee of the Students Care Service at Hougang HQ and a member of the Advisory Committee of the Students Care Service at Yishun Centre. Mr Chee also serves as a Disciplinary Panel Member of the Council of Estate Agency. His past directorships in the last three years include SunMoon Food Company Limited.

BOARD OF DIRECTORS

MR JOHNLIN YUWONO

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Johnlin was appointed to our Board of Directors on 8 May 2002 and was last re-elected on 27 April 2016. He is also a member of the Audit & Risk Committee and Remuneration Committee.

Mr Johnlin has been a Director of several listed and/or private companies across industries such as that of manufacturing, real estate, banking and other financial services. He also has business interests in many countries, including member countries of the ASEAN, the PRC, Hong Kong, Taiwan and the USA.

Mr Johnlin holds a Bachelor of Science degree in Aeronautical Engineering from the State University of California, USA.

MR FRANCIS LAU CHOO YEW

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Lau was appointed to our Board of Directors on 9 February 2015 and was last re-elected on 27 April 2017.

Mr Lau holds an Honours Degree in Bachelor of Building from the University of New South Wales, Australia and is also a Chartered Quantity Surveyor, Chartered Builder and Registered Quantity Surveyor with professional institutions of Australia, United Kingdom, Malaysia and Brunei Darussalam. He has received several awards in the region including Outstanding Entrepreneur for the Asia Pacific Entrepreneurship Award in Brunei in 2008, 2010, 2012 and 2014 and Overseas Enterprise Award for SME One Asia Awards in Singapore in 2013.

Mr Lau is currently the Managing Director of LCY Development Sdn. Bhd. and holds directorships in several private companies in Australia, Brunei, Malaysia and Singapore that specialises in property development and investment.

MANAGEMENT PROFILE

MR DONG FAGEN is the Project Director. He joined the Group as the Import and Export Manager in 1995. Mr Dong holds a Diploma in Mechanical Engineering from Shanghai Jiaotong University, China, and is presently in charge of the project department of the Group.

MS HAN JING is the Marketing Director. She has been with the Group since 1998. Ms Han graduated with a Master's Degree in Mechanical Engineering from National University of Defense Technology, China in 1984 and is currently responsible for the marketing and business development for the Group.

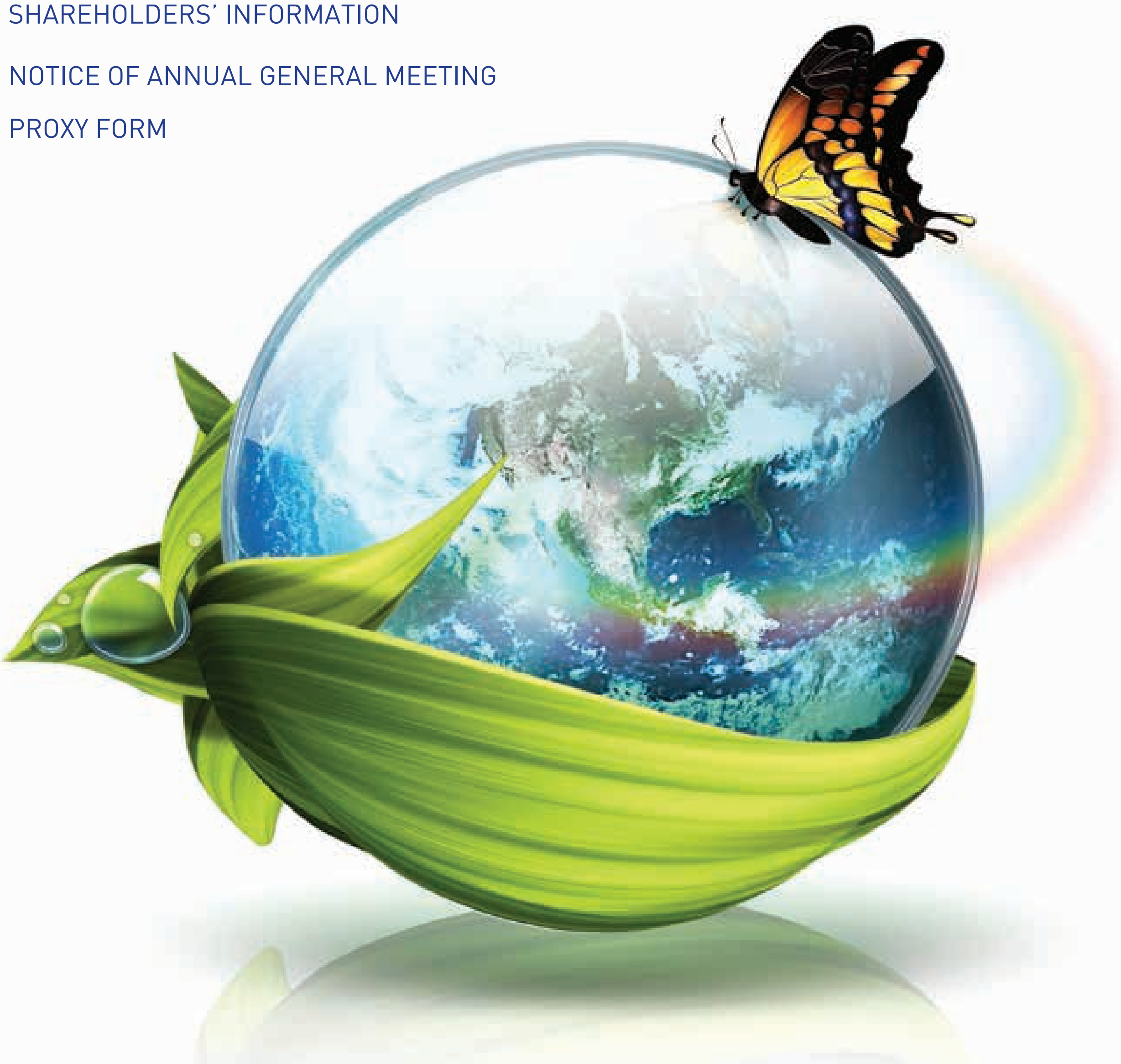
MS CINDY LEE is the Admin and Corporate Affairs Director. She joined the Group as an Accountant in 1999. Ms Lee graduated from Nanyang Technological University with a Bachelor's Degree in Accountancy and is currently a member of the Institute of Singapore Chartered Accountants. She is currently in charge of the administrative matters and corporate affairs and oversees the finance department of the Group.

MS LEE BEE BEE is the General Manager. She joined the Group in 2015. Ms Lee holds a Diploma in Mechanical Engineering from Singapore Polytechnics and a Diploma in Sales and Marketing from Marketing Institute of Singapore. Prior to joining the Group, she has close to 30 years of experience in the ACMV industry. Ms Lee is presently involved in the after-sales maintenance of the Group.

MR ANDY LEE YUNG LI is the Senior Manager. He joined the Group in 2009 as Project Manager. Mr Lee graduated with a Bachelor in Electrical Engineering from University of Newcastle, Australia. He is presently responsible for product innovation and development and oversees a few projects in the Group.

MR DESMOND LING is the Service Manager. He has been with the Group since 1986 and has more than 30 years of hands-on experience in servicing ACMV systems for residential, industrial and commercial developments. Mr Ling is currently overseeing and managing the servicing arm of the Group.

FINANCIAL CONTENTS



CORPORATE **GOVERNANCE**

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

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2017 ("**FY2017**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
General	(a) Has the Company complied with all the principles and guidelines of the Code?	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.
	If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2017.
BOARD MATTERS		
The Board's Conduct of Affairs		
1.1	What is the role of the Board?	At the date of this report, the Board comprised 6 members as follows:

Table 1.1 – Composition of the Board

Name of Director	**Designation**
Dr Tan Eng Liang	Non-Executive Independent Chairman
Mr Lee Ee @ Lee Eng	Managing Director
Mr Ch'ng Jit Koon	Independent Director
Mr Chee Wai Pong	Independent Director
Mr Francis Lau Choo Yew	Non-Executive Non-Independent Director
Mr Johnlin Yuwono	Non-Executive Non-Independent Director

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board's principal functions are, inter alia,:

• setting the business direction for the Company;
• monitoring and reviewing the financial performance of the Company;
• safeguarding the Company's assets;
• protecting and enhancing shareholders' value;
• overseeing internal control of the Company; and
• setting and approving the Company's strategic plans, major investment and divestment proposals, values and standards.</td></tr>
<tr><td>1.3</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td>The Board has delegated certain responsibilities to the Audit and Risk Committee (the "ARC"), the Remuneration Committee (the "RC"), the Nominating Committee (the "NC") and the Investment Review Committee (the "IRC") (collectively, the "Board Committees"). The compositions of the Board Committees are as follows:
<table>
<tr><th colspan="5">Table 1.3 – Composition of the Board Committees</th></tr>
<tr><th></th><th>ARC[1]</th><th>NC[2]</th><th>RC[3]</th><th>IRC[4]</th></tr>
<tr><td>Chairman</td><td>Dr Tan Eng Liang</td><td>Mr Chee Wai Pong</td><td>Mr Ch'ng Jit Koon</td><td>Dr Tan Eng Liang</td></tr>
<tr><td>Member</td><td>Mr Ch'ng Jit Koon</td><td>Dr Tan Eng Liang</td><td>Dr Tan Eng Liang</td><td>Mr Ch'ng Jit Koon</td></tr>
<tr><td>Member</td><td>Mr Chee Wai Pong</td><td>Mr Ch'ng Jit Koon</td><td>Mr Chee Wai Pong</td><td>Mr Lee Ee @ Lee Eng</td></tr>
<tr><td>Member</td><td>Mr Johnlin Yuwono</td><td>Mr Lee Ee @ Lee Eng</td><td>Mr Johnlin Yuwono</td><td></td></tr>
</table>
Notes:
(1) The ARC comprises 4 members, the majority of whom, including the Chairman, are independent. All the members of the ARC are non-executive Directors.
(2) The NC comprises 4 members, the majority of whom, including the Chairman, are independent.
(3) The RC comprises 4 members, the majority of whom, including the Chairman, are independent. All the members of the RC are non-executive Directors.
(4) The IRC comprises 3 members, the majority of whom, including the Chairman, are independent.</td></tr>
</table>

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>Investment Review Committee

The duties of the IRC include the following:–

1. to review all investment opportunities that may be identified for the purpose of short-listing investments that fit into the overall expansion plan of the Group;
2. to evaluate short-listed investments and table them for the approval of the Board; and
3. to prepare executive summaries on the investments for the Board.

The IRC shall be provided with adequate resources to carry out their duties.

The Board Committees, which operate within clearly defined terms of reference, are actively engaged and play an important role in ensuring good corporate governance of the Group. All recommendations of the Board Committees are subsequently reviewed by the Board.

Please refer to pages 24 to 25, 15 and 20 for the key terms of reference of ARC, NC, and RC respectively.</td></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board and Board Committees meet on a regular basis, and/or as and when circumstances require. In FY2017, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.

Table 1.4 – Board and Board Committee Meetings in FY2017
<table><tr><th></th><th>Board</th><th>ARC</th><th>NC</th><th>RC</th></tr><tr><td>Number of Meetings Held</td><td>5</td><td>4</td><td>1</td><td>2</td></tr><tr><td>Name of Director</td><td colspan="4">Number of Meetings Attended</td></tr><tr><td>Dr Tan Eng Liang</td><td>5</td><td>4</td><td>1</td><td>2</td></tr><tr><td>Mr Lee Ee @ Lee Eng</td><td>4</td><td>3*</td><td>0</td><td>1*</td></tr><tr><td>Mr Ch'ng Jit Koon</td><td>5</td><td>4</td><td>1</td><td>2</td></tr><tr><td>Mr Chee Wai Pong</td><td>5</td><td>4</td><td>1</td><td>2</td></tr><tr><td>Mr Johnlin Yuwono</td><td>4</td><td>4</td><td>1*</td><td>2</td></tr><tr><td>Mr Francis Lau Choo Yew</td><td>3</td><td>3*</td><td>0*</td><td>0*</td></tr></table>* Attendance by invitation of the respective Committees

The IRC did not hold any meeting during FY2017.</td></tr>
<tr><td>1.5</td><td>What are the types of material transactions which require approval from the Board?</td><td>Matters that require the Board's approval include, amongst others, the following:

• approval of release of financial results to the SGX-ST;
• approval of annual results and accounts;
• declaration of interim and proposal of final dividends;
• approval of corporate strategy;
• convening of shareholders' meetings; and
• authorisation of major transactions.</td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed directors will be given briefings by Management on the history and business operations and corporate governance practices of the Company. The Company will, from time to time, organise briefing sessions for the directors to enable them to keep pace with regulatory changes which have a material bearing on the Company and these sessions will be funded by the Company. All newly appointed directors will be provided with formal letters setting out their duties and obligations. First-time directors of listed companies in Singapore will be encouraged to attend relevant training seminars and courses organised by bodies such as the Accounting and Corporate Regulatory Authority of Singapore, SGX-ST and the Singapore Institute of Directors to familiarise themselves on compliance, regulatory and corporate governance matters, at the expense of the Company.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	During FY2017, the external auditor ("**EA**") had briefed the ARC on changes or amendments to accounting standards. The Company Secretary had also provided updates on changes to applicable law and regulations as and when appropriate.
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Guideline 2.1 of the Code is met as the Independent Directors make up half of the Board.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The Board takes into account the existence of relationships or circumstances, including those identified by the Code, that are relevant in its determination as to whether a Director is independent. In addition, the NC reviews the individual directors' declaration in their assessment of independence. The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>2.4</td><td>Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.</td><td>Notwithstanding that Dr Tan Eng Liang and Mr Ch'ng Jit Koon have served beyond nine years since the date of their first appointments to the Board, the Board is of the view that Dr Tan Eng Liang and Mr Ch'ng Jit Koon are independent as each of them has:

• contributed constructively throughout his term in the Company;
• sought clarification and amplification as he deemed necessary, including through direct access to key management personnel; and
• provided impartial advice and insights, and has exercised his independent judgement in doing so.

The following assessments were conducted and deliberated by the Board before the arriving at the conclusion:–

• review of Board and Board Committee meetings minutes to assess questions and voting actions of Dr Tan Eng Liang and Mr Ch'ng Jit Koon;
• Dr Tan Eng Liang's and Mr Ch'ng Jit Koon's declarations and individual evaluations; and
• peer and board committee performance assessment done by the other Directors.</td></tr>
<tr><td>2.5</td><td>What are the steps taken by the Board to progressively renew the Board composition?</td><td>The Board is of the opinion that it would be most effective to draw on the wealth of experience from the longer serving directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required.

To meet the changing challenges in the industry and countries which the Group operates in, such reviews, which includes considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies would be done on an annual basis to ensure that the Board dynamics remain optimal.</td></tr>
<tr><td rowspan="2">2.6</td><td>(a) What is the Board's policy with regard to diversity in identifying director nominees?</td><td>The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.</td></tr>
<tr><td>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:

<table>
<tr><th colspan="3">Table 2.6 – Balance and Diversity of the Board</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td>Core Competencies</td><td></td><td></td></tr>
<tr><td>– Accounting or finance</td><td>5</td><td>83%</td></tr>
<tr><td>– Business management</td><td>6</td><td>100%</td></tr>
<tr><td>– Legal or corporate governance</td><td>2</td><td>33%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>1</td><td>17%</td></tr>
<tr><td>– Strategic planning experience</td><td>6</td><td>100%</td></tr>
<tr><td>– Customer based experience or knowledge</td><td>6</td><td>100%</td></tr>
</table></td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: • Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and • Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.
2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Directors have met at least once in the absence of key management personnel in FY2017.
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	The roles of the Chairman and the Managing Director are separate to ensure a clear division of their responsibilities, increased accountability and greater capacity of the Board for independent decision making. The Chairman is not related to the Managing Director. Dr Tan Eng Liang, the Non-Executive Independent Chairman, leads the Board and facilitates its effectiveness on all aspects of its role. Dr Tan, in consultation with the Managing Director, schedules and sets the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accurateness, and timeliness of information flow between the Board, Management and shareholders of the Company. He encourages and builds constructive relations between the Board and Management, and facilitates the effective contribution of the non-executive directors. He also undertakes a leading role in ensuring the Company's compliance with corporate governance guidelines. Mr Lee Ee @ Lee Eng, the Managing Director, is responsible for the execution of the Company's strategies and policies made by the Board, and the management of the Company's daily operations.
3.4	Have the Independent Directors met in the absence of other directors?	The Independent Directors have met at least once in the absence of the other directors in FY2017.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: 1. to review, assess, make recommendations to the Board on the appointment of directors, including making recommendations on the composition of the Board and provide all newly appointed directors a formal letter setting out his/her duties and obligations; 2. to regularly review the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the directors as a group; and make recommendations to the Board with regards to any adjustments that may be deemed necessary; 3. to review, assess and recommend nominees or candidates for appointment or re-election to the Board, and to consider his/her competencies, commitment, contribution, performance and whether he/she is independent; 4. to make plans for succession, in particular for the Chairman of the Board and Managing Director; 5. to prepare and recommend, for approval of the Board, written guidelines on the division of responsibilities of the Chairman of the Board and the Managing Director; 6. to determine, on an annual basis whether a director is independent; 7. to recommend directors who are retiring by rotation to be put forward for re-election; 8. to decide whether or not a director is able to and has been adequately carrying out his/her duties as a director of the Company, particularly when he has multiple board representations and/or other principal commitments; 9. to recommend to the Board internal guidelines to address the competing time commitments faced by directors who serve on multiple boards and the maximum number of listed company board representations which any Director may hold; 10. to assess the effectiveness of the Board as a whole, and Board Committees and the contribution of each individual director to the effectiveness of the Board; and 11. to review the training and development programs for the Board.
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has not capped the maximum number of listed company board representations each Director may hold.
	(b) If a maximum has not been determined, what are the reasons?	Although several directors hold directorships in other listed companies, the NC is of the view that such multiple board representations do not hinder them from carrying out their duties as directors of the Company. These directors, through their directorships in other listed companies would also widen the experience of the Board and give it a broader perspective. The NC does not think that it is necessary to set the maximum number of listed board representations that any Director may hold as all the Directors are able to devote sufficient time and attention to the Company's affairs in light of their commitments.

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td>(c) What are the specific considerations in deciding on the capacity of directors?</td><td>The considerations in assessing the capacity of Directors include the following:

• Expected and/or competing time commitments of Directors;
• Geographical location of Directors;
• Size and composition of the Board; and
• Nature and scope of the Group's operations and size.

The measures and evaluation tools in place to assess the performance and consider competing time commitments of the Directors include the following:–

• Declarations by individual Directors of their other listed company board directorships and principal commitments;
• Annual confirmations by each Director on his/her ability to devote sufficient time and attention to the Company's affairs, having regard to his/her other commitments; and
• Assessment of the Directors' performance based on the criteria set out in Section 5 of this report.</td></tr>
<tr><td></td><td>(d) Have the Directors adequately discharged their duties?</td><td>The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have discharged their duties adequately for FY2017.</td></tr>
<tr><td>4.5</td><td>Are there alternate Directors?</td><td>The Company currently does not have any alternate director.</td></tr>
<tr><td>4.6</td><td>Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.</td><td><table>
<tr><th colspan="3">Table 4.6(a) – Process for the Selection and Appointment of New Directors</th></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>• The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills/experience/knowledge to complement and strengthen the Board.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>• The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>• The NC would deliberate on the competencies of each shortlisted candidate against the needs of the Board to select a candidate for the directorship role.</td></tr>
<tr><td>4.</td><td>Appointment of director</td><td>• The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table></td></tr>
</table>

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><th colspan="3">Table 4.6(b) – Process for the Re-election of Incumbent Directors</th></tr>
<tr><td>1.</td><td>Assessment of director</td><td>• The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and
• The NC would also consider the current needs of the Board.</td></tr>
<tr><td>2.</td><td>Re-appointment of director</td><td>• Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.</td></tr>
</table>
Article 109 of the Company's Constitution, requires one-third of directors (other than the Managing Director) to retire from office and submit themselves for re-nomination and re-election at the Annual General Meeting ("AGM"), at least once every three years. In addition, Article 119 provides that a director newly appointed by the Board must submit himself for re-election at the AGM following his appointment.
The NC is of the view that each individual director has contributed to the effectiveness of the Board as a whole and has recommended the re-elections of Dr Tan Eng Liang ("Dr Tan") and Mr Johnlin Yuwono ("Mr Johnlin") pursuant to Article 109 as aforementioned.
Dr Tan and Mr Johnlin do not have any relationships including immediate family relationships between themselves and the Directors, the Company and its 10% shareholders. The detailed information of these directors can be found on pages 4 and 6.
Dr Tan will, upon re-election as a Director of the Company, remain as the Chairman of the ARC and IRC, and a member of the RC and NC. Dr Tan will be considered independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("Catalist Rules"). Mr Johnlin will, upon re-election as a Director of the Company, remain as a member of the ARC and RC. Mr Johnlin will be considered non-independent for the purposes of Rule 704(7) of the Catalist Rules.
Dr Tan and Mr Johnlin had abstained from participating in the discussion and recommendation on their respective nominations.
</td></tr>
<tr><td>4.7</td><td>Please provide Directors' key information.</td><td>The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out on pages 4 to 6 of this annual report.</td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Board Performance		
5.1 5.2 5.3	What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?	Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board. The evaluations are designed to assess the Board's effectiveness to enable the NC Chairman and Board to identify the areas of improvement or enhancement which can be made to the Board:
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The review of the performance of the Board and the Board Committees is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election. For FY2017, the review process was as follows: 1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board, the Board Committees, and the individual Directors based on criteria disclosed in Table 5 above; 2. The Company collated and submitted the questionnaire results to the NC Chairman in the form of a report; and 3. The NC discussed the report and concluded the performance results during the NC meeting. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance. No external facilitator was used in the evaluation process.
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives.

Table 5 – Performance Evaluation Criteria

Board/Individual Directors	Performance Criteria
Board and Board Committees	1. Size and composition 2. Access to information 3. Board processes 4. Inputs to strategic planning 5. Board accountability 6. Risk management 7. Succession planning
Individual Directors	1. Commitment of time 2. Knowledge and abilities 3. Teamwork 4. Independence (if applicable) 5. Overall effectiveness 6. Attendance at Board and Board Committee meetings

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Access to Information</u></td></tr>
<tr><td>6.1
10.3</td><td>What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</td><td>Management provides the Board with key information that is complete, adequate and timely. The types of information which are provided by Management to Independent Directors are set out in the table below:
<table>
<tr><th colspan="3">Table 6 – Types of information provided by key management personnel to Independent Directors</th></tr>
<tr><th></th><th>Information</th><th>Frequency</th></tr>
<tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Prior to Board Meetings (held at least half-yearly)</td></tr>
<tr><td>2.</td><td>Updates to the Group's operations and the markets in which the Group operates in</td><td>As and when necessary</td></tr>
<tr><td>3.</td><td>Budgets and/or forecasts (with variance analysis), management accounts</td><td>Monthly</td></tr>
<tr><td>4.</td><td>Reports on on-going or planned corporate actions</td><td>As and when necessary</td></tr>
<tr><td>5.</td><td>Enterprise risk framework and internal auditors' report(s)</td><td>Half yearly</td></tr>
</table>
Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings. As such, Management endeavours to circulate information for the Board meetings at least 3 days prior to the meetings to allow sufficient time for the Directors' review.

Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.</td></tr>
<tr><td>6.3</td><td>What is the role of the Company Secretary?</td><td>The Board has separate and independent access to the senior management and the Company Secretary at all times. The Company Secretary or her representative attends Board and Board Committee meetings and is responsible to ensure that board procedures are followed and applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter that has to be decided for the Board as a whole. The Board also has access to independent professional advice where appropriate at the Company's expenses in relation to the Company's affairs.</td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies **Level and Mix of Remuneration**		
7.1	What is the role of the RC?	The RC is guided by key terms of reference as follows: 1. to review and recommend to the Board, in consultation with the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the directors and key management personnel of the Group; 2. to recommend to the Board, share-based incentives or awards or any long term incentive schemes which may be set up from time to time, reviewing whether directors and key management personnel should be eligible for such schemes, evaluating the cost and benefits of such schemes and to do all acts necessary in connection therewith; 3. to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time; and 4. to ensure all aspects of remuneration are covered.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2017. The Company is of the view that the annual review by the RC, which includes the referencing of Directors and key management personnel's remuneration against comparable benchmarks and giving due regard to prevailing market conditions as well as the financial, commercial health and business needs of the Group, is currently sufficient to ensure the continued relevance of such remuneration packages to the Group's strategic business objectives and alignment with market practices.
8.4	Are "claw-back" provisions provided for in the service agreements of Executive Directors and key management personnel?	The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Director and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Director and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.
Disclosure on Remuneration		
9	What is the Company's remuneration policy?	The Company's remuneration policy which covers all aspects of remuneration, including but not limited to salaries, allowances, benefits-in-kind and bonuses, is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>9.1
9.2</td><td>Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Directors for FY2017 is as follows:
<table>
<tr><td colspan="5">Table 9 – Directors' Remuneration</td></tr>
<tr><th>Name</th><th>Directors Fees (%)</th><th>Salary (%)</th><th>Bonus (%)</th><th>Total (%)</th></tr>
<tr><td colspan="5">S$1,000,000 – S$1,250,000</td></tr>
<tr><td>Mr Lee Ee @ Lee Eng</td><td>–</td><td>96</td><td>4</td><td>100</td></tr>
<tr><td colspan="5">Below S$250,000</td></tr>
<tr><td>Dr Tan Eng Liang</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Mr Ch'ng Jit Koon</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Mr Chee Wai Pong</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Mr Johnlin Yuwono</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Mr Francis Lau Choo Yew</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
</table>
After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment.
There are no termination, retirement, post-employment benefits granted to the Directors, the Managing Director and the top 6 key management personnel.
The Company does not have any employee share option scheme or other long-term employee incentive scheme. </td></tr>
<tr><td>9.3</td><td>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Company's top 6 key management personnel (who are not Directors or the Managing Director) for FY2017 is as follows:
<table>
<tr><td>Table 9.3 – Remuneration of Key Management Personnel</td></tr>
<tr><td>Below $250,000
Han Jing
Dong Fagen
Cindy Lee
Andy Lee
Lee Bee Bee
Desmond Ling</td></tr>
</table>
The Company has not disclosed the breakdown of the remuneration paid to its top 6 key management personnel as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information.
Currently, the Company does not have any employee share option scheme or other long-term employee incentive scheme. </td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	The total remuneration paid to the top 6 key management personnel for FY2017 was S$719,000.
9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	Save for Cindy Lee and Andy Lee who are the daughter and son of the Company's Managing Director, Mr Lee Ee @ Lee Eng, there is no other employee of the Group who is an immediate family of a Director or Managing Director whose remuneration exceeds S$50,000 in FY2017. The remunerations of Cindy Lee and Andy Lee for FY2017 were within the bands of S$100,000 to S$150,000.
9.5	Please provide details of the employee share scheme(s).	The Company does not have an employee share scheme in FY2017 as the Company is of the view that performance bonuses are sufficient to reward high-performing employees for the time being given the current nature and scope of the Group's operations and size. The RC will periodically review the Company's remuneration tools and assess if share-based incentive schemes should be adopted going forward, giving due consideration to factors such as the prevailing market practice, size and scope of the Group's operations and relevant tax implications.
9.6	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	The remuneration received by the Executive Director(s) and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2017. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	The following performance conditions for short-term incentives such as performance bonus were chosen for the Group to remain competitive and to motivate the Executive Director(s) and key management personnel to work in alignment with the goals of all stakeholders: ***Table 9.6(b) – Performance Conditions for Short-term Incentives** (such as performance bonus)* 1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors
	(c) Were all of these performance conditions met? If not, what were the reasons?	Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2017.

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">ACCOUNTABILITY AND AUDIT</td></tr>
<tr><td colspan="3"><u>Risk Management and Internal Controls</u></td></tr>
<tr><td>11.3</td><td>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</td><td>The Managing Director meets with key management personnel on a weekly basis to discuss operational, business and strategic matters. During these meetings, key projects and operational risks are identified and discussed, along with proposed mitigating measures to address these risks to ensure residual risks are mitigated to an acceptable level. Follow-ups are then performed in subsequent meetings to ensure mitigating actions are executed. Any significant issues identified from these meetings are brought to the attention of the Board and ARC.

The Board and the ARC are of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2017.

The bases for the Board's view are as follows:

1. Assurance has been received from the Managing Director and Finance Manager (refer to Section 11.3(b) below);
2. Internal audits have been performed by the internal auditors ("IA") and significant matters highlighted to the ARC and key management personnel were appropriately addressed;
3. Key management personnel regularly evaluates, monitors and reports to the ARC on material risks;
4. Discussions were held between the ARC and the EA in the absence of the key management personnel to review and address any potential concerns;
5. Risk appetite statements with tolerance limits have been approved by the Board to contain risks within acceptable levels; and
6. ARC has spoken with the IA and EA and noted that there were no exceptional matters to be reported.

The Company is gradually placing emphasis on sustainability and would be implementing appropriate policies and programmes. The Company will publish its inaugural sustainability report by December 2018, in compliance with the Catalist Rules.</td></tr>
<tr><td></td><td>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?</td><td>Yes, the Board has obtained such assurance from the Managing Director and Finance Manager in respect of FY2017.

The Board has relied on the independent auditor's report as set out in this Annual Report as assurance that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

The Board has additionally relied on IA's internal audit reports issued to the Company for FY2017 as assurances that the Company's risk management and internal control systems are effective.</td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Audit Committee		
12.1 12.4	What is the composition and the role of the AC?	All members of the ARC are non-executive directors who do not have any management and business relationships with the Company. Majority of the ARC members are independent and do not have relationships with any substantial shareholder of the Company. None of the ARC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the ARC members hold any financial interest in the external audit firm. The ARC is guided by the following key terms of reference: 1. to review with the EA their audit plan, their evaluation of the system of internal accounting controls, their audit report and their management letter and the Management's response; 2. to ensure co-ordination where more than one audit firm is involved; 3. to review the half-yearly and annual financial statements before submission to the Board for approval; 4. to review any formal announcement relating to the Company's financial performance; 5. to discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the EA and IA where necessary; 6. to meet with the EA and with the IA without the presence of Management, at least annually, to discuss any problems and concerns they may have; 7. to review the assistance given by Management to the EA; 8. to review annually the scope and results of the external audit and its cost effectiveness as well as the independence and objectivity of the EA. Where the EA also provide non-audit services to the Company, to review the nature and extent of such services, in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the EA would not be affected; 9. to review the internal audit programme and the adequacy and effectiveness of the Company's internal audit function, as well as to ensure coordination between the IA and EA and the Management; 10. to review the adequacy and effectiveness of the Company's internal control system, including financial, operational, compliance and information technology controls and to report to the Board annually; 11. to review the scope and results of the internal audit procedures including the effectiveness of the internal audit function and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; 12. to review and discuss with the EA, any suspected fraud or irregularity, or suspected infringement of any law, 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; 13. to investigate any matter within its Terms of Reference, with full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		14. to review arrangements by which staff of the Company, may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow up actions to be taken; 15. to report to the Board its findings from time to time on matters arising and requiring the attention of the Board; 16. to review interested person transactions falling within the scope of the Catalist Rules; 17. to recommend to the Board the appointment, re-appointment and removal of the EA and approve the remuneration and terms of engagement of the EA; 18. to review the audit representation letters before consideration by the Board; 19. to review and advise the Board in formulating its risk policies including the parameters for risk assessments and methodology to be adopted; 20. to oversee the Management in the design and implementation and monitoring of the risk management system; 21. to determine the Company's level of risk tolerance; 22. to develop and guide the Board in establishing a process of effectively identifying and managing the implications of risks tolerance in internal controls and strategic transactions to be undertaken by the Company; 23. to oversee and advise the Board on the current risk exposures, overall risk tolerance, and overall risk strategy of the Company; 24. to annually review the adequacy and effectiveness of the Company's risk management system, including the overall risk assessment processes; 25. to review periodically the risk limits established by the Company and where applicable, report on any material breach of such limits and the adequacy of proposed action(s) to be taken, and if necessary, make recommendations on further action to be taken; 26. to recommend to the Board the statements to be included in the Company's annual report concerning the adequacy and effectiveness of the Company's internal control and risk management systems; 27. to monitor the independence of the risk management function throughout the organisation; 28. to review and monitor Management's responsiveness to EA's and IA's findings and proposed mitigating efforts undertaken by Management; 29. to undertake such other reviews and projects as may be requested by the Board; and 30. to undertake such other functions and duties as may be required by statute, the Code of Corporate Governance or the Catalist Rules. In the review of the financial statements for FY2017, the ARC has discussed with the Management and the EA on the following key audit matters that have been identified for FY2017: 1. Revenue recognition on construction contracts; 2. Fair value of investment property; and 3. Recoverability of equity investment and loan to an associated company. The ARC has considered the approach and the procedure carried out by the EA during their audit. Following the discussions, the ARC is satisfied that those matters have been properly dealt with and properly supported by audit evidence.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
12.2	Are the members of the AC appropriately qualified to discharge their responsibilities?	Yes. The Board considers Dr Tan Eng Liang, who has extensive experience in many other listed companies as AC chairman and/or AC member, well qualified to chair the ARC. Mr Ch'ng Jit Koon is well qualified as ARC member, considering his extensive experience in many listed companies, statutory boards and community entities as member of the AC, member of Board of Trustees and/or member of Board of Governors. Mr Chee Wai Pong and Mr Johnlin Yuwono have years of experience running their own companies, are also appropriately qualified as ARC member.
12.5	Has the AC met with the auditors in the absence of key management personnel?	Yes, the ARC has met with the IA and the EA at least once in the absence of key management personnel in FY2017.
12.6	Has the AC reviewed the independence of the EA?	The ARC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.
	(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.	Please refer to Note 22 of the Notes to the Financial Statements on page 69 of this Annual Report.
	(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.	The non-audit services rendered during FY2017 were not substantial.
12.7	Does the Company have a whistle-blowing policy?	Yes. The Company has put in place a whistle-blowing framework, endorsed by the ARC, which provides the mechanism where employees of the Company may, in good faith and in confidence, raise concerns or observations about possible improprieties in financial reporting or other matters directly to members of the ARC. Copies of the whistle blowing policy and procedures, including the contact details of the members of the ARC, have been made available to all employees. It has well defined process which ensures independent investigation of possible improprieties with appropriate follow up action and provides assurance that complainants will be protected from retaliatory action within the limit of laws. The Board will review the whistle-blowing policy and determine if it should be extended to external parties in due course.
12.8	What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	In FY2017, the ARC has been briefed by the EA on changes or amendments to accounting standards which have a direct impact on financial statements.

CORPORATE **GOVERNANCE**

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	The Company's internal audit function is outsourced to Wensen Consulting Asia (S) Pte. Ltd. ("**Wensen**") that reports directly to the ARC Chairman on audit matters and to the Managing Director on administrative matters. The ARC is responsible for the hiring, removal, evaluation and compensation of the accounting or auditing firm or corporation which the internal audit function of the Company is outsourced to. The ARC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The ARC is satisfied that Wensen is adequately qualified (given, *inter alia*, its adherence to standards set by nationally/internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Shareholder Rights		
14.2	(a) Are shareholders informed of the rules, including voting procedures, that govern general meetings of shareholders?	Shareholders are entitled to attend the general meetings of shareholders and are afforded the opportunity to participate effectively in and vote at general meetings of shareholders. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures, that govern the general meetings of shareholders.
14.3	(b) Are corporations which provide nominee or custodial services allowed to appoint more than two proxies?	The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a Central Provident Fund agent bank may attend and vote at general meetings.
Communication with Shareholders		
15.1	Does the Company have an investor relations policy?	The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	In line with the continuous disclosure obligations under the relevant rules, the Board informs shareholders promptly of all major developments that may have a material impact on the Group in a timely manner. Half-year and full year results and other major developments of the Company are published through the SGXNet and/or press releases, as required by the Catalist Rules. The Company ensures that price-sensitive information is publicly released, and is announced within the mandatory period. In addition, if the need arises, the Company may organise media/analyst briefings to enable a better appreciation of the Group's performance and developments, which will also act as platforms to solicit and understand the views of shareholders and investors. The Company does not have a dedicated investor relations team. Cindy Lee, the Company's Admin and Corporate Affairs Director is responsible for the Company's communication with shareholders.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company may release press releases or organise media/analyst briefings to keep shareholders informed of corporate developments.
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. In considering the declaration of dividends, the Company will have to take into consideration the Group's profit growth, cash position, cash flows, projected capital requirements for business growth and other factors as the Board may deem relevant.
	Is the Company paying dividends for the financial year? If not, please explain why.	The Board has not declared or recommended dividends for FY2017, as the Company has deemed it more appropriate to retain the cash in the Group for its future growth plans.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company requires all Directors (including the respective chairman of the Board Committees) to be present at all general meetings of shareholders, unless of exigencies. The EA is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. All resolutions will be put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting. All minutes of general meetings will made available to shareholders upon their request within 30 days after the general meetings.

CORPORATE **GOVERNANCE**

COMPLIANCE WITH APPLICABLE CATALIST RULES

Catalist Rule	Rule Description	Company's Compliance or Explanation
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Catalist Rules 712 and 715.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board and the ARC are of the opinion that the internal controls are adequate to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment based on the following: • internal controls and the risk management system established by the Company; • work performed by the IA and EA; • assurance from the Managing Director and Finance Manager; and • reviews done by the various Board Committees and key management personnel.
1204(17)	Interested Persons Transaction ("**IPT**")	The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the ARC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. There were no IPTs transacted during FY2017.
1204(19)	Dealing in Securities	The Company has adopted a code of conduct to provide guidance to its officers in relation to dealings in the Company's securities. The Company, directors, officers and staff of the Group are not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Company's full year or half-year results and ending on the date of the announcement of such results and at any time they are in possession of unpublished material price sensitive information in relation to these securities. Officers are also advised not to deal in the Company's securities on short-term considerations.
1204(21)	Non-sponsor fees	During FY2017, the Company had not paid to its continuing sponsor, PrimePartners Corporate Finance Pte. Ltd. any non-sponsor fees.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Progen Holdings Ltd (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

DIRECTORS

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

Tan Eng Liang
Lee Ee @ Lee Eng
Ch'ng Jit Koon
Chee Wai Pong
Johnlin Yuwono
Francis Lau Choo Yew

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest			Deemed interest		
	1.1.2017	**31.12.2017**	**21.1.2018**	**1.1.2017**	**31.12.2017**	**21.1.2018**
Name of director						
The Company						
Ordinary shares						
Lee Ee @ Lee Eng	79,083,690	79,083,690	79,083,690	913,041	913,041	913,041
Johnlin Yuwono	20,766,000	20,766,000	20,766,000	–	–	–
Ch'ng Jit Koon	–	–	–	200,000	200,000	200,000
Francis Lau Choo Yew	48,500	620,600	620,600	–	–	–

DIRECTORS' STATEMENT

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later or at the end of the financial year and at 21 January 2018.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or has become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

OPTIONS

The Company does not currently have an Employees' Share Option Scheme. The previous scheme had lapsed on 31 July 2010 and has since been discontinued.

AUDIT & RISK COMMITTEE

The audit & risk committee ("ARC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Report on Corporate Governance.

The ARC recommends to the Board of Directors the nomination of Ernst & Young LLP as external auditor at the forthcoming annual general meeting of the Company.

BOARD'S OPINION ON INTERNAL CONTROLS

Based on the reports submitted by the internal auditor and the various management controls put in place, the Board with the concurrence of the ARC is of opinion that the internal controls and risk management systems of the Company are adequate in addressing its financial, operational, compliance and information technology risks.

AUDITOR

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

On behalf of the board of directors:

Lee Ee @ Lee Eng
Director

Tan Eng Liang
Director

Singapore
29 March 2018

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Progen Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Revenue recognition on construction contracts

The Group is involved in construction projects for which it applies the percentage of completion method to recognise the related revenue and make provisions for loss-making projects when it is probable that total costs will exceed total revenue. The amount of revenue and profit recognised in a year on such projects is determined based on the percentage of completion estimated for each project; the determination of which is dependent on, amongst others, the actual cost incurred and the total forecasted cost of construction for each project. These revenue recognition and provisioning processes require management to exercise significant judgement, and can significantly impact the results of the Group. For these reasons, we have determined this to be key audit matter.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

As part of our audit, we evaluated the effectiveness of management's controls over the revenue recognition process and reviewed the construction contracts and management's budgeted costs for individually significant projects. We assessed management's basis in determining the percentage of completion by reviewing the latest budgets and costs incurred to date. We also tested management's revenue calculations taking into consideration information on variation orders for the projects. We assessed management's basis in determining provisions for loss-making projects by holding discussions with management, reviewing related contracts, budgeted costs and correspondence with the customers. In connection with this, we discussed with management and the relevant project personnel to understand the progress of the projects and if there were any ongoing disputes with the Group's customers.

We also considered the presentation of balances for construction contracts and work-in-progress, and the adequacy of related disclosures in Note 14 Construction Contracts.

Fair value of investment property

The Group's investment property is carried at fair value of $24.0 million, which represents 65% of the Group's total assets as at 31 December 2017. The management determined the investment property's fair value with the assistance of an independent real estate valuation expert ("external appraiser") The valuation process involves significant judgement in the selection and application of the appropriate valuation techniques, key inputs and estimates. For these reasons, we have determined this to be a key audit matter.

As part of our audit, we considered the objectivity, independence and competency of the external appraiser, and discussed and obtained an understanding of the valuation techniques used by the external appraiser. We evaluated the reasonableness of key inputs used in the valuation, such as property expenses by comparing them against historical and external data. We also involved our internal specialist to assess the appropriateness of the valuation model used, and to review the key estimates relating to price per square feet of the property by making comparison to observable transaction data involving properties with comparable characteristics such as nature, size, location and remaining lease terms. We also considered the adequacy of the related disclosure in Notes 5 Investment Property and Note 29(c) Fair Value of Assets and Liabilities – Level 3 Fair Value Measurements.

Recoverability of equity investment and loan to an associated company

As at 31 December 2017, the Group has investment in an associated company, TSky Balmoral Pte., Ltd. of $0.4 million, to which it has extended shareholder's loan of $5.2 million. These investments are subject to risks of impairment and their recoverability is dependent on the viability and future operating and financial performance of the associated company's property development activities, which have yet to commence as at year end. Significant management judgement is required in the identification and assessment of evidence or indicators of potential impairment and accordingly, we have determined this to be a key audit matter.

As part of our audit, we evaluated management's identification and assessment of evidence or indicators of potential impairment, including but not limited to understanding the development plans of the associated company in the context of the relevant property market, considering the reputation and credentials of the main developer and major shareholder of the associated company, comparing forecasted development revenue to comparable recent sales transactions and understanding management's current expectation of the future profitability of the associated company. We have also considered the adequacy of the related disclosure in Note 9 Investment in an associated company and Note 12 Related party balances.

OTHER INFORMATION

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

For the financial year ended 31 December 2017

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Low Yen Mei.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
29 March 2018

BALANCE SHEETS

As at 31 December 2017

	Notes	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	4	**577**	201	**16**	32
Investment property	5	**24,000**	26,000	**–**	–
Intangible asset	6	**198**	228	**–**	–
Fixed deposits	7	**2,000**	4,000	**–**	–
Investment in subsidiaries	8	**–**	–	**8,987**	9,003
Investment in an associated company	9	**399**	–	**–**	–
Amount due from subsidiaries	12	**–**	–	**18,945**	–
Loan to an associated company	12	**5,235**	–	**–**	–
Deferred tax asset	18	**54**	54	**–**	–
		32,463	30,483	**27,948**	9,035
Current assets					
Cash and bank balances	7	**726**	2,190	**60**	363
Fixed deposits	7	**2,055**	3,648	**–**	3,577
Trade receivables	10	**1,133**	1,299	**–**	–
Prepayments		**116**	36	**19**	12
Deposits		**67**	78	**47**	47
Other receivables		**33**	33	**–**	25
Investment securities	11	**61**	57	**–**	–
Amounts due from subsidiaries	12	**–**	–	**533**	15,494
Inventories	13	**244**	144	**–**	–
Gross amount due from customers for contract work-in-progress	14	**362**	2,169	**–**	–
		4,797	9,654	**659**	19,518
Current liabilities					
Trade payables	15	**(509)**	(1,323)	**(82)**	(79)
Deferred revenue		**(110)**	(96)	**–**	–
Other payables	16	**(2,495)**	(2,697)	**(733)**	(661)
Income tax payable		**(8)**	(43)	**(5)**	(8)
Amounts due to subsidiaries	12	**–**	–	**(456)**	(456)
Gross amount due to customers for contract work-in-progress	14	**(117)**	(203)	**–**	–
Loans and borrowings	17	**(2,950)**	–	**–**	–
		(6,189)	(4,362)	**(1,276)**	(1,204)
Net current (liabilities)/assets		**(1,392)**	5,292	**(617)**	18,314
Non-current liabilities					
Deferred tax liabilities	18	**–**	(1)	**–**	–
Net assets		**31,071**	35,774	**27,331**	27,349
Equity attributable to equity holders of the parent					
Share capital	19	**27,224**	27,224	**27,224**	27,224
Foreign currency translation reserve	20	**(202)**	(213)	**–**	–
Accumulated profit		**4,049**	8,763	**107**	125
Total equity		**31,071**	35,774	**27,331**	27,349

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Notes	Group 2017 $'000	Group 2016 $'000
Revenue			
Products and installation		**2,795**	9,426
Servicing and maintenance		**427**	405
Rental income		**69**	30
Total revenue		**3,291**	9,861
Other items of income			
Dividend income	21	**2**	2
Other income	22	**117**	198
Total other items of income		**119**	200
Cost and expenses			
Cost of products and installation		**(2,438)**	(5,821)
Salaries and employee benefits	22	**(2,820)**	(2,864)
Depreciation and amortisation expense		**(146)**	(78)
Other expenses	22	**(2,758)**	(2,841)
Share of results of an associated company		**(1)**	–
Finance cost	23	**(8)**	–
Total cost and expenses		**(8,171)**	(11,604)
Loss before income tax		**(4,761)**	(1,543)
Income tax credit/(expense)	24	**47**	(50)
Loss, net of tax, attributable to equity holders of the parent		**(4,714)**	(1,593)
Other comprehensive income			
Foreign currency translation	20	**11**	(13)
Total comprehensive income attributable to equity holders of the parent		**(4,703)**	(1,606)
Loss per share (cents per share)			
Basic	25	**(1.733)**	(0.586)
Diluted	25	**(1.733)**	(0.586)

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Attributable to equity holders of the parent			
	Share capital (Note 19) $'000	Foreign currency translation reserve (Note 20) $'000	Accumulated profit $'000	Total equity $'000
Group				
2017				
At 1 January	**27,224**	**(213)**	**8,763**	**35,774**
Loss net of tax	**–**	**–**	**(4,714)**	**(4,714)**
Other comprehensive income for the year	**–**	**11**	**–**	**11**
Total comprehensive income for the year	**–**	**11**	**(4,714)**	**(4,703)**
At 31 December	**27,224**	**(202)**	**4,049**	**31,071**
2016				
At 1 January	27,224	(200)	10,900	37,924
Loss net of tax	–	–	(1,593)	(1,593)
Other comprehensive income for the year	–	(13)	–	(13)
Total comprehensive income for the year	–	(13)	(1,593)	(1,606)
Contributions by and distributions to owners				
Dividends paid	–	–	(544)	(544)
Total contributions by and distributions to owners	–	–	(544)	(544)
At 31 December	27,224	(213)	8,763	35,774

	Attributable to equity holders of the Company		
	Share capital (Note 19) $'000	Accumulated profit $'000	Total equity $'000
Company			
2017			
At 1 January	**27,224**	**125**	**27,349**
Loss net of tax	**–**	**(18)**	**(18)**
Total comprehensive income for the year	**–**	**(18)**	**(18)**
At 31 December	**27,224**	**107**	**27,331**
2016			
At 1 January	27,224	688	27,912
Profit net of tax	–	(19)	(19)
Total comprehensive income for the year	–	(19)	(19)
Contributions by and distributions to owners			
Dividends Paid	–	(544)	(544)
Total contributions by and distributions to owners	–	(544)	(544)
At 31 December	27,224	125	27,349

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

CONSOLIDATED **CASH FLOW STATEMENT**

For the financial year ended 31 December 2017

	2017 $'000	2016 $'000
Operating activities		
Loss before income tax	**(4,761)**	(1,543)
Adjustments for:		
Interest income	**(93)**	(137)
Interest expenses	**8**	–
Loss on disposal of property, plant and equipment	**–**	5
Fixed assets written off	**–**	8
Dividend income from investment securities	**(2)**	(2)
Depreciation of property, plant and equipment	**106**	72
Amortisation of intangible asset	**40**	6
Allowance for doubtful debts	**40**	75
Fair value loss on investment property	**1,812**	1,748
Fair value (gain)/loss on investment securities	**(4)**	6
Currency realignment	**(11)**	(13)
Share of results of an associated company	**1**	–
Operating cash flows before changes in working capital	**(2,864)**	225
Decrease in trade and other receivables	**142**	555
(Increase)/decrease in prepayments and deposits	**(69)**	66
(Increase)/decrease in inventories	**(100)**	129
Decrease/(increase) in gross amount due from customers for contract work-in-progress	**1,807**	(1,473)
(Decrease)/increase in trade payables	**(814)**	426
Increase/(decrease) in deferred revenue	**14**	(11)
Decrease in other payables	**(204)**	(1,122)
Decrease in gross amount due to customer for contract work-in-progress	**(86)**	(668)
Cash flows used in operations	**(2,174)**	(1,873)
Interest paid	**(6)**	–
Interest received	**77**	137
Refund/(payment) of taxes	**33**	(11)
Net cash flows used in operating activities	**(2,070)**	(1,747)
Investing activities		
Purchase of property, plant and equipment	**(96)**	(128)
Proceeds from disposal of property, plant and equipment	**–**	15
Additions to intangible asset	**(10)**	(6)
Investment in an associated company	**(400)**	–
Decrease in fixed deposit pledged	**2,000**	–
Dividends received from investment securities	**2**	2
Additions to investment property	**(198)**	(1,742)
Loan to an associated company	**(5,235)**	–
Net cash flows used in investing activities	**(3,937)**	(1,859)
Financing activities		
Proceeds from interest bearing loan	**2,950**	–
Dividends paid	**–**	(544)
Net cash flows from/(used in) financing activities	**2,950**	(544)
Net decrease in cash and cash equivalents	**(3,057)**	(4,150)
Cash and cash equivalents at 1 January	**5,838**	9,988
Cash and cash equivalents at 31 December (Note 7)	**2,781**	5,838

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. CORPORATE INFORMATION

Progen Holdings Ltd (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 28 Riverside Road, Singapore 739085.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

The financial statements are presented in Singapore Dollars ("SGD" or "$") which is the Company's functional currency and all values in the tables are rounded to the nearest thousand ("$'000") except when otherwise indicated.

As at 31 December 2017, the Group's current liabilities exceeded its current assets by $1,392,000 (2016: current asset exceeded its current liabilities $5,292,000). The financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including revenue from products and installation, unutilised committed banking facilities and cashflow from a proposed rights issue for it to pay its debts as and when they fall due.

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of $213,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the effects of the matter as described above and the adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Improvements for FRSs (December 2016)	
Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to FRSs (March 2018)	
Amendments to FRS 12 *Income Taxes*	1 January 2019
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for the adoption of FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018. The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach.

The Group is in the business of contracting of engineering works, cooling towers, air-conditioning and mechanical ventilation systems. The Group currently recognises revenue from such contracts using the percentage of completion method for these contracts where the legal terms were such that the engineering works represented the continuous transfer of work in progress to the purchaser. Under FRS 115, performance obligations for such contracts are satisfied over time where the Group is restricted contractually from directing the completed works for another use and has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not effective (Continued)

FRS 115 Revenue from Contracts with Customers (Continued)

Under FRS 115, revenue is recognised using an input or an output method to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time. The Group will implement the input method in revenue recognition of its contract with customers. Input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of that performance obligation. The input method is also similar to the previous FRS 11 Construction Contracts. Accordingly, revenue will continue to be recognised using the percentage of completion method computed based on actual cost incurred to date over the budgeted cost. The Group does not expect any significant impact to arise from these changes.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and does not expect any significant difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

(a) Classification and measurement

The Group's debt instruments are expected to give rise to cashflows representing solely payments of principal and interest. The Group expects to have the "hold-to-collect" business model. Accordingly, the Group's debt instruments are measured at amortised when it applies FRS 109. The Group does not expect any significant impact to arise from these changes.

(b) Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and trade receivables either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect any significant impact to arise from these changes as the Group's historical credit loss experience has been minimal.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not effective (Continued)

FRS 116 Leases (Continued)

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

2.4 Basis of consolidation and business combination

(a) Basis of consolidation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combination (Continued)

(b) Business combinations

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

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill.

2.5 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their profit or loss are translated at average exchange rates for the year which approximate the exchange rates at the date of the transactions. The exchange differences arising on the translation are recognised initially in other comprehensive income and accumulated under currency translation reserve in equity. On disposal of a foreign operation, the cumulative amount recognised in currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Plant and machinery	–	10 years
Furniture, fittings and equipment	–	4 to 10 years
Motor vehicles	–	5 years
Computers	–	3 years

Renovation-in-progress are not depreciated as these assets are not yet available for use.

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

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

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

2.7 Investment properties

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

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

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

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

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Upon completion of the development and when available for use, the development cost is reclassified to intangible asset and is carried at cost less accumulated amortisation and any accumulated impairment losses. The intangible asset have a finite useful life and is amortised over 6 years on a straight line basis.

2.9 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit or loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Subsidiaries

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

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

2.11 Associated company

An associated company is an entity which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investment in the associated company using the equity method from the date on which it becomes an associated company.

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

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

When the Group's share losses in an associated company equal or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the profit or loss. Net gains or net losses on financial assets at fair value through profit and loss include exchange differences, interest and dividend income.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

De-recognition

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

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gain or loss arising from changes in fair value of the financial liabilities is recognised in profit or loss.

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

(ii) Financial liabilities at amortised cost

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts, if any that form an integral part of the Group's cash management.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and bank balances and unpledged fixed deposits, net of bank overdrafts, if any.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost incurred in bringing the inventories to their present location and condition, includes cost of finished goods and other direct attributable costs and is accounted for on a first-in-first-out basis. Cost of finished goods comprises direct materials, labour and an appropriate proportion of production overhead expenditure.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is based on estimated selling price in ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Construction contracts

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 balance sheet date, when the outcome of a construction contract can be estimated reliably.

When the outcome of a construction contract cannot be estimated reliably, 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 construction 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. Stage of completion is determined by the actual cost incurred to date over the budgeted cost.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.18 Employee benefits

(a) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

(b) Employee leave entitlement

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

2.19 Leases

(a) As lessee

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

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and that revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Products and installation

Revenue from the sale of goods is recognised upon transfer of significant risks and rewards of ownership of the goods to the customer.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the contracting of installation is recognised by reference to the stage of completion at the balance sheet date. Stage of completion is determined by reference to contract costs incurred to date as a percentage of total estimated costs.

(b) Servicing and maintenance

Revenue from the provision of services is recognised upon the performance of services to the customer. Revenue from such services which is billed or collected in advance of the services being rendered, is deferred and reflected as deferred revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue (Continued)

(c) Rental income

Rental income arising from operating leases on the investment property is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) Dividend income

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

(e) Interest income

Interest income is recognised using the effective interest method.

2.21 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

– Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Income taxes (Continued)

(b) Deferred tax (Continued)

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

– Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

(c) Sales tax

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

– Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Share capital and share issuance expenses

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

2.23 Contingencies

A contingent liability is:

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Key sources of estimation uncertainty (Continued)

(a) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and revenue recognised. The estimates are made based on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 14 to the financial statements. If the estimated total contract cost had been 5% lower/higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been $328,000 (2016: $696,000) higher/lower and $2,083,000 (2016: $1,713,000) lower/higher respectively.

(b) Revaluation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The fair value of investment property is determined by independent real estate valuation expert using direct comparison approach. The determination of the fair value of the investment property requires the use of estimates such as price per square feet. These estimates are based on local market conditions existing at the end of each reporting date. In relying on the valuation report, management has exercised its judgement to ensure that the valuation method and estimates are reflective of current local market conditions existing at the end of each reporting date.

The carrying amount of investment property and the key assumptions used to determine the fair value of the investment property are further disclosed in Note 5 and Note 29(c) to the financial statements.

(c) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is observable data indicating that there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristic. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

4. PROPERTY, PLANT AND EQUIPMENT

Group	Renovation-in-progress $'000	Plant and machinery $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Computers $'000	Total $'000
Cost						
At 1 January 2016	–	53	115	510	108	786
Additions	–	15	5	–	108	128
Disposals	–	–	–	(92)	–	(92)
Write-offs	–	–	(21)	–	–	(21)
At 31 December 2016 and 1 January 2017	–	68	99	418	216	801
Additions	8	1	63	24	–	96
Transfer from investment property (Note 5)	–	–	386	–	–	386
At 31 December 2017	8	69	548	442	216	1,283
Accumulated depreciation						
At 1 January 2016	–	11	94	412	96	613
Charge for the year	–	5	4	51	12	72
Disposals	–	–	–	(72)	–	(72)
Write-offs	–	–	(13)	–	–	(13)
At 31 December 2016 and 1 January 2017	–	16	85	391	108	600
Charge for the year	–	8	55	18	25	106
At 31 December 2017	–	24	140	409	133	706
Net carrying amount						
At 31 December 2016	–	52	14	27	108	201
At 31 December 2017	8	45	408	33	83	577

Company	Furniture, fittings and equipment $'000	Motor vehicles $'000	Computers $'000	Total $'000
Cost				
At 1 January 2016	32	180	82	294
Additions	–	–	27	27
Write-offs	(21)	–	–	(21)
At 31 December 2016, 1 January 2017 and 31 December 2017	11	180	109	300
Accumulated depreciation				
At 1 January 2016	21	140	73	234
Charge for the year	2	36	9	47
Write-offs	(13)	–	–	(13)
At 31 December 2016 and 1 January 2017	10	176	82	268
Charge for the year	–	4	12	16
At 31 December 2017	10	180	94	284
Net carrying amount				
At 31 December 2016	1	4	27	32
At 31 December 2017	1	–	15	16

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

5. INVESTMENT PROPERTY

	Group	
	2017	2016
	$'000	$'000
At 1 January	**26,000**	26,000
Additions (subsequent expenditure)	**198**	1,748
Transfer to property, plant and equipment (Note 4)	**(386)**	–
Net loss from fair value adjustment recognised in profit or loss	**(1,812)**	(1,748)
At 31 December	**24,000**	26,000
Direct operating expenses (including repairs and maintenance)	**282**	181

Investment property is stated at fair value as at 31 December 2017 and 31 December 2016. This was determined based on valuation performed by Premas Valuers & Property Consultants Pte Ltd (2016: HBA Group Property Consultants Pte Ltd), an accredited independent valuer. The fair value loss of $1,812,000 (2016: $1,748,000) was recorded in "Other expenses" in profit or loss. The fair value of the investment property is determined using the Direct Comparison Method (2016: Income Method) which takes into account the price per square feet (2016: estimated gross rental income and a capitalisation rate) applicable to the property, and the assumption that the option to renew another 30 years is exercised. In arriving at its estimate of market value, the valuer has used his market knowledge and professional judgement.

The investment property held by the Group as at 31 December 2017 is as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
8-storey factory building at 28 Riverside Road, Singapore 739085	Factory	Leasehold (Note 26)	30-year lease commencing from 1 February 1992. (Option to renew another 30 years)

Valuation policies and procedures

The fair value of investment property is determined by external independent professional valuer with a recognised and relevant professional qualification and with experience in the location and category of the property being valued. Management reviews the appropriateness of the valuation methodology and assumptions adopted, and the reliability of the inputs used in the valuation.

Property pledged as security

As at 31 December 2017, the investment property is pledged as security for the bank borrowing (Note 17).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

6. INTANGIBLE ASSET

Group	Development costs $'000	Intangible asset $'000	Total $'000
Cost			
At 1 January 2016	228	–	228
Additions	6	–	6
Reclassification	(234)	234	–
At 31 December 2016 and 1 January 2017	–	234	234
Additions	–	10	10
At 31 December 2017	–	244	244
Accumulated amortisation			
At 1 January 2016	–	–	–
Charge for the year	–	6	6
At 31 December 2016 and 1 January 2017	–	6	6
Charge for the year	–	40	40
At 31 December 2017	–	46	46
Net carrying amount			
At 31 December 2016	–	228	228
At 31 December 2017	–	198	198

Intangible asset relates to chilled ceiling panel for tropical climate. Amortisation is charged over a period of 6 years commencing November 2016.

7. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	**2017**	2016
Current	**$'000**	$'000	**$'000**	$'000
Cash and bank balances	**726**	2,190	**60**	363
Fixed deposits	**2,055**	3,648	**–**	3,577
	2,781	5,838	**60**	3,940

Cash balances at bank earn interest at floating rates based on daily bank deposit rates. Current fixed deposits are made for 3 months and earn interest at the respective deposit rates. The current fixed deposits bear interest of 1.15% (2016: 0.85% to 1.45%) per annum.

Included in cash and cash equivalents of the Group are $14,000 (2016: $15,000) denominated in US Dollars ("USD") and $16,000 (2016: $2,000) denominated in Malaysia Ringgit ("MYR").

A floating charge has been placed on cash and bank balances with a carrying value of $2,066,000 as security for the bank loan (Note 17).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. CASH AND CASH EQUIVALENTS (CONTINUED)

Not included in the Group's cash and cash equivalents are:

	Group	
	2017	2016
	$'000	$'000
Non-current		
Fixed deposits	**2,000**	4,000

Non-current fixed deposits are pledged to banks for banking facilities for one of its subsidiary companies. These pledged fixed deposits have been reduced after taking up Revolving Credit Facility with bank. The remaining fixed deposit will be rolled over upon maturity at the end of term and it currently bears interest at 1.07% (2016: 1.59%) per annum.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	2016
	$'000	$'000
Unquoted equity shares, at cost	**9,123**	9,123
Impairment losses	**(136)**	(120)
	8,987	9,003

Assessment of impairment in investment in subsidiary companies is carried out at the end of each reporting date and the necessary allowances are made accordingly. Impairment loss of $16,000 was recognised in the current year (2016: Nil).

Composition of the Group

The Group has the following investment in subsidiaries.

Name of company (Country of incorporation)	**Principal activities (Principal place of business)**	**Proportion (%) of ownership interest**	
		2017	2016
Held by the Company:			
Progen Pte Ltd[1] (Singapore)	Trading and contracting of engineering works, cooling towers, air-conditioning and mechanical ventilation systems and rental of building space (Singapore)	**100**	100
D.B. Progen Servicing Pte Ltd[1] (Singapore)	Servicing and repairing of air-conditioners, cooling towers and other cooling equipment (Singapore)	**100**	100
Polacel Manufacturing (S.E. Asia) Pte Ltd[1] (Singapore)	Supply and installation of cooling fans, cooling towers and air-conditioners (Singapore)	**100**	100
Engpro Sdn Bhd[2] (Malaysia)	Installation and maintenance of air-conditioning systems (Malaysia)	**100**	100

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2017

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group (Continued)

Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion (%) of ownership interest	
		2017	2016
Held through:			
Progen Pte Ltd			
Progen Industrial Pte Ltd[1] (Singapore)	Sale and distribution of household electrical appliances and air-conditioners (Singapore)	**100**	100

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by Ernst & Young LLP, Malaysia.

9. INVESTMENT IN AN ASSOCIATED COMPANY

The Group's investment in an associated company is summarised below:

	2017 **$'000**	2016 $'000
Unquoted equity shares, at cost	**399**	–

Name of Company	Principal place of business	Principal activities	Proportion of ownership interest	
			2017 **%**	2016 %
TSky Balmoral Pte Ltd [1]	Singapore	Property development	**20**	–

(1) Audited by KPMG, Singapore.

The activities of the associated company are strategic to the Group's activities.

The summarised financial information in respect of TSky Balmoral Pte Ltd ("TSky") based on the FRS financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

9. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

Summarised balance sheet

	TSky 2017 $'000
Current assets	5
Non-current assets	89,201
Total assets	89,206
Current liabilities	(26,835)
Non-current liabilities	(60,375)
Total liabilities	(87,210)
Net assets	1,996
Proportion of Group's ownership	20%
Group's share of net assets, representing carrying amount of the investment	399

Summarised statement of comprehensive income

	TSky 2017 $'000
Revenue	–
Loss after tax, representing total comprehensive income	(4)

10. TRADE RECEIVABLES

	Group	
	2017 $'000	2016 $'000
Trade receivables	405	524
Retention monies receivables	728	775
	1,133	1,299
Trade receivables are stated after deducting allowance for doubtful debts of	(780)	(740)
Analysis of allowance for doubtful debts:–		
At 1 January	(740)	(665)
Charge for the year		
– Trade receivables	(17)	(20)
– Retention monies receivables	(23)	(55)
At 31 December	(780)	(740)

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. TRADE RECEIVABLES (CONTINUED)

Trade receivables that are determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties or have defaulted on payments. They are not secured by any collateral or credit enhancements.

Trade receivables are denominated in SGD.

Receivables that are impaired

At the end of the financial period, the Group has provided an allowance of $605,000 (2016: $582,000) for impairment of the retention monies receivable and $175,000 (2016: $158,000) for impairment of trade receivables from customers with a nominal amount of $605,000 (2016: $582,000) and $175,000 (2016: $158,000) respectively.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $423,000 (2016: $510,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2017	2016
	$'000	$'000
Trade receivables past due:		
1 to 30 days	**141**	405
31 to 60 days	**135**	5
61 to 90 days	**–**	–
More than 90 days	**147**	100
	423	510

11. INVESTMENT SECURITIES

	Group	
	2017	2016
	$'000	$'000
Held for trading investments at fair value		
– Equity instruments (quoted)	**61**	57

During the financial year, the Group recognised a fair value gain arising from held for trading investments amounting to $4,000 (2016: fair value loss of $6,000) directly in the profit or loss.

12. RELATED PARTY BALANCES

Loan to an associated company (non-current)

The loan is unsecured, interest bearing, repayable upon the completion of the associated company's development project and is to be settled in cash. The interest rate is pegged to the interest rate of the land loan obtained by the associated company from external banks.

This amount relates to shareholder's loan provided to the associated company for the property development project at 17 Balmoral Road.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. RELATED PARTY BALANCES (CONTINUED)

Amount due from a subsidiary (non-current)

The non-trade amount is interest-free and not expected to be repaid in the next 12 months. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As the amount forms, in substance, part of the net investment in the subsidiary, it is stated at cost.

Amounts due from subsidiaries (current)

	Company	
	2017	2016
	$'000	$'000
Non-trade	**653**	15,614
Allowance for doubtful debts	**(120)**	(120)
	533	15,494

The non-trade balances relate to management fees due, common cost allocations as well as payment made on behalf of these subsidiaries. At the balance sheet date, the Company has provided an allowance of $120,000 (2016: $120,000) for doubtful recovery of amounts due from subsidiaries.

Amounts due from subsidiaries are denominated in SGD.

Amounts due to subsidiaries

The non-trade balances relate to payments made on behalf by the subsidiaries.

Included in amounts due to subsidiaries of the Company is $456,000 (2016: $456,000) denominated in Malaysia Ringgit ("MYR").

13. INVENTORIES

	Group	
	2017	2016
	$'000	$'000
At lower of cost and net realisable value		
Consumables and spares	**1**	1
Trading stocks	**243**	143
	244	144
Inventories are stated after deducting allowance for obsolescence	**8**	8

Inventories recognised as an expense in cost of products and installation are $2,295,000 and $5,728,000 for the financial years ended 31 December 2017 and 2016 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

14. CONSTRUCTION CONTRACTS

	Group	
	2017	2016
	$'000	$'000
Contract costs incurred to date	**34,111**	33,017
Recognised profits less recognised losses to date	**16,508**	17,573
	50,619	50,590
Less: Progress billings	**(50,374)**	(48,624)
	245	1,966

This can be analysed as follows:–

	Group	
	2017	2016
	$'000	$'000
Current assets		
Gross amount due from customers for contract work-in-progress	**362**	2,169
Current liabilities		
Gross amount due to customers for contract work-in-progress	**(117)**	(203)
	245	1,966

Included in progress billings are retention receivables amounting to $705,000 (2016: $775,000). The amount of contract revenue recognised as revenue in the period amounts to $2,588,000 (2016: $9,302,000).

15. TRADE PAYABLES

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade payables	**316**	1,118	**82**	79
Retention sums payable	**193**	205	**–**	–
	509	1,323	**82**	79

Trade payables are non-interest bearing and are normally settled on 60 days (2016: 60 days) terms.

Included in trade payables for the Group is an amount of $44,000 (2016: $43,000) denominated in Malaysian Ringgit.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. OTHER PAYABLES

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current				
Accrued operating expenses	**1,541**	1,972	**506**	426
Deposits received	**64**	19	**–**	–
Sundry payables	**681**	497	**18**	26
Amounts due to Directors	**209**	209	**209**	209
	2,495	2,697	**733**	661

Included in accrued operating expenses are unbilled construction work done on investment property of $1,050,000 (2016: $1,081,000) and additions to development cost of $30,000 (2016: $30,000).

Sundry payables are non-interest bearing and have an average term of 12 months.

Amounts due to Directors are non-interest bearing and repayable on demand.

Included in other payables for the Group is an amount of $18,000 (2016: $15,000) denominated in Malaysian Ringgit.

17. LOANS AND BORROWINGS

	Group	
	2017	2016
	$'000	$'000
Current		
SGD revolving loan	**2,950**	–

This facility is repayable on demand. The effective interest rates for this facility ranged from 2.90% to 2.95% per annum. The securities provided for this loan comprise:

- Mortgage over the investment property of the Group (Note 5);
- Assignment of all rights, interests, benefits arising from the rental of the investment property;
- Floating charge over the subsidiary's account maintained with the bank for purpose of crediting the rental proceeds (Note 7); and
- Continuing corporate guarantee for all monies by the Company.

The loan includes the following financial covenants:

- Maintain a tangible net worth of $14,000,000 by the subsidiary throughout the tenure of the loan; and
- Maintain aggregate outstanding debt secured against the investment property not exceeding 65% of the estimated market value of the investment property.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

17. LOANS AND BORROWINGS (CONTINUED)

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

	Group	
	2017	2016
	$'000	$'000
Loans and borrowings (current)		
At 1 January	**–**	–
Cash flows	**2,950**	–
At 31 December	**2,950**	–

18. DEFERRED TAX (LIABILITIES)/ASSETS

Deferred income tax as at 31 December relates to the following:

	Group				Company	
	Consolidated balance sheet		Statement of comprehensive income		Balance sheet	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Deferred tax liabilities						
Differences in depreciation for tax purposes	**–**	(3)	**3**	(1)	**–**	–
Other items	**–**	2	**(2)**	(1)	**–**	–
	–	(1)	**1**	(2)	**–**	–
Deferred tax assets						
Provisions	**4**	4	**–**	–	**–**	–
Unutilised tax losses	**51**	51	**–**	39	**–**	–
Other items	**(1)**	(1)	**–**	2	**–**	–
	54	54	**–**	41	**–**	–
Deferred income tax expense (Note 24)			**1**	39		
Deferred tax asset not recognised						
Differences in depreciation for tax purposes	**23**	5			**(3)**	5
Provisions	**(18)**	(35)			**(15)**	(35)
Unutilised tax losses	**(526)**	(7)			**–**	–
Others	**–**	–			**–**	(20)
	(521)	(37)			**(18)**	(50)

Deferred tax asset not recognised

Deferred tax asset arising from temporary differences are not recognised due to uncertainty of its recoverability.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

19. SHARE CAPITAL

	Group and Company			
	2017		2016	
	No. of shares		No. of shares	
	'000	**$'000**	'000	$'000
Ordinary shares issued and fully paid:				
At 1 January and 31 December	**271,981**	**27,224**	271,981	27,224

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.

20. FOREIGN CURRENCY TRANSLATION RESERVE

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

	Group	
	2017	2016
	$'000	$'000
At 1 January	**(213)**	(200)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**11**	(13)
At 31 December	**(202)**	(213)

21. DIVIDEND INCOME

	Group	
	2017	2016
	$'000	$'000
Quoted investment securities	**2**	2

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. OTHER INCOME, SALARIES AND EMPLOYEE BENEFITS AND OTHER EXPENSES

	Group	
	2017	2016
	$'000	$'000
Other income		
Foreign exchange gain	**–**	14
Interest income		
– Fixed deposits	**80**	133
– Current account	**3**	4
– Loan to associated company	**10**	–
PIC cash payout and bonus	**–**	8
Others	**24**	39
	117	198
Salaries and employee benefits		
Salaries and bonuses	**(2,183)**	(2,241)
Central Provident Fund contributions	**(139)**	(135)
Other short term benefits	**(498)**	(488)
	(2,820)	(2,864)

Other expenses

The following items have been included in arriving at other expenses:

	Group	
	2017	2016
	$'000	$'000
Legal fees	**(1)**	(41)
Rental expense	**(97)**	(260)
Audit fees:		
– Auditor of the Company	**(78)**	(78)
– Other auditors	**(2)**	(2)
Non-audit fees:		
– Auditor of the Company	**(12)**	(20)
Directors' fees	**(209)**	(209)
Fair value gain/(loss) on investment securities (Note 11)	**4**	(6)
Fair value loss on investment property (Note 5)	**(1,812)**	(1,748)
Allowance for doubtful debts (Note 10)	**(40)**	(75)
Fixed assets written off	**–**	(8)
Loss on disposal of property, plant and equipment	**–**	(5)

23. FINANCE COST

	Group	
	2017	2016
	$'000	$'000
Interest expenses on bank loans	**(8)**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. INCOME TAX (CREDIT)/EXPENSE

	Group 2017 $'000	Group 2016 $'000
Statement of comprehensive income:		
Current income tax		
– Current income taxation	**6**	8
– (Over)/under provision in respect of previous years	**(52)**	3
	(46)	11
Deferred income tax		
– Origination and reversal of temporary differences	**(1)**	39
	(1)	39
Income tax (credit)/expense recognised in profit or loss	**(47)**	50

Relationship between tax (credit)/expense and loss before tax

The reconciliation between tax (credit)/expense and the product of loss before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group 2017 $'000	Group 2016 $'000
Loss before income tax	**(4,761)**	(1,543)
Tax calculated at corporate tax rate of 17% (2016: 17%)	**(809)**	(262)
Non-deductible expenses	**309**	326
Income not subject to taxation	**(6)**	(1)
Effect of partial tax exemption and tax relief	**(10)**	(22)
(Over)/under provision in respect of prior years	**(52)**	3
Utilisation of deferred tax asset not recognised in prior years	**–**	(29)
Deferred tax assets not recognised	**521**	35
Income tax (credit)/expense recognised in the profit or loss	**(47)**	50

25. LOSS PER SHARE

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

The following reflects the net loss and share data used in the basic and diluted loss per share computations for the years ended 31 December:

	Group 2017 $'000	Group 2016 $'000
Loss for the year attributable to equity holders of the parent used in the computation of basic and diluted earnings per share	**(4,714)**	(1,593)

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2017

25. LOSS PER SHARE (CONTINUED)

	No. of shares	
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic and diluted earnings per share	271,981	271,981

The diluted loss per share is the same as the basic loss per share as the Company does not have any diluted potential ordinary shares for the financial years ended 31 December 2017 and 2016.

26. COMMITMENTS

(a) Operating lease commitments – As lessee

A subsidiary holds a leasehold building under an agreement with the Housing and Development Board. There are no restrictions placed upon the Company or its subsidiary by entering into these leases.

Minimum lease payments, recognised as an expense in profit or loss for the financial year ended 31 December 2017 amounted to $97,000 (2016: $260,000).

Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows:–

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Within one year	**181**	96	**88**	151
After one year but not more than five years	**286**	382	**–**	88
More than five years	**–**	8	**–**	–
	467	486	**88**	239

In respect of the leasehold building held by a subsidiary, the subsidiary has the option to renew the lease of leasehold land for another 30 years after the expiry of the current leasehold period of 30 years on 1 February 2022. Lease rental is subject to an annual revision as specified in the agreement. The leasehold building is classified as investment property (Note 5).

(b) Operating lease commitments – As lessor

The Company had entered into a leasing agreement on its investment property. The lease has a remaining lease term of between one and two months.

Minimum lease payments, recognised as an income in profit or loss for the financial year ended 31 December 2017 amounted to $69,000 (2016: $30,000).

Future minimum lease receivable for the lease arrangement with remaining terms of less than one year amounted to $220,000 as at 31 December 2017 (2016: $18,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. COMMITMENTS (CONTINUED)

(c) Contingent liabilities

The Company has undertaken to provide continuing financial support to 2 (2016: 2) subsidiary companies to enable them to operate as a going concern for at least twelve months from the date of their financial statements and to meet their liabilities as and when they fall due.

(d) Capital Commitment

There is no capital expenditure contracted for as at 31 December 2017 which has not been recognised and accrued in the financial statements in respect of investment property (2016: $383,000).

27. RELATED PARTY DISCLOSURES

An entity or individual is considered a related party of the Group for the purpose of the financial statements if,

(i) It possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) It is subject to common control or common significant influence.

During the financial year, other than those disclosed elsewhere in the financial statements, related party transactions of the Group are as follows:

Compensation of key management personnel

	Group	
	2017	2016
	$'000	$'000
Salaries and other emoluments	**1,611**	1,681
Central Provident Fund contributions	**82**	89
Other short-term benefits	**104**	106
	1,797	1,876
Comprise amounts paid to:		
– Directors of the Company	**1,078**	1,078
– Other key management personnel	**719**	798
	1,797	1,876

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management. The Audit & Risk Committee provides independent oversight to the effectiveness of the risk management process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and amounts due from subsidiaries. For other financial assets (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Credit risk concentration profile

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

	Group			
	2017		2016	
	$'000	**% of total**	$'000	% of total
By country:				
Singapore	**1,133**	**100**	1,299	100
By industry sectors:				
Products and installation	**1,090**	**96**	1,266	97
Servicing and maintenance	**43**	**4**	33	3
	1,133	**100**	1,299	100

Financial assets that are neither past due nor impaired

Trade and other receivables and amount due from subsidiaries that are neither past due nor impaired are creditworthy debtors with good payment record with the Group and the Company. Cash and cash equivalents are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 10 (Trade receivables) and Note 12 (Related party balances).

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company manage liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted payments.

Group	Notes	2017 Within 1 year $'000	2017 After 1 year but within 5 years $'000	2017 After 5 years $'000	2017 Total $'000	2016 Within 1 year $'000	2016 After 1 year but within 5 years $'000	2016 After 5 years $'000	2016 Total $'000
Financial assets									
Trade receivables	10	**1,133**	**–**	**–**	**1,133**	1,299	–	–	1,299
Other receivables		**33**	**–**	**–**	**33**	33	–	–	33
Cash and bank balances	7	**726**	**–**	**–**	**726**	2,190	–	–	2,190
Deposits		**67**	**–**	**–**	**67**	78	–	–	78
Investment securities	11	**61**	**–**	**–**	**61**	57	–	–	57
Fixed deposits		**2,055**	**2,021**	**–**	**4,076**	3,648	4,051	–	7,699
Loan to an associated company	12	**–**	**5,235**	**–**	**5,235**	–	–	–	–
Total undiscounted financial assets		**4,075**	**7,256**	**–**	**11,331**	7,305	4,051	–	11,356
Financial liabilities									
Trade payables	15	**509**	**–**	**–**	**509**	1,257	–	–	1,257
Other payables	16	**2,495**	**–**	**–**	**2,495**	2,697	–	–	2,697
Loans and borrowings	17	**2,950**	**–**	**–**	**2,950**	–	–	–	–
Total undiscounted financial liabilities		**5,954**	**–**	**–**	**5,954**	3,954	–	–	3,954
Total net undiscounted financial (liabilities)/assets		**(1,879)**	**7,256**	**–**	**5,356**	3,351	4,051	–	7,402

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Company	Notes	2017 Within 1 year $'000	2017 After 1 year but within 5 years $'000	2017 After 5 years $'000	2017 Total $'000	2016 Within 1 year $'000	2016 After 1 year but within 5 years $'000	2016 After 5 years $'000	2016 Total $'000
Financial assets									
Cash and bank balances	7	**60**	**–**	**–**	**60**	363	–	–	363
Fixed deposits	7	**–**	**–**	**–**	**–**	3,577	–	–	3,577
Deposit		**47**	**–**	**–**	**47**	47	–	–	47
Amounts due from subsidiaries	12	**533**	**–**	**–**	**533**	15,494	–	–	15,494
Total undiscounted financial assets		**640**	**–**	**–**	**640**	19,481	–	–	19,481
Financial liabilities									
Trade payables	15	**82**	**–**	**–**	**82**	48	–	–	48
Other payables	16	**733**	**–**	**–**	**733**	661	–	–	661
Amounts due to subsidiaries	12	**456**	**–**	**–**	**456**	456	–	–	456
Total undiscounted financial liabilities		**1,271**	**–**	**–**	**1,271**	1,165	–	–	1,165
Total net undiscounted financial (liabilities)/assets		**(631)**	**–**	**–**	**(631)**	18,316	–	–	18,316

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The financial instruments of the Group and Company as at 31 December by classes are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Loans and receivables				
Fixed deposits (non-current)	**2,000**	4,000	**–**	–
Loan to an associated company	**5,235**	–	**–**	–
Cash and bank balances	**726**	2,190	**60**	363
Fixed deposits (current)	**2,055**	3,648	**–**	3,577
Trade receivables	**1,133**	1,299	**–**	–
Deposits	**67**	78	**47**	47
Other receivables	**33**	33	**–**	25
Amounts due from subsidiaries (current)	**–**	–	**533**	15,494
	11,249	11,248	**19,585**	19,506
Financial assets at fair value through profit or loss				
Investment securities	**61**	57	**–**	–
	61	57	**–**	–
Financial liabilities at amortised cost				
Trade payables	**(509)**	(1,323)	**(82)**	(79)
Other payables	**(2,495)**	(2,697)	**(733)**	(661)
Amounts due to subsidiaries	**–**	–	**(456)**	(456)
Loans and borrowings	**(2,950)**	–	**–**	–
	(5,954)	(4,020)	**(1,271)**	(1,196)

(a) Fair value hierarchy

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

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets and liabilities measured at fair value

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

	Group 2017 $'000 Fair value measurements at the end of the reporting period using:			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measures at fair value				
Financial assets:				
Quoted equity instruments (Note 11)	61	–	–	61
Financial assets as at 31 December 2017	61	–	–	61
Non-financial assets:				
Investment property				
– Factory (Note 5)	–	–	24,000	24,000
Non-financial assets as at 31 December 2017	–	–	24,000	24,000

	Group 2016 $'000 Fair value measurements at the end of the reporting period using:			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measures at fair value				
Financial assets:				
Quoted equity instruments (Note 11)	57	–	–	57
Financial assets as at 31 December 2016	57	–	–	57
Non-financial assets:				
Investment property				
– Factory (Note 5)	–	–	26,000	26,000
Non-financial assets as at 31 December 2016	–	–	26,000	26,000

There have been no transfers between Level 1, Level 2 and Level 3 during 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Level 3 fair value measurements

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

The following table shows the information about fair value measurements using significant unobservable input level 3.

Description	Fair value ($'000)	Valuation techniques	Unobservable inputs	Range $
Recurring fair value measurement				
At 31 December 2017				
Investment property – Factory	24,000	Direct comparison method	Price per square feet	142 – 282
At 31 December 2016				
Investment Property – Factory	26,000	Income method	Capitalisation rate	6%
			Gross rental income	$260 psf

Observable inputs are quoted prices for assets in a market. Where the market price for an asset is not available, unobservable inputs are used and they are developed using assumptions that market participants would use when pricing the asset.

Where necessary, these inputs have been adjusted to reflect specific circumstances of the investment property and developed using the best information available about the assumptions that market participants would use when pricing the assets.

A significant increase/(decrease) in price per square feet based on management's assumptions would result in a significantly higher/(lower) fair value measurement. (2016: An increase (decrease) in capitalisation rate based on management's assumptions would result in a lower (higher) fair value measurement while an increase (decrease) in gross rental income would result in a higher (lower) fair value measurement.)

(ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs:

	Group	
	Investment property Factory 2017 $'000	Investment property Factory 2016 $'000
At 1 January	**26,000**	26,000
Total (losses)/gains for the period		
Included in profit or loss	**(1,812)**	(1,748)
Transfer to property, plant and equipment	**(386)**	–
Purchases	**198**	1,748
At 31 December	**24,000**	26,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Level 3 fair value measurements (Continued)

(iii) Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation appraisers who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by the independent external appraiser, the appropriateness of the valuation methodologies and assumptions adopted are reviewed by management along with the appropriateness and reliability of the inputs used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available.

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

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

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short term nature: cash and bank balances (Note 7), fixed deposits (Note 7), trade receivables (Note 10), deposits and other receivables, related party balances (Note 12), loan to associated company (Note 12), trade payables (Note 15), other payables (Note 16) and loan and borrowings (Note 17).

30. SEGMENT INFORMATION

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

I. The products and installation segment relates to contracting of engineering works, cooling towers, air-conditioning and mechanical ventilation systems.

II. The servicing and maintenance segment relates to servicing and repairing of air-conditioners, cooling towers and other cooling equipment.

III. The rental segment relates to the leasing of factory and office space.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Segment revenue, expenses and results incurred are transferred between business segments. Those transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. SEGMENT INFORMATION (CONTINUED)

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

As the Group operates substantially in Singapore, no segment information by geographical segment is presented.

Revenue from 2 (2016: 4) major customers amounted to $2,107,000 (2016: $7,864,000) arising from sales under the products and installation segment.

The following table presents revenue and results information regarding the Group's business segments for the years ended 31 December 2017 and 2016:

Business segments	Products and installation		Servicing and maintenance		Rental		Others		Eliminations/ Adjustments		Notes	Group	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000		**2017 $'000**	2016 $'000
Segment revenue													
Sales to external customers	**2,795**	9,426	**427**	405	**69**	30	**–**	–	**–**	–		**3,291**	9,861
Intersegment sales	**86**	314	**46**	30	**151**	63	**–**	–	**(283)**	(407)	A	**–**	–
Total revenue												**3,291**	9,861
Segment results													
Interest income	**45**	71	**2**	2	**3**	1	**43**	63	**–**	–		**93**	137
Dividend income	**2**	2	**–**	–	**–**	–	**–**	–	**–**	–		**2**	2
Fair value (loss)/gain on investment property	**–**	–	**–**	–	**(1,812)**	(1,797)	**–**	–	**–**	49		**(1,812)**	(1,748)
Depreciation and amortisation	**(113)**	(19)	**(10)**	(12)	**(8)**	–	**(15)**	(47)	**–**	–		**(146)**	(78)
Other non-cash expenses	**(37)**	(76)	**–**	(4)	**(3)**	–	**(41)**	(8)	**–**	–	B	**(81)**	(88)
Segment profit/(loss) before tax	**(2,830)**	7	**(177)**	64	**(1,774)**	(1,730)	**20**	81	**–**	35		**(4,761)**	(1,543)
Income tax (expense)/credit	**43**	(48)	**–**	1	**3**	–	**1**	(3)	**–**	–		**47**	(50)
Loss net of tax												**(4,714)**	(1,593)
Segment assets and liabilities													
Segment assets	**6,521**	9,388	**569**	628	**24,367**	26,054	**5,816**	4,067	**(13)**	–		**37,260**	40,137
Segment liabilities	**2,067**	3,452	**157**	132	**130**	29	**3,835**	750	**–**	–		**6,189**	4,363
Capital expenditure	**119**	73	**11**	33	**1,812**	1,798	**16**	27	**–**	(49)		**1,958**	1,882

Notes:

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

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses pertain to impairment of doubtful debts, fixed assets written off, and loss on disposal of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made to the objectives, policies or processes during the years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade payables, other payables and loans and borrowings, less cash and cash equivalents.

	Group	
	2017	2016
	$'000	$'000
Trade payables (Note 15)	**(509)**	(1,323)
Other payables (Note 16)	**(2,495)**	(2,697)
Loans and borrowings	**(2,950)**	–
Less: Cash and cash equivalents (Note 7)	**2,781**	5,838
Net (debt)/cash	**(3,173)**	1,818
Equity attributable to the equity holders of the parent	**31,071**	35,774
Gearing ratio	**10.2%**	N.M.*

* N.M. as the Group is in a net cash position.

32. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 29 March 2018.

SHAREHOLDERS' INFORMATION

As at 21 March 2018

Number of equity securities	:	271,980,729
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Class of equity securities	:	Ordinary share
Voting rights	:	One vote per share

Statistics of Shareholdings

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	15	1.00	366	0.00
100 – 1,000	149	9.91	76,674	0.03
1,001 – 10,000	517	34.40	2,870,632	1.05
10,001 – 1,000,000	800	53.23	48,674,069	17.90
1,000,001 and above	22	1.46	220,358,988	81.02
	1,503	100.00	271,980,729	100.00

Substantial Shareholders

(Based on the Register of Substantial Shareholders)

Name of Shareholders	Direct Interest	%	Deemed Interest	%
Lee Ee @ Lee Eng[1]	79,083,690	29.08	913,041	0.34
Golden Wang Holdings Pte. Ltd.	54,400,000	20.00	–	–
Lau Kung Ching[2]	2,742,000	1.01	54,400,000	20.00
Ting Jack Hing[3]	–	–	54,400,000	20.00
Johnlin Yuwono[4]	20,766,000	7.64	–	–

Notes:

1. Out of the 79,083,690 shares directly interested by Mr Lee Ee @ Lee Eng, 6,349,500 shares are held by United Overseas Bank Nominees (Private) Limited. Mr Lee is deemed to be interested in the 913,041 shares held by his wife, Mdm Koh Moi Huang.
2. Mr Lau Kung Ching is deemed to be interested in the 54,400,000 shares held by Golden Wang Holdings Pte. Ltd. ("**GW**") pursuant to Section 7 of the Companies Act, Chapter 50 of Singapore as he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in GW. Based on the records of the Central Depository Pte Limited as at 21 March 2018, Mr Lau has a direct interest of 2,025,000 shares in the Company.
3. Mr Ting Jack Hing is deemed to be interested in the 54,400,000 shares held by GW pursuant to Section 7 of the Companies Act, Chapter 50 of Singapore as he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in GW.
4. The 20,766,000 shares directly interested by Mr Johnlin Yuwono are held by Hong Leong Finance Nominees Pte Ltd.

SHAREHOLDERS' **INFORMATION**

As at 21 March 2018

Twenty Largest Shareholders

	Name	Number of Shares	%
1.	Lee Ee @ Lee Eng	72,734,190	26.74
2.	Golden Wang Holdings Pte Ltd	54,400,000	20.00
3.	Hong Leong Finance Nominees Pte Ltd	20,766,000	7.64
4.	Lee Kong Lai	13,564,000	4.99
5.	United Overseas Bank Nominees (Private) Limited	9,298,600	3.42
6.	UOB Kay Hian Private Limited	6,908,000	2.54
7.	PT Kestrel Sekuritas Indonesia	5,413,800	1.99
8.	Ooi Thian Huang	5,254,500	1.93
9.	Han Jing	4,559,100	1.68
10.	HSBC (Singapore) Nominees Pte Ltd	4,031,900	1.48
11.	Tan Ann Ni (Chen Anni)	3,453,000	1.27
12.	Koh May Kiaw	3,256,000	1.20
13.	DBS Nominees (Private) Limited	2,580,435	0.95
14.	Lau Kung Ching	2,025,000	0.74
15.	Lee Kai Heng	2,000,000	0.74
16.	OCBC Nominees Singapore Private Limited	1,841,750	0.68
17.	Lee Yung Li Andy	1,624,000	0.60
18.	Lee Pui Hoon (Li Peifen)	1,620,001	0.60
19.	Forte Engineering Pte Ltd	1,455,000	0.53
20.	CGS-CIMB Securities (Singapore) Pte. Ltd.	1,293,012	0.48
		218,078,288	80.20

Percentage of Shareholding in Public's Hands

As at 21 March 2018, to the best of our knowledge, approximately 35% of the Company's Ordinary Shares listed on the SGX were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Singapore Exchange Securities Trading Limited's Listing Manual Section B: Rules of Catalist.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Progen Holdings Ltd (the "**Company**") will be held at 28 Riverside Road, #04-01 Progen Building, Singapore 739085 on Friday, 27 April 2018 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors' Report.
(Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Article 109 of the Company's Constitution:

(a) Mr. Johnlin Yuwono **(Resolution 2)**
(b) Dr. Tan Eng Liang **(Resolution 3)**

[See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$208,900 for the financial year ended 31 December 2017 (2016: S$208,900).
(Resolution 4)

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

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

6. **Authority to issue shares**

That pursuant to Section 161 of the Act and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (the "**Catalist Rules**"), the Directors of the Company be authorised and empowered to:

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

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

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

NOTICE OF
ANNUAL GENERAL MEETING

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

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

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 6)

[See Explanatory Note (ii)]

By Order of the Board

Ngiam May Ling
Secretary
Singapore, 12 April 2018

NOTICE OF
ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr. Johnlin Yuwono will, upon re-election as a Director of the Company, remain as members of the Audit and Risk and Remuneration Committees and will be considered non-independent for the purposes of Rule 704(7) of the Catalist Rules. Mr. Yuwono does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information of Mr. Yuwono can be found under the section entitled 'Board of Directors' on page 6 of the Annual Report 2017.

Dr. Tan Eng Liang will, upon re-election as a Director of the Company remain as Chairman of the Audit and Risk and Investment Review Committees and members of the Nominating and Remuneration Committees and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Dr. Tan does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information of Dr. Tan can be found under the section entitled 'Board of Directors' on page 4 of the Annual Report 2017.

(ii) The Ordinary Resolutions 5 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

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

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 Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General 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 of the Act.

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

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 28 Riverside Road, #04-01 Progen Building, Singapore 739085 not less than 48 hours before the time appointed for holding the Annual General Meeting.

Personal Data Privacy:

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

PROGEN HOLDINGS LIMITED

(Company Registration No. 199605118C)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For CPF/SRS investors who have used their CPF/SRS monies to buy the Company's shares, this Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operator if they have any queries regarding their appointment as proxies.

I/We, ____

of ____

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 28 Riverside Road #04-01 Progen Building, Singapore 739085 on Friday, 27 April 2018 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof. All resolutions put to vote at the Meeting shall be decided by way of poll.

No.	**Resolutions relating to:**	**Number of Votes For**[1]	**Number of Votes Against**[1]
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017		
2	Re-election of Mr. Johnlin Yuwono as a Director of the Company		
3	Re-election of Dr. Tan Eng Liang as a Director of the Company		
4	Approval of Directors' fees amounting to S$208,900 for the financial year ended 31 December 2017		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors and authority for Directors to fix their remuneration		
6	Authority to issue new shares		

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

Dated this ____________ day of ________________________ 2018

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 28 Riverside Road, #04-01 Progen Building, Singapore 739085 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2018.

General:

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

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Executive

Lee Ee @ Lee Eng
(Managing Director)

Non-Executive

Tan Eng Liang
(Independent Chairman)
Ch'ng Jit Koon
(Independent)
Chee Wai Pong
(Independent)
Francis Lau Choo Yew
(Non-Independent)
Johnlin Yuwono
(Non-Independent)

AUDIT & RISK COMMITTEE

Tan Eng Liang (Chairman)
Ch'ng Jit Koon
Chee Wai Pong
Johnlin Yuwono

NOMINATING COMMITTEE

Chee Wai Pong (Chairman)
Tan Eng Liang
Ch'ng Jit Koon
Lee Ee @ Lee Eng

REMUNERATION COMMITTEE

Ch'ng Jit Koon (Chairman)
Tan Eng Liang
Chee Wai Pong
Johnlin Yuwono

INVESTMENT REVIEW COMMITTEE

Tan Eng Liang (Chairman)
Ch'ng Jit Koon
Lee Ee @ Lee Eng

COMPANY SECRETARY

Ngiam May Ling

REGISTERED OFFICE

28 Riverside Road
#04-01 Progen Building
Singapore 739085
Tel: (65) 6752 7787
Fax: (65) 6752 7797
Email: progen@progen.com.sg

COMPANY REGISTRATION NO.

199605118C

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Audit Partner-in-charge: Low Yen Mei
(Appointed since financial year ended
31 December 2013)

SPONSORS

PrimePartners Corporate
Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 048624

Malayan Banking Berhad
2 Battery Road
Maybank Tower
Singapore 049907

DBS Bank Ltd
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

PROGEN HOLDINGS LIMITED
28 Riverside Road
#04-01 Progen Building
Singapore 739085
T: 6752 7787 F: 6752 7797
E: progen@progen.com.sg
Company Registration No. 199605118C