HORKEW

Hor Kew
Corporation Limited

2018
ANNUAL REPORT

CONTENTS

OUR VISION

Our vision is to be a top-notched integrated building group in the region, leveraging on prefabrication technology and operational excellence to provide high value-added services to our customers.

OUR MISSION

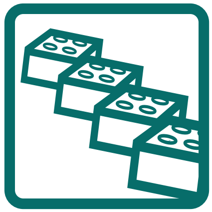
We are fully dedicated to customers' satisfaction. We pledge ourselves to a policy of responding sensitively to our customers' progressive needs.

We commit ourselves to on-time completion of our projects, and to continuous improvement in our quality and cost effectiveness through employee re-training and effective utilisation of resources.

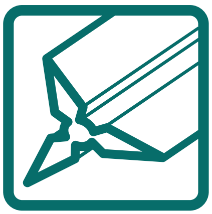
OUR CORE VALUES

INTEGRITY The cornerstone of our success.

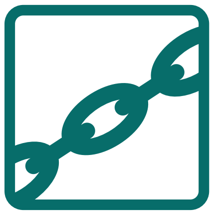
quick
ADAPTATION
to changing environments.
The fittest survivor is the most flexible.



corporate, social and environmental
RESPONSIBILITY
We build for you. We contribute to society.



continual
PERSEVERANCE
The spirit of tenacity will see us through.



HOR KEW CORPORATION LIMITED is a building construction group, providing an integrated range of construction related products and services.

The Group's origin can be traced back to 1979 when Hor Kew Private Limited became the main business vehicle.

In 1983, the Group was awarded the first main building contract. This contract, with a value of $28.5 million, was for the building of eight blocks of residential apartments.

In 1986, the Group embarked on the first property development project. Since then, the Group has completed several property development projects.

In 1990, the Group diversified its operations vertically and started the business of manufacturing and supply of prestressed and precast reinforced concrete building components as well as prefinished architectural precast components.

In 1994, the Group further enhanced its vertical integration by venturing into the manufacturing and supply of prefabricated architectural metal component business.

The Group also has precast and prefabrication operations in Malaysia.

The vertical integration of the Group's operations continues till today, as this enhances better control over the quality and progress of building projects undertaken, thus providing high value-added services to its customers.

Over the years, the Group has successfully completed many projects, and has achieved and received numerous awards.

By leveraging on its steady track record and expertise in the construction industry, the Group has grown to become a main board public listed construction group in Singapore.

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

Financial year ended 31 December 2018 (FY2018) was an extremely challenging one for the Group. We continued to face the tremendous pressure of escalating raw material costs, especially in steel material prices, which totally wiped out our gross profit margins. Rising interest rates also increased the cost of our business.

Loss after tax was $30.8 million for FY2018, which was higher than the loss after tax of $3.3 million last year. This was mainly attributable to the losses incurred by our precast and prefabrication division, as well as provision for onerous contracts and credit loss allowances. Foreign exchange losses also had a negative impact on our bottom-line.

The Group will continue to focus on cost control measures, improve production efficiency and be cautious in tendering for new projects. We shall closely monitor and vigilantly control our raw material and labour costs. At the same time, we will continue to streamline work processes and raise productivity. To manage spiking interest costs of our bank loans, we have entered into financial instrument contracts.

PRODUCT INNOVATION TO KEEP UP WITH THE TIMES

The Group always prides itself on its ability to expand and modify its product offerings by continued investments in R&D, amidst industry changes in regulatory requirements and consumer needs. Our Prefabricated Prefinished Volumetric Construction (PPVC) products have been well-received by customers. As this is the Government's direction for the construction industry and is becoming increasingly mandatory in the tender of projects, we believe that our early adoption will give us a competitive edge in project tenders. We have also been successful in the production of Prefabricated Bathroom Units (PBUs) for residential projects.

To meet HDB specification requirements, our metal prefabrication segment has been constantly introducing new product offerings, such as the unplasticised polyvinyl chloride (uPVC) door and frame. Another example is that the metal prefabrication segment shall replace or add on parts of certain stainless steel products (such as grab bar and clothes rack) with nylon. This is a testament of our ability to adapt to changing customer needs.

In FY2018, we have ramped up the production of year 2017 additions to our product catalogue, such as the double-tiered bicycle rack and four hour fire-rated door. Whilst these have received highly positive reviews from our customers, we are still working on further improving on the designs of these products in our continuous strive for excellence.

INDUSTRY OUTLOOK AND DIVERSIFICATION EFFORTS

The tender prices for the precast concrete business are showing signs of uptrend and this is encouraging for the industry players. As part of our diversification efforts, we are also trying to grow our market share in the commercial and industrial segments, which we view to be more profitable. This also helps to reduce our reliance on the public housing market.

This has been a challenging year, and uncertainties still abound in the industry, but we shall persevere. Our continued efforts to adapt to changing circumstances shall see us through the difficult times ahead.

CONCLUSION

On behalf of the Board of Directors, I would like to thank our business partners and customers for their continued support. To our shareholders, my gratitude for your trust in Hor Kew. Last but not least, my earnest appreciation to all my colleagues for the hard work and dedication you have put in. Let us work together for a better 2019 and beyond!

Mr Dennis Aw Khoon Hwee
Executive Chairman & CEO

尊敬的股东，

截至2018年12月31日的财年（2018财年）对本集团而言是充满挑战的一年。我们继续面对原材料价格的上涨带来的庞大压力，钢材价格的上涨尤其抹煞掉集团的毛利率。利率上升的环境亦增加了我们的业务成本。

2018财年税后亏损为3,080万元，这比去年的税后亏损330万元高，主要可归因于我们的预制和预合部门所产生的亏损，以及我们为可预见的亏损及呆账作出的拨备。外汇亏损亦对我们的底线造成了负面影响。

本集团将继续专注于成本控制措施，提升生产效能，以及于竞投新项目时采取审慎态度。我们将会密切监察及严格控制原材料及劳工成本。同时，我们亦会继续简化工作程序，提升生产力。我们为管理银行贷款急剧上涨的利息成本，已订立多份金融工具合约。

革新产品，与时并进

尽管行业监管规定及客户需求有所变动，本集团仍能继续投资于研发项目，以扩大及修订其产品系列。我们为集团的能力引以为傲。我们的预建预成的体积结构(PPVC)产品深受客户好评。由于这与政府对建筑行业的发展方向一致，并且逐渐成为项目投标的强制性标准，因此我们认为本集团的较早采纳这些产品会为我们在项目投标中带来竞争优势。我们成功生产了住宅项目内的预制浴室单位(PBU)。

为符合建屋发展局的规格要求，我们的预制金属分部一直以来不断引入新的产品系列，例如未塑化聚乙烯(uPVC)的门和门框。又例如，预制金属分部会将若干不锈钢产品（如扶手杠及衣架）的某些部分替换为尼龙，或将尼龙增添到该等产品上。这证实我们有能力顺应客户需求的转变作出相对调整。

在2018财年，我们为2017年增添到产品目录的新产品（如双层单车置架及四小时防火门）提高生产量。尽管该等产品获得客户高度评价，我们仍然在努力改善有关设计，精益求精。

行业前景及多元化方面的努力

预制混凝土业务的投标价正呈现上升趋势，令行业参与者深受鼓舞。我们努力实现多元化，因此尝试在商业及工业分部扩大市场份额，务求提升盈利能力。这亦有助我们减低集团对公营房屋市场的倚赖。

过去一年充满挑战，且业内仍有不少不明朗因素，但我们一定会坚持不懈。集团应对不断变化的环境作出的努力，将有助我们渡过难关。

结语

我谨代表董事会感谢一如既往地支持我们的每位商业伙伴与客户。对我们的股东，我为你们对好逑的信任致以万分谢意。最后，对我的同事们，我也衷心地珍惜你们辛勤的工作与奉献。让我们为共创一个更美好的2019年和未来而携手努力！

胡群辉先生

执行主席兼执行总裁

OPERATIONS REVIEW

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Group generated revenue of $50.1 million in FY2018 as compared to $59.3 million in FY2017, a decrease of $9.2 million. This decrease was due to decreases of $9.3 million from property development activities and $3.5 million from construction activities, but mitigated by increase of $3.6 million from its prefabrication activities.

The Group recorded a gross loss of $15.3 million as compared to a gross profit of $5.9 million in FY2017. The negative gross margin of the Group came from prefabrication activities and was due to low profit margins during project tenders that were eroded by increases in raw material costs as well as provision for onerous contracts.

Other income of the Group for FY2018 remained at the same level as FY2017 at $2.2M.

General and administrative expenses increased from $9.6 million in FY2017 to $13.0 million in FY2018. This was mainly due to loss on foreign exchange of $2.2 million, impairment loss on trade receivables of $3.5 million and fair value loss on derivative financial instruments of $0.3 million.

Finance costs increased by 25% from $1.2 million in FY2017 to $1.5 million in FY2018 mainly due to rising interest rates on our loans.

The Group recorded a loss before tax of $30.6 million in FY2018 (FY2017: loss before tax of $3.5 million).

The Group provided tax expense of $212,000 in FY2018 after taking into consideration of available tax allowances and reliefs, and under-provision of income tax in prior years. (FY2017: tax credit of $175,000).

Loss after tax of the Group for FY2018 was $30.8 million (FY2017: loss after tax of $3.3 million).

The Group had a comprehensive gain of $41,000 from favourable currency movements in foreign subsidiaries as compared to $0.4 million in FY2017.

The Group reported total comprehensive loss of $30.8 million in FY2018 (FY2017: total comprehensive loss of $2.9 million).

STATEMENT OF FINANCIAL POSITION

Non-current assets of the Group increased $0.8 million from FY2017 mainly due to $1 million increase in non-current trade receivables.

Current assets of the Group decreased by $3.9 million from FY2017. Trade receivables decreased by $2.2 million mainly due to $3.5 million in impairment loss on trade receivables recognised during the year. Cash and cash equivalents increased by $0.9 million.

Total assets of the Group fell $3.1 million from FY2017 to $168.2 million as at 31 December 2018.

Non-current liabilities increased $28.9 million from FY2017 mainly due to $25 million of loans being classified under non-current liabilities in FY2018 as well as additional loans drawdown.

Current liabilities of the Group increased by $0.3 million from FY2017. Trade and other payables increased by $11.4 million mainly due to management of supplier payments. In FY2018, we had provisions for onerous contracts of $6.0 million but not in FY2017. We also recognised $4.6 million of contract liabilities that pertained mainly to advance collections from customers in FY2018. Current borrowings fell $21.9 million, primarily because $25.0 million of loans that were classified under current liabilities in FY2017 were classified under non-current liabilities in FY2018.

Total liabilities of the Group increased by $29.3 million from FY2017 and stood at $109.0 million as at 31 December 2018.

Shareholders' equity of the Group decreased by $32.4 million and recorded at $59.2 million as at 31 December 2018. The decrease was mainly due to loss after tax of $30.8 million incurred in FY2018.

STATEMENT OF CASH FLOWS

The Group generated $3.9 million from its operating activities and used $6.6 million in its investing activities.

The Group drew down net loans of $6.9 million to finance its investing activities and pledged additional fixed deposits of $2.5 million.

Net cash of the Group decreased by $0.1 million and stood at $4.6 million as at 31 December 2018.

BOARD OF DIRECTORS

MR DENNIS AW KHOON HWEE
Executive Chairman And CEO

Mr Dennis Aw Khoon Hwee is the Executive Chairman and CEO. Mr Dennis Aw is responsible for the overall strategic decisions of the Group.

He is also overseeing the business development, corporate matters, financial planning, general management and investment decisions of the Group. He is also a member of the Company's Nominating Committee and Remuneration Committee.

Having been with the organisation since 1983, Mr Dennis Aw has helped to propel the Group to diversified interests in construction, prefabrication and property development from its general construction origins. He continues to play a vital role in setting and achieving business growth, objectives and success for the Group with his more than 30 years of experience in the industry.

Mr Dennis Aw holds a Diploma in Building from the Singapore Polytechnic and a Bachelor of Business Administration degree from the Royal Melbourne Institute of Technology, Australia.

He was first appointed to the Board of Directors on 10 November 1999 and last re-elected on 26 April 2007.

MR BENJAMIN AW CHI-KEN
Executive Director

Mr Aw Chi-Ken Benjamin is an Executive Director and is responsible for developing and fostering the business development activities of the Group as well as prospecting new businesses by networking, developing and securing a pipeline of business opportunities for the Group.

Prior to joining the Group, Mr Benjamin Aw started his career by working in the banks as a Personal Financial Adviser and Relationship Manager with both offshore financial institutions and a local bank. In addition to his banking experience, Mr Benjamin Aw has accumulated more than 8 years of hands on experience as a professional in mechanical and electrical elevator transportation systems and the construction industry holding various positions in regional, managerial, agencies and manufacturers roles.

Mr Benjamin Aw holds a Bachelor of Arts degree with First Class Honours in Accounting and Finance from University of North London, London, United Kingdom and a Degree in Masters of Science in Finance from The City University, London, United Kingdom.

Mr Benjamin Aw was first appointed to the Board of Directors on 27 February 2014 and last re-elected on 26 April 2018.

MS ELICIA AW YING YING

Executive Director

Ms Elicia Aw Ying Ying is an Executive Director and is responsible for directing the day to day business operations as well as the strategic management of the Group's subsidiaries Prefab Technology Pte Ltd, Prefab Technology 3 Pte Ltd, Prefab Technology Sdn Bhd and Prefab Metal Sdn Bhd.

Ms Elicia Aw joined the Group in 2002 as a Project Manager and in year 2011 was appointed as the General Manager of Prefab Technology Pte Ltd and Prefab Technology 3 Pte Ltd. She continues to play a pivotal role in overseeing and directing the design and manufacture of prestressed and precast reinforced concrete building components as well as the prefabricated architectural metal components.

Ms Elicia Aw holds a Bachelor of Engineering (Civil) degree with Honours from the National University of Singapore.

Ms Elicia Aw was first appointed to the Board of Directors on 27 February 2014 and last re-elected on 27 April 2017.

She will be due for re-election at the forthcoming Annual General Meeting.

DR LOW SEOW CHAY

Non-Executive And Independent Director

Dr Low Seow Chay is a Non-Executive and Independent Director of the Company.

Dr Low is the Chairman of the Company's Audit Committee, and a member of the Nominating Committee and Remuneration Committee.

Currently, he is Independent Director of CASA Holdings Ltd, LK Technology Holdings Ltd and Hai Leck Holdings Ltd. He was an Independent Director of Sun Corporation before it was taken over by Cosco Investment (Singapore) Ltd and held the office of Board member of the Housing and Development Board.

Dr Low holds a Doctorate degree in Mechanical Engineering from University of Manchester, United Kingdom.

Dr Low was first appointed to the Board of Directors on 3 April 2000 and last re-elected on 26 April 2018.

BOARD OF DIRECTORS

MR LEE SEN CHOON
Non-Executive And Independent Director

Mr Lee Sen Choon is a Non-Executive and Independent Director of the Company.

Mr Lee is also a member of the Company's Audit Committee, Nominating Committee and Remuneration Committee.

He is a partner of UHY Lee Seng Chan & Co and has more than 30 years of experience in the areas of accounting, auditing, taxation and corporate secretarial practices. In addition, Mr Lee is the Immediate Ex-Chairman of the Board of Directors of Singapore Chinese High School and the Treasurer of the Board of Governors of Hwa Chong Institution. Mr Lee is also the Chairman of the School Advisory Committee of Xingnan Primary School. He sits on the boards of two other public listed companies as Independent Directors.

Mr Lee is a fellow member of the Institute of Chartered Accountants in England and Wales, as well as a practicing member of the Institute of Singapore Chartered Accountants.

He was first appointed to the Board of Directors on 1 January 2003 and last re-elected on 27 April 2017.

MR WILLIAM CHEW YEW MENG
Non-Executive And Independent Director

Mr William Chew Yew Meng is a Non-Executive and Independent Director of the Company.

He is a member of the Company's Audit Committee, and Chairman of the Nominating Committee and Remuneration Committee.

Mr William Chew is a Partner and Principal Consultant with The Resource Group, which he co-founded to provide consultancy in Human Management and Development. He is concurrently the Executive Director of FAST, a non-profit organization providing social support, humanitarian aid and skills training for foreign domestic workers. He was the founding member of FAST and formerly its Vice President.

Mr William Chew holds a Master Degree in Mass Communication from Oklahoma.

City University, USA and holds a post graduate in Training and Development from ITD, UK.

As the Charter President of the Lions Club of Singapore Centennial, Mr William Chew is actively involved in serving the needy and the community.

Mr William Chew was first appointed to the Board of Directors on 3 April 2000 and last re-elected on 28 April 2016.

He will be due for re-election at the forthcoming Annual General Meeting.

MR MICHAEL SOH CHIA YANG

Mr Michael Soh Chia Yang is the Financial Controller and is responsible for the Group's accounting, tax planning, banking and compliance with financial reporting and regulatory requirements.

Prior to joining the Group in 2017, Mr Michael Soh had 14 years of experience covering audit, financial reporting and operational accounting. His audit experience came from two of the Big Four accounting firms and his accounting experience came from a local listed company, a German Multinational Corporation and an established shipping company.

Mr Michael Soh holds a Bachelor of Accountancy degree from the Nanyang Technological University.

MS AW LAY SIM

Ms Aw Lay Sim is the Group Human Resource Director. She oversees the human resource, administration and information technology functions of the Group as well as facility management of the investment property in Singapore.

Having been with the organisation since 1984, Ms Aw has accumulated more than 30 years of hands-on experience in the building and construction industry. She plays a pivotal role in ensuring due compliance in respect of the various legal and statutory requirements relating to the employment of foreign workers in Singapore as well as other human resource, administrative, information technology and facilities management matters.

Ms Aw holds a Bachelor of Arts (Economics and Geography) degree from the Wilfrid Laurier University, Canada.

MR STEVEN AW SOON HWEE

Mr Steven Aw Soon Hwee is the Managing Director of Prefab Technology Pte Ltd, the Group's subsidiary engaged in the design and manufacture of prestressed and precast reinforced concrete building components.

Having joined the organisation since 1983, he oversees the day-to-day operational matters of the subsidiary and is responsible for the overall strategic business decisions and development of it.

Mr Steven Aw has a wealth of more than 30 years of experience in the building and construction industry and his contribution towards the prefabrication division has significantly enhanced the overall objectives and goals of the Group.

SUMMARISED FINANCIAL HIGHLIGHTS

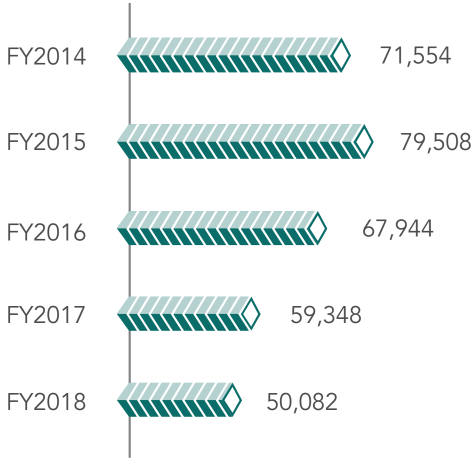
	2014 $'000	2015 $'000	2016 $'000	2017 $'000 (Restated)	2018 $'000
Financial Performance					
Revenue	71,554	79,508	67,944	59,348	**50,082**
(Loss) / Profit before Tax	(15,740)	(2,553)	1,563	(3,463)	**(30,636)**
(Loss) / Profit Attributable to Shareholders	(12,501)	(2,040)	1,503	(3,288)	**(30,848)**
Assets and Liabilities					
Non-Current Assets	83,886	86,912	86,536	85,098	**85,902**
Net Current Assets	26,533	34,712	39,281	12,009	**7,739**
Non-Current Liabilities	(13,853)	(28,818)	(31,376)	(5,528)	**(34,421)**
Equity and Non-Controlling Interests	96,566	92,806	94,441	91,579	**59,220**
Per Share Basis					
Net Assets Per Share ($)	1.85	1.78	1.81	1.76	**1.14**
Basic (Loss) / Earnings Per Share (cents)	(24.00)	(3.92)	2.89	(6.31)	**(59.25)**

1. On 23 July 2015, the Company completed a share consolidation of every 15 existing issued ordinary shares into 1 consolidated ordinary share. The net assets per share and basic (loss)/earnings per share for 2014 have been restated to reflect the share consolidation.

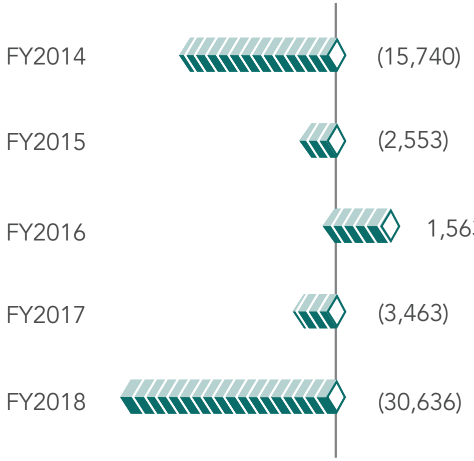
2. On 1 January 2018, the Group adopted SFRS(I) 1 and SFRS(I) 15 retrospectively. The financial performance, assets and liabilities, net assets per share and basic earnings/(loss) per share for 2017 have been restated as a result of this adoption.

SUMMARISED FINANCIAL HIGHLIGHTS

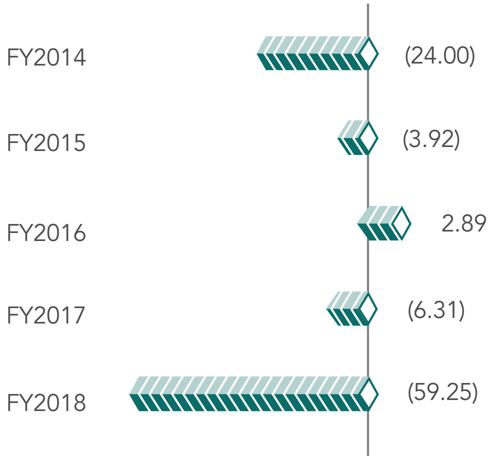
REVENUE
($'000)



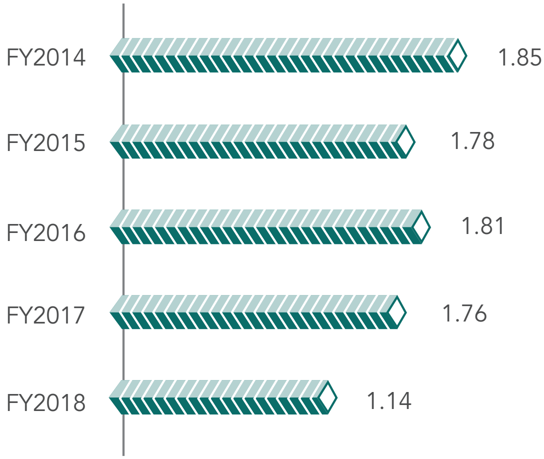
(LOSS) / PROFIT BEFORE TAX
($'000)



BASIC (LOSS) / EARNINGS PER SHARE (EPS)
(cents)



NET ASSETS PER SHARE
($)



CORPORATE INFORMATION

DIRECTORS

Executive

Dennis Aw Khoon Hwee
(Executive Chairman and Chief Executive Officer)

Benjamin Aw Chi-Ken

Elicia Aw Ying Ying

Non-Executive and Independent

Dr Low Seow Chay

Lee Sen Choon

William Chew Yew Meng

COMPANY SECRETARIES

Koh Ee Koon

Judy Koh Geok Hoon

REGISTERED OFFICE

66 Kallang Pudding Road #07-01
Hor Kew Business Centre
Singapore 349324

REGISTRAR AND SHARE TRANSFER OFFICE

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

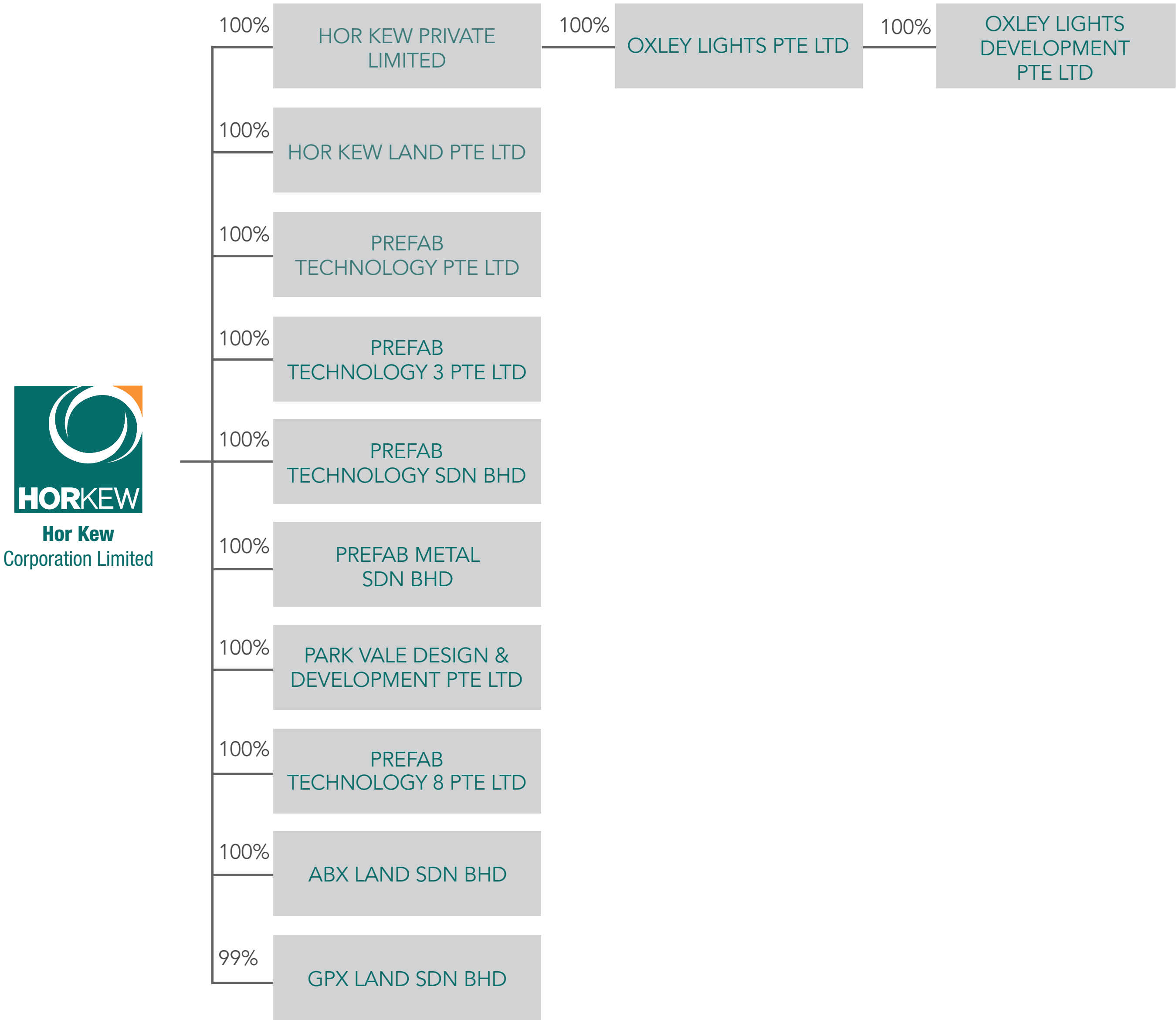
INDEPENDENT AUDITOR

Baker Tilly TFW LLP
Chartered Accountants of Singapore
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778
Partner-in-charge: Tay Guat Peng
(for financial year ended 31 December 2018)

BANKERS

United Overseas Bank Limited
DBS Bank Limited

CORPORATE STRUCTURE



CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Hor Kew Corporation Limited (the "Company") and its subsidiary companies (collectively, the "Group") are committed to maintaining a high standard of corporate governance which is essential to the long term sustainability of the Group's business and performance.

This report outlines the Group's corporate governance processes and practices that were in place throughout the financial year ended 31 December 2018, with specific reference to the principles and guidelines of the revised Code of Corporate Governance 2012 (the "Code"), which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Board believes that for the financial year ended 31 December 2018, the Company has generally adhered to the principles, guidelines and recommendations as set out in the Code and where there are deviations from the Code, the reasons for the deviations are explained accordingly.

A. BOARD MATTERS

The Board's Conduct of Affairs

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

The primary function of the Board is to protect and enhance long term value and returns for all shareholders. Besides carrying out its statutory responsibilities, the Board's role is to:

- guide the formulation of the Group's overall long-term strategic plans and performance objectives as well as operational initiatives;
- establish and oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- review and approve annual budgets, major funding proposals, investment and divestment proposals;
- monitor the performance of the Management;
- set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and duly met;
- consider sustainability issues such as environmental and social factors; and
- assume responsibility for corporate governance.

To assist it in the execution of its responsibilities, the Board has established three Board committees, namely Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") with clearly defined terms of reference. These terms of reference are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance.

The Board met four times during the financial year to discuss key activities and business strategies, review the operations and performance, as well as address key policy matters of the Group. All Directors were furnished with relevant information beforehand in order to enable them to obtain further explanations where necessary, and be adequately briefed prior to the respective meetings. Minutes of the meetings are also available to the respective Board members. In addition, ad-hoc and non-scheduled meetings are convened by Board members to deliberate on urgent and substantive matters. The Company's Constitution allows for telephone, audio and video conferencing, or other electronic means of communication to facilitate participation at the meetings of the Board.

Details of Directors' attendance at Board and Board Committee meetings held during the financial year ended 31 December 2018 are summarised as follows:

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of Meetings Held	4	4	1	2
Name of Director	ATTENDANCE			
Dennis Aw Khoon Hwee	3	NA	1	1
Benjamin Aw Chi-Ken	4	NA	NA	NA
Elicia Aw Ying Ying	4	NA	NA	NA
Dr Low Seow Chay	4	4	1	2
Lee Sen Choon	4	4	1	2
William Chew Yew Meng	3	3	1	2

Matters that are specifically reserved to the Board for its decision are:

(a) financial results announcements, annual financial statements and report;

(b) material acquisition and disposal of assets and investments;

(c) major investment and funding decisions;

(d) share issuances, dividends and other distributions to shareholders;

(e) convening shareholders' meetings;

(f) capital expenditure exceeding a prescribed limit; and

(g) interested person transactions of a material nature.

All Directors are appointed to the Board by way of a formal letter of appointment indicating the amount of time commitment required and scope of duties and responsibilities.

The Directors bring with them considerable experience in the fields of engineering, finance, law and business. They have separate and independent access to the Management and the Company Secretary, whose role includes assisting with the Board procedures and ensuring that applicable rules and regulations are complied with.

Newly appointed Directors are provided with background information about the Company and the Group and are invited to visit the Group's operations and facilities to have a good understanding of the Group's business and operations.

Board members are encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. In addition, the Company works closely with professionals to apprise Directors with updates on risk management and key changes to relevant regulatory requirements and accounting standards.

BOARD COMPOSITION AND GUIDANCE

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

The Board has six members, comprising three Independent and Non-Executive Directors, and three Executive Directors as follows:

Dennis Aw Khoon Hwee	(Executive Chairman and CEO)
Benjamin Aw Chi-Ken	(Executive Director)
Elicia Aw Ying Ying	(Executive Director)
Dr Low Seow Chay	(Independent and Non-Executive Director)
Lee Sen Choon	(Independent and Non-Executive Director)
William Chew Yew Meng	(Independent and Non-Executive Director)

Each Director has been appointed on the strength of his calibre, experience, grasp of corporate strategy and potential to contribute to the Company and its businesses. As each of the Directors brings valuable insights from different perspectives vital to the strategic interests of the Company, the Board considers that its Directors possess the necessary competencies to provide Management with a diverse and objective perspective on issues so as to lead and govern the Company effectively.

The Board recognises that Independent Directors may over time develop significant insights in the Group's business and operations, and can continue to provide noteworthy and valuable contribution to the Board.

The independence of the Independent Directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form; such as the number of years which they have served on the Board.

Currently, Dr Low Seow Chay, Mr Lee Sen Choon and Mr William Chew Yew Meng have served on the Board for more than nine years from the date of their first appointment. Dr Low Seow Chay was appointed as the Lead Independent Director on 12 November 2013.

The Board has subjected their independence status to a particularly rigorous review.

The Board is of the view that Dr Low Seow Chay, Mr Lee Sen Choon and Mr William Chew Yew Meng have demonstrated strong independent character and judgement over the years in discharging their duties and responsibilities as Independent Directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management. They have sought clarification and amplification as they deemed necessary, including through direct access to the Management.

Taking into account the above, and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board has affirmed that Dr Low Seow Chay, Mr Lee Sen Choon and Mr William Chew Yew Meng continue to be considered Independent Directors, notwithstanding they have served on the Board for more than nine years.

Once a year, a formal session is arranged for the Non-Executive Directors (NEDs) to meet without the presence of Management and Executive Directors to review any matters that might be raised privately.

Chairman and Chief Executive Officer ("CEO")

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

The Board is of the view that, based on the Group's current scope and nature of operations, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman and CEO (or equivalent) is the same person, so as to facilitate effective decision-making for the needs of the Group's business.

The corporate governance duties of the Chairman and CEO include:

1. leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
2. promoting high standards of corporate governance;
3. ensuring that the Directors receive complete, accurate, timely and clear information;
4. ensuring effective communication with shareholders;
5. encouraging constructive relations within the Board;
6. facilitating effective contribution of Non-Executive Directors;
7. encouraging constructive relations between the Board and Management;
8. facilitating the effective contribution of Non-Executive Directors in particular; and
9. promoting a culture of openness and debate at the Board level

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the AC consists of all independent directors and majority of the NC and RC members are independent directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Board Membership and Board Performance

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

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

The NC comprises the three Independent and Non-Executive Directors and the Executive Chairman and CEO who have been tasked with the authority and responsibility to devise an appropriate process to review and evaluate the performance of the Board as a whole as well as each Director on the Board. The chairman of the NC is an Independent and Non-Executive Director, and is not a substantial shareholder or directly or indirectly, associated with a substantial shareholder of the Company. The members of the NC as at 31 December 2018 are as follows:

William Chew Yew Meng (Chairman)
Dennis Aw Khoon Hwee
Dr Low Seow Chay
Lee Sen Choon

The primary responsibilities of the NC are:

1. To make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board, as well as ensuring that there are procedures in place for the selection and appointment of Directors.

2. To regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary.

3. To be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominees or candidates have the requisite qualifications and whether or not they are independent.

4. To determine, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships as set out in the Code is in fact independent, the NC would disclose in full, the nature of the Director's relationship and bear responsibility for explaining why the Director should be considered independent.

5. To recommend Directors who are retiring by rotation to be nominated for re-election.

6. To decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board representations.

7. To be responsible for assessing the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

The Company does not have any alternate directors currently. Alternate directors will be appointed as and when the Board deems necessary. Circumstances which warrant such appointments may include health, age related concerns as well as Management succession plans.

With the Board's approval, the NC has decided for the financial year under review on how the Board's performance is to be evaluated as a whole, and proposed objective performance criteria including Board composition, size and expertise, Board information and timeliness, as well as Board commitment and accountability. In assessing each Director's performance and contribution to the effectiveness of the Board, the NC takes into consideration factors such as attendance, preparedness, participation and candour.

All Directors are required to declare their board representations. The NC has reviewed the contribution by each Director taking into consideration the Director's number of listed board representations and other principal commitments. The NC and the Board are of the view that, setting maximum number of listed company board representation that a Director may hold is not meaningful, as long as the Director is able to devote sufficient time and attention to the Company's affairs. As such, the Board does not propose the maximum number of listed company board representations which Directors may hold until such need arises. Notwithstanding the number of listed company board representations and other principal commitments some of the Directors are holding, the NC considers the conduct of meeting, the decision-making process, attendance and participation of each board member to be satisfactory.

The NC met once during the financial year under review on 26 February 2018. Each member of the NC abstains from voting on any resolution in respect of the assessment of his own performance or re-nomination as a Director. Details of Board members' qualifications and experience including the year of initial appointment and last re-election, are presented in this Annual Report under the heading "Board of Directors".

The NC is of the opinion that the independence of the non-executive Directors is maintained and that each Director has contributed to the effectiveness of the Board as a whole. The Board has accepted the NC's nomination and has recommended the following Directors, who have given their consents for re-elections, to be put forward for reelection at the forthcoming Annual General Meeting:-

Elicia Aw Ying Ying (Retiring pursuant to Article 91)
William Chew Yew Meng (Retiring pursuant to Article 91)

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as set out in Appendix 7.4.1 relating to the above Directors to be put forward for re-election at the forthcoming Annual General Meeting is disclosed below:-

Name of Director	**Elicia Aw Ying Ying**	**William Chew Yew Meng**
Date of first appointment	27 February 2014	3 April 2000
Date of last re-appointment (if applicable)	27 April 2017	28 April 2016
Age	40	62
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and succession planning, and having assessed Ms Elicia Aw Ying Ying's working experiences and leaderships in the Group, is of the view that Ms Elicia Aw Ying Ying has the requisite experiences to assume the responsibilities as Executive Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and having assessed Mr William Chew Yew Meng's experiences, is of the view that Mr William Chew Yew Meng has the requisite knowledge and experiences to assume the responsibilities as Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Director and responsible for the business activities of the entire prefabrication segment.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Executive Director.	Independent Director, Member of the Audit Committee, Chairman of the Nominating Committee and Remuneration Committee.
Professional qualifications	Bachelor of Engineering (Civil) degree (Honours) from the National University of Singapore.	Master Degree in Mass Communication from Oklahoma City University, USA. Post graduate in Training and Development from ITD, UK.

Name of Director	Elicia Aw Ying Ying	William Chew Yew Meng
Working experience and occupation(s) during the past 10 years	Ms Elicia Aw Ying Ying joined the Group as a Project Manager in 2002 and in year 2011 was appointed as General Manager of Prefab Technology Pte Ltd and Prefab Technology 3 Pte Ltd. She is responsible for the business activities of the entire prefab segment of the Group.	Mr William Chew Yew Meng is a Partner and Principal Consultant with The Resource Group, which he co-founded to provide consultancy in Human Management and Development. He is concurrently the Executive Director of FAST, a non-profit organization providing social support, humanitarian aid and skills training for foreign domestic workers. He was the founding member of FAST and formerly its Vice President.
Shareholding interest in the listed issuer and its subsidiaries	Yes.	No.
Shareholding details	611, 625 ordinary shares.	Not applicable.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Niece of Mr Dennis Aw Khoon, Executive Chairman & CEO of Hor Kew Corporation Limited. Sister of Mr Benjamin Aw Chi-Ken, Executive Director of Hor Kew Corporation Limited. Niece of Mr Aw Soon Hwee, substantial shareholder of Hor Kew Corporation Limited.	None.
Conflict of interest (including any competing business)	None.	None.
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes.	Yes.
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)		
Past (for the last 5 years)	None.	Vice President of FAST.

Name of Director	Elicia Aw Ying Ying	William Chew Yew Meng
Present	Executive Director of Prefab Technology Pte Ltd and Prefab Technology 8 Pte Ltd.	Executive Director of FAST. Partner of HR Agenda Partnership. Partner of The Resource Group Pte Ltd. Charter President of the Lions Club of Singapore Centennial.

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
Name of Director		**Elicia Aw Ying Ying**	**William Chew Yew Meng**
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No

Name of Director	Elicia Aw Ying Ying	William Chew Yew Meng
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

Name of Director		Elicia Aw Ying Ying	William Chew Yew Meng
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Elicia Aw Ying Ying	William Chew Yew Meng
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable.	Not applicable.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable.	Not applicable.

Access to Information

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

The Board receives complete and adequate information on an on-going basis. Management provides the Executive Chairman and CEO with monthly management accounts and the rest of the Board members with quarterly management accounts. The agenda for Board meetings is prepared in consultation with the Executive Chairman and CEO and is circulated one week in advance of each meeting to Board members.

Management personnel who can provide additional insight into the matters at hand are invited to be present at the relevant time during a Board meeting. Furthermore, the Board has separate and independent access to the Company Secretary and senior executives, and there is no restriction of access to the senior management team of the Company or the Group at all times in carrying out its duties. Non-Executive Directors have also been invited to various functions whereby they may be informally introduced to officers of the Group.

The Company Secretary attends all formal Board meetings and ensures that Board procedures are followed, and that all applicable rules and regulations are complied with. The minutes of Board and Audit Committee meetings are circulated to the Board. The appointment and removal of the Company Secretary is subject to the approval of the Board.

Where decisions to be taken by the Board require specialised knowledge or expert opinion, the Board obtains independent professional advice as and when necessary to enable it or the Independent Directors to discharge their duties and responsibilities effectively.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC ensures that there is a formal and transparent procedure for fixing the remuneration packages of individual Directors and senior executives. The RC comprises the following three Independent and Non-Executive Directors and the Executive Chairman and CEO. The chairman of the RC is an Independent and Non-Executive Director:

William Chew Yew Meng (Chairman)
Dennis Aw Khoon Hwee
Dr Low Seow Chay
Lee Sen Choon

The overriding principle is that no Director should be involved in deciding his own remuneration. The RC has adopted written terms of reference that define its membership, roles, functions and administration.

The primary responsibilities of the RC are 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 Executive Directors and senior executives (those reporting directly to the Executive Chairman and CEO) and employees related to the Executive Directors and substantial shareholders of the Company.

2. To review and recommend to the Board in consultation with the Chairman of the Board, any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

3. To carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

4. As part of its review, the RC shall ensure that:

   (i) all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind should be covered.

(ii) the remuneration packages should be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Executive Directors' and senior executives' performance.

(iii) the remuneration packages of employees related to Executive Directors and substantial shareholders are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

Level and Mix of Remuneration

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

The Group advocates a performance based remuneration system for Executive Directors and key executives that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus and participation in any long-term incentive scheme involving the offer of shares or grant of options.

In determining such remuneration packages, the RC will ensure that they are adequate by considering, in consultation with the Executive Chairman and CEO, amongst other things, the respective individual's responsibilities, skills, expertise and contribution to the Group's performance, and whether they are competitive and sufficient to ensure that the Group is able to attract and retain the best available executive talent, meanwhile keeping tabs that they are not excessive.

The RC has adopted a framework which consists of a base fee to remunerate Non-Executive Directors based on their appointments and roles in the respective Committees, as well as the fees payable by comparable companies. Fees for the Non-Executive Directors will be tabled at the forthcoming Annual General Meeting to be held on 29 April 2019 (the "AGM") for shareholders' approval.

The RC has reviewed the terms and conditions of all service agreements and recommended to the Board any changes to such terms and conditions at the expiry of such service agreements. All recommendations by the RC are submitted for endorsement by the full Board. The RC confirms that there is no onerous termination clause in any of the service agreements.

The Executive Director(s) owe fiduciary duties to the Company. The Company should be able to avail itself to remedies against the Executive Director(s) in the event of such breach of fiduciary duties. The Company does not make use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director(s) and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Disclosure on Remuneration

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

A breakdown showing the level and mix of each Director's remuneration for the financial year ended 31 December 2018 is set out below:

REMUNERATION BANDS OF DIRECTORS AND TOP EXECUTIVES

Remuneration Bands/ Name of Director	Salary (1) %	Bonus/ Profit-sharing %	Directors' Fees (2) %	Total %
$750,000 to below $1,000,000				
Dennis Aw Khoon Hwee	82	18	–	100
$250,000 to below $500,000				
Elicia Aw Ying Ying	93	7	–	100
Below $250,000				
Benjamin Aw Chi-Ken	93	7	–	100
Dr Low Seow Chay	–	–	100	100
Lee Sen Choon	–	–	100	100
William Chew Yew Meng	–	–	100	100

The Board is aware of the recommendation of the Code that the Company should fully disclose the remuneration of each individual director and the CEO on a named basis. However, the Company does not believe it is in its interest to disclose such details having regard to the highly competitive human resource environment and the confidential nature of remuneration matters.

The Board is of the view that the information disclosed in the Annual Report would be sufficient for the shareholders to have an adequate understanding of the Company's remuneration policies and practices.

Name of top key management personnel (who is not a Director)	**Salary [1] %**	**Bonus/Profit-sharing %**	**Total %**
Below $250,000			
Steven Aw Soon Hwee [3]	93	7	100
Aw Lay Sim [3]	100	–	100
Michael Soh Chia Yang	99	1	100

Notes:

(1) Salary is inclusive of allowances, Central Provident Fund contribution and benefits-in-kind.

(2) Directors' fees are only payable after approval by shareholders at the forthcoming Annual General Meeting.

(3) Steven Aw Soon Hwee and Aw Lay Sim are the siblings of Dennis Aw Khoon Hwee.

The aggregate remuneration paid to the top three (2017: three) key management personnel of the Group amounted to $471,000 (2017: $513,000) for the financial year ended 31 December 2018.

The Board is aware of the recommendation of the Code that the Company should report to the shareholders each year on the remuneration of at least the top five key management personnel (who are not also directors or the CEO). However, the Group's key management team comprises of Executive Directors and three key management personnel. The Board is of the view that the current size of the key management team is appropriate, taking into account the nature and scope of the operations of the Group.

No other employee, other than Steven Aw Soon Hwee and Aw Lay Sim, whose remuneration exceeded $50,000 during the financial year is an immediate family member of a Director or the CEO.

C. ACCOUNTABILITY AND AUDIT

Accountability

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

For all announcements (including financial performance reporting) released to the public via SGXNET and the annual report or circulars to shareholders, as required by the SGX-ST, the Board has a responsibility to present a fair assessment of the Group's position, including the prospects of the Group.

To facilitate effective monitoring and decision-making by the Board, Management provides the Board with a continual flow of relevant information on a timely basis as well as quarterly management accounts of the Group. Particularly, prior to the release of quarterly and full year results to the public, Management will present the Group's financial performance together with explanatory details of its operations to the AC, which will review and recommend the same to the Board for approval and authorisation for the release of the financial results.

Risk Management and Internal Controls

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

The Group has established a Risk Assessment Framework for the identification of key risks within the Group's business, namely Business and Strategic Risks, Financial Risks and Operational Risks.

The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately the Management and the Board, working as a team. A self-assessment process, conducted regularly by the Management, was introduced to ensure that the Group's risk management controls are effective.

Minimum acceptable controls have been implemented to enhance the Group's internal control function in areas such as finance, operations and compliance. The internal control measures aim to ensure that the Group's assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

The risk management system has been integrated throughout the Group and has become an essential part of its business planning and monitoring process. On an annual basis, the Management reports to the Board on the Group's risk profile, evaluates results and counter-measures to mitigate or transfer identified potential risks so as to ensure that the process is operating effectively as planned.

The Board has received written assurances from the CEO and the Financial Controller ("FC") that:

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

(b) an effective risk management and internal control system has been put in place to ensure compliance with all the relevant regulatory requirements.

Based on the framework of risk management controls and internal controls established and maintained by the Group, the work performed by the Management and the review undertaken by the independent auditor as part of its statutory audit, the written assurances from the CEO and FC that the financial records have been properly maintained, the Board, with the concurrence of the AC, is of the opinion that the Group's internal control and risk management system in place are effective and adequate to address financial, operational, compliance and information technology controls risks which the Group considers relevant and material to its operations.

Audit Committee

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

The role of the AC is to assist the Board in the execution of its corporate governance responsibilities within the established Board's references and requirements. The financial statements, accounting policies and system of internal accounting controls are responsibilities that fall under the ambit of the AC. The AC has its set of written terms of reference defining its scope of authority and its major functions.

The AC comprises three members who are all Non-Executive and Independent Directors as follows:

Dr Low Seow Chay (Chairman)
Lee Sen Choon
William Chew Yew Meng

The members of the AC collectively have expertise or experience in financial management, and are qualified to discharge the AC's responsibilities.

In performing its functions, the AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation from the Management, and has been given full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

The main functions of the AC are as follows:

1. Reviews the audit plan of the independent auditor of the Company and the co-operation given by the Management to the independent auditor;

2. Reviews the quarterly, half-yearly and full-year announcements on the financial performance and financial position of the Group and the Company before their submission to the Board;

3. Reviews the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company and independent auditor's report on those financial statements before their submission to the Board;

4. Reviews the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management;

5. Meets with the independent auditor, other committees and Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

6. Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes, and any reports received from regulators;

7. Reviews the cost effectiveness and the independence and objectivity of the independent auditor;

8. Reviews the nature and extent of non-audit services, if any, provided by the independent auditor;

9. Recommends to the Board the independent auditor to be nominated, approves the compensation of the independent auditor, and reviews the scope and results of the audit;

10. Reports actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and

11. Reviews interested person transactions in accordance with the requirements of the SGX-ST Listing Manual.

The AC has the expressed power to conduct or authorise investigations into any matters within its terms of reference. Minutes of the AC meetings are regularly submitted to the Board for its information and review.

The AC convened four meetings during the financial year. The AC meets with the independent auditor, without the presence of the Company's Management, at least once a year.

The Company has complied with Rule 712 and Rule 716 of the SGX-ST Listing Manual in relation to the appointment of its independent auditor. In accordance to Rule 716 of the SGX-ST Listing Manual, the Board and the AC confirm that they are satisfied that the appointment of different auditing firms for its subsidiary companies would not compromise the standard and effectiveness of the audit of the Group.

The Company's independent auditor, Baker Tilly TFW LLP ("Baker Tilly"), carry out their annual statutory audit to the extent of their scope as laid out in their audit plan. Internal control weaknesses noted during their audit, and their recommendations for improvement thereof are reported to the AC.

The Management will follow up on the independent auditor's recommendations as part of its role in the review of the Group's internal control system.

There was no non-audit related work carried out by the independent auditor in the current financial year, and accordingly, no non-audit fees were paid to Baker Tilly.

For the financial year ended 31 December 2018, remuneration paid or payable to Baker Tilly in relation to audit services are detailed as below:–

	2018	2017
	$'000	$'000
Fee for audit services	**120**	136

The AC has recommended to the Board that Baker Tilly be nominated for re-appointment as Independent Auditor at the forthcoming Annual General Meeting.

The Company has implemented a whistle blowing policy which provides the mechanism by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal Audit

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

The AC and the Board have evaluated the merits of setting up an internal audit function during the financial year and are of the opinion that having regard to the scope and nature of the Group's operations and cost-effectiveness of operating such a function, the existing system of internal controls in place are adequate to mitigate against normal operational risks. Accordingly, no formal internal audit function has been set up during the financial year.

Nonetheless, the AC and the Board recognise the importance of the internal audit function and will continue to review the necessity of setting up such a function in the future.

D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

The Company's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decision in respect of their investment in the Company.

Any notice of a general meeting of shareholders is issued at least 14 days before the scheduled date of such meeting. At the general meetings, shareholders are given the opportunity to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations.

Communication with Shareholders

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

The Company maintains full and adequate disclosure, in a timely manner, of material events and matters concerning its businesses through SGXNET, public announcements, circulars to shareholders and annual reports.

The Company does not practise selective disclosure of material information. Quarterly, half yearly and full year financial results and price sensitive information is disclosed in an accurate and comprehensive manner through SGXNET on a timely basis.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, financial conditions, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNET.

Conduct of Shareholder Meetings

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

To facilitate participation by shareholders, all general meetings of the Company are held in Singapore. Shareholders have the opportunity to participate effectively in and to vote at general meetings of shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders. Separate resolutions are proposed on each substantially separate issue, for approval by shareholders at general meetings. The Company's Constitution provides that shareholders of the Company are allowed to vote in person or by way of duly appointed proxies.

All shareholders of the Company will receive the Annual Report and Notice of Annual General Meeting. Shareholders are encouraged to participate actively at the Annual General Meeting through an open question-and-answer session.

All Directors are required to attend the Annual General Meeting and the Chairman of the Board and the respective Chairman of the AC, NC and RC are present and available to address shareholders' queries or concerns from the shareholders.

The Company's independent auditor will also be present to address any shareholders' queries about the conduct of the audit and the preparation and content of the auditor's report.

Voting for all resolutions at general meetings will be conducted by poll and the voting results, including the total numbers and percentages of votes cast for or against each resolution are announced via the SGXNET on the same day.

The Company Secretary prepares minutes of general meetings which include substantial and relevant comments or queries from shareholders and responses from the Board and the Management, and such minutes are available to shareholders upon their request.

E. OTHER CORPORATE GOVERNANCE MATTERS

Dealing in Securities

The Company has adopted an internal code based on Rule 1207 (19) of the SGX-ST Listing Manual in relation to dealings in the securities of the Company.

Pursuant to the internal code, Directors and officers of the Company are prohibited from dealing in the Company's securities during the period commencing one month before the announcement of the Company's full-year results and two weeks before the announcement of the quarterly results and at any time when in possession of any unpublished material price sensitive information. It has been highlighted that Directors and officers are expected to observe insider trading laws at all times. They are also advised not to deal in the Company's securities on short-term considerations.

Interested Person Transactions ("IPT")

As a listed company on the Singapore Exchange, the Company is required to comply with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions. To ensure compliance with Chapter 9, the AC, as well as the Board, meets quarterly to review if the Company will be entering into any interested person transaction. If the Company is intending to enter into an interested person transaction, the AC and the Board will ensure that the transaction are carried out based on normal commercial terms and will not be prejudicial to the interest of the Company.

The Company does not have a general mandate from shareholders for IPT pursuant to Rule 920 of the Listing Manual of the SGX-ST.

When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The AC has reviewed the IPTs entered into during the financial year ended 31 December 2018 by the Group and the aggregate values of IPT conducted during the financial year under review are as follows:–

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Triton Metal Supplies Pte Ltd	$4,209,000	NIL

Material Contracts

Except as disclosed in the IPT section above, there were no material contracts entered into between the Company and any of its subsidiary companies involving the interests of the Chief Executive Officer, any Director or substantial shareholder during the financial year ended 31 December 2018.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors hereby present their statement to the members together with the audited consolidated financial statements of Hor Kew Corporation Limited (the "Company") and its subsidiary corporations (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 53 to 170 are properly drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

(ii) at the date of this statement, after considering the measures taken by the Group and the Company with respect to the Group's and the Company's ability to continue as going concerns as described in Note 3 to the financial statements, 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:

Dennis Aw Khoon Hwee (Executive Chairman and Chief Executive Officer)
Benjamin Aw Chi-Ken
Elicia Aw Ying Ying
Dr Low Seow Chay
Lee Sen Choon
William Chew Yew Meng

Arrangements to enable directors to acquire benefits

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 in or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and/or related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act except as follows:

Name of directors and companies in which interest are held	Shareholdings registered in the name of director			Shareholdings in which the director is deemed to have an interest		
	At 1.1.2018	At 31.12.2018	At 21.1.2019	At 1.1.2018	At 31.12.2018	At 21.1.2019
The Company						
(Ordinary shares)						
Dennis Aw Khoon Hwee	5,413,499	5,413,499	5,413,499	17,093,821	17,093,821	17,093,821
Benjamin Aw Chi-Ken	2,550,337	2,550,337	2,550,337	–	–	–
Elicia Aw Ying Ying	611,625	611,625	611,625	–	–	–
Dr Low Seow Chay	4,166	4,166	4,166	–	–	–
Subsidiary corporation						
GPX Land Sdn. Bhd.						
(Ordinary shares)						
Dennis Aw Khoon Hwee	–	–	–	499,960	499,960	499,960

By virtue of Section 7 of the Act, the director, Dennis Aw Khoon Hwee is deemed to have an interest in the shares held by the Company in all of its wholly-owned subsidiary corporations.

Except as disclosed in this statement, no director of the Company who held office at the end of the financial year had interests in shares, share options or debentures of the Company or related corporations, either at the beginning or at the end of the financial year.

Share options

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

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

Audit Committee

The Audit Committee ("AC") at the date of this statement comprises three (3) directors, all of whom are independent. The AC members are as follows:

Dr Low Seow Chay (Chairman)
Lee Sen Choon
William Chew Yew Meng

The AC has a written term of reference that describe the responsibilities of its members. The AC meets at least four (4) times a year to perform the following main functions:

- Reviews the audit plan of the independent auditor of the Company and the co-operation given by the management to the independent auditor;
- Reviews the quarterly, half-yearly and full-year announcements on the financial performance and financial position of the Group and the Company before their submission to the Board of Directors of the Company;
- Reviews the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company and independent auditor's report on those financial statements before their submission to the Board of Directors of the Company;
- Reviews the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management;
- Meets with the independent auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

Audit Committee (cont'd)

- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes, and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the independent auditor;
- Reviews the nature and extent of non-audit services, if any, provided by the independent auditor;
- Recommends to the Board of Directors the independent auditor to be nominated, approves the compensation of the independent auditor, and reviews the scope and results of the audit;
- Reports actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considers appropriate; and
- Reviews the interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The Audit Committee has full access to and co-operation by the management and has full discretion to invite any director or executive officer to attend its meetings. The independent auditor has unrestricted access to the Audit Committee and the Audit Committee has reasonable resources available to enable it to discharge its functions properly.

The Audit Committee has also met with the independent auditor, without the presence of the Company's management, at least once a year. The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board of Directors that Baker Tilly TFW LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting of the Company.

Independent auditor's remuneration

The directors have reviewed the quantum and nature of fees, expenses and emoluments paid to the independent auditor for non-audit services under Section 206 (1A) of the Act and are satisfied that the provision of such services does not affect their independence.

DIRECTORS' STATEMENT

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Dennis Aw Khoon Hwee
Executive Chairman and Chief Executive Officer

Benjamin Aw Chi-Ken
Executive Director

Singapore

5 April 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Hor Kew Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hor Kew Corporation Limited (the "Company") and its subsidiary companies (the "Group") as set out on pages 53 to 170, which comprise the statements of financial position of the Group and the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

As disclosed in Note 3 to the financial statements, the Group and the Company incurred a net loss for the financial year of $30,848,000 and $45,008,000 respectively. As at 31 December 2018, the Company's current liabilities exceeded its current assets by $9,842,000.

These factors indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. The directors of the Company, for the reasons as disclosed in Note 3 to the accompanying financial statements, have determined that it is appropriate for the financial statements to be prepared on a going concern basis. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

To the members of Hor Kew Corporation Limited

Report on the Audit of the Financial Statements (cont'd)

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be key audit matters to be communicated in our report.

1 Impairment of trade receivables

As disclosed in Note 14 to the financial statements, the net carrying amount of the Group's trade receivables is stated at $24,845,000 (2017: $26,021,000), after deducting impairment losses of $7,939,000 (2017: $2,891,000), accounted for approximately 15% (2017: 15%) of the Group's total assets as at 31 December 2018.

Management determines the expected credit losses ("ECL") of trade receivables by applying the simplified approach and uses the provision matrix to measure the lifetime ECL for trade receivables. The Group categorises its trade receivables by its past due status and segregates debtors regarded as credit-impaired where one or more credit impairment events have occurred. The ECL rates for each category of debtors are estimated based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions. The measurement of allowance for ECL for trade receivables is considered to be a key audit matter as it requires management to exercise judgement and make assumptions with respect to past events, current conditions and forecasts of future economic conditions as disclosed in Notes 3 and 35 to the financial statements.

Our procedures to address the key audit matter

We obtained an understanding and evaluated the Group's ECL assessment for trade receivables. We assessed the reasonableness of management's judgement and assumptions applied in the ECL model such as management's determination of historical credit loss rates, the application of respective ECL rates for each category of past due status of debtors and debtors regarded as credit-impaired, and management's consideration of current and future economic conditions specific to its trade receivables. We checked the arithmetic accuracy of management's computation of ECL and tested management's categorisation of debtors by their past due status.

We also reviewed the adequacy of disclosures relating to the ECL assessment of trade receivables and the Group's credit risk made in the financial statements.

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

2 Provision for onerous contracts

The Group entered into contracts with customers to deliver precast concrete and prefabricated metal components. Due to rising cost of materials, the unavoidable aggregate costs to fulfil certain contracts are higher than the economic benefits expected to be received. For the financial year ended 31 December 2018, the Group recognised provision for onerous contracts amounted to $6,017,000, representing 7% of the total expenses of the Group.

The Group estimated a provision for its non-cancellable contracts in relation to the Group's prefabrication activities by calculating the difference between the total contract sum to be earned and the unavoidable aggregate costs the Group is obligated to incur in order to meet the remaining obligations of the contracts.

Significant judgements were made by management (i) to estimate the total contract costs to complete, which were used to determine the Group's recognition of the provision for the onerous contracts and (ii) to determine when it is probable that the unavoidable aggregate costs of meeting the obligations under the contracts exceed the economic benefits expected to be received.

Our procedures to address the key audit matter

We examined on-going and new contracts signed during the financial year through discussions with management and review of contract documentation (including correspondences with customers).

We compared the contract revenue against the estimated total contract costs to identify projects that are loss-making.

In relation to actual costs incurred for loss-making projects, we agreed the related costs incurred to relevant suppliers' invoices.

In relation to estimated total contract costs for loss-making projects, we:

- discussed with the quantity surveyors to assess the reasonableness of estimated total contract costs;
- evaluated management's underlying assumptions made using our understanding of past completed projects; and
- agreed the unavoidable cost to meet the remaining obligations for each contract by substantiating costs that have been budgeted to quotations from and contracts with suppliers.

We also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Report on the Audit of the Financial Statements (cont'd)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2018, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

Report on the Audit of the Financial Statements (cont'd)

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Hor Kew Corporation Limited

Report on the Audit of the Financial Statements (cont'd)

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

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 Tay Guat Peng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

5 April 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

		Group	
			(Restated)
		2018	2017
	Note	**$'000**	$'000
Revenue	5	**50,082**	59,348
Cost of sales		**(65,421)**	(53,445)
Gross (loss)/profit		**(15,339)**	5,903
Interest income from fixed deposits		**447**	406
Other income	6	**2,248**	2,154
Expenses			
General and administrative expenses		**(12,948)**	(9,603)
Finance costs	7	**(1,545)**	(1,179)
Net impairment losses on financial and contract assets		**(3,499)**	(1,144)
Loss before tax	8	**(30,636)**	(3,463)
Tax (expense)/credit	9	**(212)**	175
Loss for the financial year		**(30,848)**	(3,288)
Other comprehensive income/(loss):			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**41**	421
Fair value gain on available-for-sale financial assets		**–**	5
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income		**(3)**	–
Other comprehensive income for the financial year, net of tax		**38**	426
Total comprehensive loss for the financial year		**(30,810)**	(2,862)
		Cents	Cents
Loss per share	10		
Basic		**(59.25)**	(6.31)
Diluted		**(59.25)**	(6.31)

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Group			Company		
			(Restated)	(Restated)		(Restated)	(Restated)
		31.12.2018	31.12.2017	1.1.2017	**31.12.2018**	31.12.2017	1.1.2017
	Note	**$'000**	$'000	$'000	**$'000**	$'000	$'000
Non-current assets							
Property, plant and equipment	11	**45,635**	45,749	47,518	**230**	305	256
Investment properties	12	**34,723**	34,847	34,799	**–**	–	–
Investment in subsidiary companies	13	**–**	–	–	**34,261**	49,019	45,485
Trade receivables	14	**5,544**	4,502	4,185	**–**	–	–
Club membership		**–**	–	34	**–**	–	–
Total non-current assets		**85,902**	85,098	86,536	**34,491**	49,324	45,741
Current assets							
Development properties	16	**18,957**	18,998	18,554	**–**	–	–
Completed development properties held for sale		**3,384**	3,384	9,672	**–**	–	–
Inventories	17	**8,062**	7,006	7,525	**–**	–	–
Trade receivables	14	**19,301**	21,519	26,623	**–**	–	–
Other receivables	18	**1,141**	743	1,028	**14,970**	40,844	37,639
Contract assets	15	**472**	4,457	1,441	**1,090**	2,468	2,607
Available-for-sale financial assets	19	**–**	21	16	**–**	19	13
Financial assets at fair value through other comprehensive income	19	**18**	–	–	**17**	–	–
Cash and cash equivalents	20	**30,947**	30,049	29,371	**46**	24	20
Total current assets		**82,282**	86,177	94,230	**16,123**	43,355	40,279
Total assets		**168,184**	171,275	180,766	**50,614**	92,679	86,020
Non-current liabilities							
Borrowings	21	**31,789**	2,746	28,269	**–**	–	–
Hire purchase payables	22	**164**	314	473	**–**	–	–
Deferred tax liabilities	23	**2,468**	2,468	2,634	**–**	–	–
Total non-current liabilities		**34,421**	5,528	31,376	**–**	–	–

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

		Group			Company		
			(Restated)	(Restated)		(Restated)	(Restated)
		31.12.2018	31.12.2017	1.1.2017	**31.12.2018**	31.12.2017	1.1.2017
	Note	**$'000**	$'000	$'000	**$'000**	$'000	$'000
Current liabilities							
Trade payables	24	**26,147**	16,132	18,821	**–**	–	–
Other payables	25	**3,809**	2,429	3,211	**25,668**	22,919	20,545
Contract liabilities	15	**4,648**	–	–	**–**	–	–
Borrowings	21	**32,752**	54,655	32,090	**–**	–	–
Hire purchase payables	22	**677**	939	445	**77**	98	–
Provisions	26	**6,017**	–	–	**–**	–	–
Derivative financial instruments	27	**261**	–	250	**–**	–	–
Tax payables		**232**	13	132	**220**	2	10
Total current liabilities		**74,543**	74,168	54,949	**25,965**	23,019	20,555
Total liabilities		**108,964**	79,696	86,325	**25,965**	23,019	20,555
Net assets		**59,220**	91,579	94,441	**24,649**	69,660	65,465
Equity							
Share capital	28	**68,323**	68,323	68,323	**68,323**	68,323	68,323
Share option reserve	29	**–**	–	8	**–**	–	8
Other reserves	30	**(6,339)**	(6,377)	(6,803)	**4**	7	1
Accumulated (losses)/profits		**(2,764)**	29,633	32,913	**(43,678)**	1,330	(2,867)
Total equity		**59,220**	91,579	94,441	**24,649**	69,660	65,465

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Share capital $'000	Share option reserve $'000	Other reserves $'000	Accumulated profits/ (losses) $'000	Total equity $'000
Group					
Balance at 1 January 2017	68,323	8	16,183	9,927	94,441
Effect of adoption of new accounting standard (Note 2.1)	–	–	(22,986)	22,986	–
Balance at 1 January 2017, restated	68,323	8	(6,803)	32,913	94,441
Loss for the financial year, restated	–	–	–	(3,288)	(3,288)
Other comprehensive income:					
Currency translation differences arising from consolidation	–	–	421	–	421
Fair value gain on available-for-sale financial assets	–	–	5	–	5
Other comprehensive income for the financial year, net of tax	–	–	426	–	426
Total comprehensive income/(loss) for the financial year	–	–	426	(3,288)	(2,862)
Reclassification upon lapse of share options	–	(8)	–	8	–
Balance at 31 December 2017, restated	68,323	–	(6,377)	29,633	91,579
Balance at 1 January 2018	68,323	–	17,754	6,702	92,779
Effect of adoption of new accounting standard (Note 2.1)	–	–	(24,131)	21,382	(2,749)
Balance at 1 January 2018, restated	68,323	–	(6,377)	28,084	90,030
Loss for the financial year	–	–	–	(30,848)	(30,848)
Other comprehensive income/(loss):					
Currency translation differences arising from consolidation	–	–	41	–	41
Fair value loss on financial assets at fair value through other comprehensive income	–	–	(3)	–	(3)
Other comprehensive income for the financial year, net of tax	–	–	38	–	38
Total comprehensive income/(loss) for the financial year	–	–	38	(30,848)	(30,810)
Balance at 31 December 2018	**68,323**	**–**	**(6,339)**	**(2,764)**	**59,220**

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Share capital $'000	Share option reserve $'000	Other reserves $'000	Accumulated (losses)/ profits $'000	Total equity $'000
Company					
Balance at 1 January 2017	68,323	8	1	(2,867)	65,465
Profit for the financial year	–	–	–	4,189	4,189
Other comprehensive income for the financial year, net of tax					
- Fair value gain on available-for-sale financial assets	–	–	6	–	6
Total comprehensive income for the financial year	–	–	6	4,189	4,195
Reclassification upon lapse of share options	–	(8)	–	8	–
Balance at 31 December 2017	68,323	–	7	1,330	69,660
Loss for the financial year	–	–	–	(45,008)	(45,008)
Other comprehensive loss for the financial year, net of tax					
- Fair value loss on financial assets at fair value through other comprehensive income	–	–	(3)	–	(3)
Total comprehensive loss for the financial year	–	–	(3)	(45,008)	(45,011)
Balance at 31 December 2018	**68,323**	**–**	**4**	**(43,678)**	**24,649**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Group	
		(Restated)
	2018	2017
	$'000	$'000
Cash flows from operating activities		
Loss before tax	**(30,636)**	(3,463)
Adjustments for:		
Club membership written off	**–**	34
Depreciation of property, plant and equipment	**5,786**	4,402
Dividend income	**(1)**	(1)
Fair value loss on derivative financial instruments	**261**	–
Fair value loss/(gain) on investment properties	**124**	(48)
Gain on disposal of property, plant and equipment	**–**	(66)
Loss on settlement of derivative financial instruments	**–**	3
Impairment loss on property, plant and equipment	**824**	65
Interest expense	**1,545**	1,179
Interest income	**(447)**	(406)
Provision for onerous contracts	**6,017**	–
Unrealised loss/(gain) on foreign exchange	**2,033**	(53)
Operating cash flows before working capital changes	**(14,494)**	1,646
Changes in operating assets and liabilities:		
Development properties and completed development properties held for sale	**–**	6,288
Inventories	**(1,056)**	519
Receivables	**(780)**	5,075
Contract assets	**3,985**	(3,016)
Contract liabilities	**4,648**	–
Payables	**11,368**	(3,479)
Currency translation adjustments	**241**	(332)
Cash generated from operations	**3,912**	6,701
Income tax refunded/(paid)	**13**	(109)
Net cash generated from operating activities	**3,925**	6,592
Cash flows from investing activities		
Dividends received	**1**	1
Payment for settlement of derivative financial instruments	**–**	(253)
Proceeds from disposal of property, plant and equipment	**–**	339
Purchases of property, plant and equipment (Note A)	**(6,554)**	(1,870)
Net cash used in investing activities	**(6,553)**	(1,783)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Group	
		(Restated)
	2018	2017
	$'000	$'000
Cash flows from financing activities		
Drawdown of borrowings	12,606	3,546
Interest paid	(1,518)	(1,172)
Repayment of borrowings	(5,674)	(6,500)
Repayment of hire purchase payables	(437)	(448)
Placement of fixed deposits pledged	(2,456)	–
Net cash generated from/(used in) from financing activities	2,521	(4,574)
Net (decrease)/increase in cash and cash equivalents	(107)	235
Cash and cash equivalents at beginning of financial year	4,728	4,478
Effects of exchange rate changes on cash and cash equivalents	(34)	15
Cash and cash equivalents at end of financial year	4,587	4,728
Cash and cash equivalents are represented by:		
Cash and cash equivalents on the consolidated statement of financial position (Note 20)	30,947	30,049
Fixed deposits pledged (Note 20)	(26,191)	(25,321)
Bank overdrafts (Note 21)	(169)	–
Cash and cash equivalents per consolidated statement of cash flows	4,587	4,728
Note A - Purchases of property, plant and equipment ("PPE")		
Aggregate cost of PPE acquired (Note 11)	6,577	2,641
Less: PPE financed by hire purchase arrangements	(23)	(771)
Net cash outflow for purchases of PPE	6,554	1,870

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

1 Corporate information

Hor Kew Corporation Limited (the "Company") (Co. Reg. No. 199903415K) is domiciled and incorporated in Singapore as a private limited liability company on 18 June 1999. It was converted to a public company on 29 March 2000 and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 66 Kallang Pudding Road, #07-01 Hor Kew Business Centre, Singapore 349324.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 4. 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 statement of financial position and statement of changes in equity of the Company, are presented in Singapore dollar ("$") (rounded to the nearest thousand ($'000) except when otherwise indicated), and have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"). The financial statements have been prepared under the historical cost convention except as disclosed in the following accounting policies.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Use of estimates and judgements

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

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

New and revised standards

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises the standards and interpretations that are identical to the International Financial Reporting Standards. As required by the listing requirements of Singapore Exchange ("SGX"), the Group has adopted SFRS(I) on 1 January 2018.

These financial statements for the year ended 31 December 2018 are the first set of financial statements of the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

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

Under SFRS(I), these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group and the Company have also presented statement of financial position as at 1 January 2017, which is the date of transition to SFRS(I).

In addition to the adoption of the new framework, the Group also concurrently applied all new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are effective for the current financial year. The application of these new and revised SFRS(I) and SFRS(I) INT do not have a material effect on the financial statements, except for SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 9 *Financial Instruments*.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I), SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017. There were no material adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 December 2017		
	FRS Framework $'000	SFRS(I) 1 $'000	SFRS(I) Framework $'000
Revenue	59,348	–	59,348
Cost of sales	(53,445)	–	(53,445)
Gross profit	5,903	–	5,903
Interest income from fixed deposits	406	–	406
Other income	2,154	–	2,154
Expenses			
General and administrative expenses	(9,538)	(65)	(9,603)
Finance costs	(1,179)	–	(1,179)
Net impairment loss on financial and contract assets	(1,144)	–	(1,144)
Loss before tax	(3,398)	(65)	(3,463)
Tax credit	165	10	175
Loss for the financial year	**(3,233)**	**(55)**	**(3,288)**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Currently translation differences arising from consolidation	421	–	421
Fair value gain on available-for-sale financial assets	5	–	5
Other comprehensive income for the financial year, net of tax	**426**	**–**	**426**
Total comprehensive loss for the financial year	**(2,807)**	**(55)**	**(2,862)**

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

Consolidated statement of financial position

	31 December 2017			1 January 2018		
	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000	SFRS(I) 9 $'000	SFRS(I) framework $'000
Non-current assets						
Property, plant and equipment	47,157	(1,408)	–	45,749	–	45,749
Investment properties	34,847	–	–	34,847	–	34,847
Trade receivables	4,502	–	–	4,502	–	4,502
Club membership	–	–	–	–	–	–
Total non-current assets	86,506	(1,408)	–	85,098	–	85,098
Current assets						
Development properties	18,998	–	–	18,998	–	18,998
Completed development properties held for sale	3,384	–	–	3,384	–	3,384
Inventories	7,006	–	–	7,006	–	7,006
Trade receivables	25,976	–	(4,457)	21,519	(1,549)	19,970
Other receivables	743	–	–	743	–	743
Contract assets	–	–	4,457	4,457	–	4,457
Available-for-sale financial assets	21	–	–	21	(21)	–
Financial assets at fair value through other comprehensive income	–	–	–	–	21	21
Cash and cash equivalents	30,049	–	–	30,049	–	30,049
Total current assets	86,177	–	–	86,177	(1,549)	84,628
Total assets	172,683	(1,408)	–	171,275	(1,549)	169,726

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

Consolidated statement of financial position (cont'd)

	31 December 2017			1 January 2018		
	FRS framework	SFRS(I) 1	SFRS(I) 15	SFRS(I) framework	SFRS(I) 9	SFRS(I) framework
	$'000	$'000	$'000	$'000	$'000	$'000
Non-current liabilities						
Borrowings	2,746	–	–	2,746	–	2,746
Hire purchase payables	314	–	–	314	–	314
Deferred tax liabilities	2,676	(208)	–	2,468	–	2,468
Total non-current liabilities	5,736	(208)	–	5,528	–	5,528
Current liabilities						
Trade payables	16,132	–	–	16,132	–	16,132
Other payables	2,429	–	–	2,429	–	2,429
Borrowings	54,655	–	–	54,655	–	54,655
Hire purchase payables	939	–	–	939	–	939
Tax payables	13	–	–	13	–	13
Total current liabilities	74,168	–	–	74,168	–	74,168
Total liabilities	79,904	(208)	–	79,696	–	79,696
Net assets	92,779	(1,200)	–	91,579	(1,549)	90,030
Equity						
Share capital	68,323	–	–	68,323	–	68,323
Other reserves	17,754	(24,131)	–	(6,377)	–	(6,377)
Accumulated profits	6,702	22,931	–	29,633	(1,549)	28,084
Total equity	92,779	(1,200)	–	91,579	(1,549)	90,030

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

Consolidated statement of financial position (cont'd)

	1 January 2017			
	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000
Non-current assets				
Property, plant and equipment	47,518	–	–	47,518
Investment properties	34,799	–	–	34,799
Trade receivables	4,185	–	–	4,185
Club membership	34	–	–	34
Total non-current assets	86,536	–	–	86,536
Current assets				
Development properties	18,554	–	–	18,554
Completed development properties held for sale	9,672	–	–	9,672
Inventories	7,525	–	–	7,525
Trade receivables	28,064	–	(1,441)	26,623
Other receivables	1,028	–	–	1,028
Contract assets	–	–	1,441	1,441
Available-for-sale financial assets	16	–	–	16
Cash and cash equivalents	29,371	–	–	29,371
Total current assets	94,230	–	–	94,230
Total assets	180,766	–	–	180,766

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

Consolidated statement of financial position (cont'd)

	1 January 2017			
	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000
Non-current liabilities				
Borrowings	28,269	–	–	28,269
Hire purchase payables	473	–	–	473
Deferred tax liabilities	2,634	–	–	2,634
Total non-current liabilities	31,376	–	–	31,376
Current liabilities				
Trade payables	18,821	–	–	18,821
Other payables	3,211	–	–	3,211
Borrowings	32,090	–	–	32,090
Hire purchase payables	445	–	–	445
Derivative financial instruments	250	–	–	250
Tax payables	132	–	–	132
Total current liabilities	54,949	–	–	54,949
Total liabilities	86,325	–	–	86,325
Net assets	94,441	–	–	94,441
Equity				
Share capital	68,323	–	–	68,323
Share option reserve	8	–	–	8
Other reserves	16,183	(22,986)	–	(6,803)
Accumulated profits	9,927	22,986	–	32,913
Total equity	94,441	–	–	94,441

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

Statement of financial position

	31 December 2017			1 January 2018	
	FRS framework $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000	SFRS(I) 9 $'000	SFRS(I) framework $'000
Non-current assets					
Property, plant and equipment	305	–	305	–	305
Investment in subsidiary companies	49,019	–	49,019	–	49,019
Total non-current assets	49,324	–	49,324	–	49,324
Current assets					
Other receivables	43,312	(2,468)	40,844	–	40,844
Contract assets	–	2,468	2,468	–	2,468
Available-for-sale financial assets	19	–	19	(19)	–
Financial assets at fair value through other comprehensive income	–	–	–	19	19
Cash and cash equivalents	24	–	24	–	24
Total current assets	43,355	–	43,355	–	43,355
Total assets	92,679	–	92,679	–	92,679
Current liabilities					
Other payables	22,919	–	22,919	–	22,919
Hire purchase payables	98	–	98	–	98
Tax payables	2	–	2	–	2
Total liabilities	23,019	–	23,019	–	23,019
Net assets	69,660	–	69,660	–	69,660
Equity					
Share capital	68,323	–	68,323	–	68,323
Other reserves	7	–	7	–	7
Accumulated profits	1,330	–	1,330	–	1,330
Total equity	69,660	–	69,660	–	69,660

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

Statement of financial position (cont'd)

	1 January 2017		
	FRS framework $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000
Non-current assets			
Property, plant and equipment	256	–	256
Investment in subsidiary companies	45,485	–	45,485
Total non-current assets	45,741	–	45,741
Current assets			
Other receivables	40,246	(2,607)	37,639
Contract assets	–	2,607	2,607
Available-for-sale financial assets	13	–	13
Cash and cash equivalents	20	–	20
Total current assets	40,279	–	40,279
Total assets	86,020	–	86,020
Current liabilities			
Other payables	20,545	–	20,545
Tax payables	10	–	10
Total liabilities	20,555	–	20,555
Net assets	65,465	–	65,465
Equity			
Share capital	68,323	–	68,323
Share option reserve	8	–	8
Other reserves	1	–	1
Accumulated losses	(2,867)	–	(2,867)
Total equity	65,465	–	65,465

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I)

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, subject to certain mandatory exceptions and optional exemptions under SFRS(I) 1. Except as described below, the application of SFRS(I) did not have any significant impact on the financial statements.

Fair value as deemed cost

As permitted with the adoption of the new accounting framework SFRS(I), the Group elected the optional exemption in SFRS(I) 1 to measure the freehold properties and leasehold land and buildings held by the Group classified as property, plant and equipment at the date of transition to SFRS(I) at fair value and use that fair value as its deemed cost in its SFRS(I) financial statements.

As a result, the carrying amount of the freehold properties and leasehold land and buildings and deferred tax of the Group decreased by $1,408,000 and $208,000 respectively as at 31 December 2017. The carrying amount of accumulated profits of the Group increased by $22,986,000 and $22,931,000 respectively as at 1 January 2017 and 31 December 2017 upon reclassification of asset revaluation reserve to accumulated profits.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. SFRS(I) 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. The entity is required to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model; to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

The Group and the Company adopted SFRS(I) 15 using the full retrospective approach. The Group and the Company have elected the practical expedient to apply the standard to contracts that are not completed at the date of initial application.

Presentation of contract assets

Upon adoption of SFRS(I) 15, the Group has changed the presentation of accrued progress billings for completed construction project, accrued income, due from customer on construction contracts and retention sums classified as trade receivables of $1,280,000, $3,055,000, $105,000 and $17,000 as at 31 December 2017 and $400,000, $1,041,000, $Nil and $Nil as at 1 January 2017 to contract assets.

Upon adoption of SFRS(I) 15, the Company has changed the presentation of accrued income classified as other receivables of $2,468,000 as at 31 December 2017 and $2,607,000 as at 1 January 2017 to contract assets.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on expected credit loss model and replace FRS 39 incurred loss model.

The Group and the Company applied SFRS(I) 9 using a modified retrospective approach, with date of initial application on 1 January 2018. The Group and the Company have not restated the comparative information, which continues to be reported under FRS 39. Differences arising from the adoption of SFRS(I) 9 have been recognised directly in accumulated profits and other components of equity as at 1 January 2018.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

The impact upon adoption of SFRS(I) 9 as at 1 January 2018 was as follows:

(a) *Classification and measurement*

Under SFRS(I) 9, the Group and the Company classify its financial assets based on entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The assessment of the Group's and the Company's business model was made as of the date of initial application on 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised principal and interest were made based on the facts and circumstances as at the initial recognition of the assets.

The following were the changes in classification and measurement arising from adopting SFRS(I) 9:

- Loans and receivables including trade and other receivables (excluding prepayments), other non-current assets and cash and cash equivalents as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

- Quoted equity shares classified as available-for-sale financial assets as at 31 December 2017 are classified and measured as financial assets at fair value through other comprehensive income ("FVOCI") beginning 1 January 2018.

- Derivative financial instruments continues to be measured at fair value through profit or loss, hence no change to the classification and measurement.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

(a) *Classification and measurement (cont'd)*

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

The following summarises the Group and the Company's required or elected reclassifications as at 1 January 2018 upon adoption on SFRS(I) 9:

Group		**SFRS (I) 9 measurement category**	
	Original carrying amount	**Amortised cost**	**FVOCI**
	$'000	**$'000**	**$'000**
FRS 39 measurement category			
Loans and receivables			
Cash and cash equivalents	30,049	30,049	–
Trade receivables *	26,021	24,472	–
Other receivables	497	497	–
Available-for-sale financial assets			
Quoted equity shares	21	–	21

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

(a) *Classification and measurement (cont'd)*

Company		**SFRS (I) 9 measurement category**	
	Original carrying amount	**Amortised cost**	**FVOCI**
	$'000	**$'000**	**$'000**
FRS 39 measurement category			
Loans and receivables			
Cash and cash equivalents	24	24	–
Other receivables	40,827	40,827	–
Available-for-sale financial assets			
Quoted equity shares	19	–	19

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

(b) *Impairment*

SFRS(I) 9 requires the Group and Company to record expected credit losses on all of its financial assets at amortised cost, either on a 12-month or lifetime basis. Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's financial assets at amortised cost of $1,549,000, which resulted in a decrease in accumulated profits of $1,549,000 as at 1 January 2018.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

(b) *Impairment (cont'd)*

Set out below is the reconciliation of the ending impairment allowances in accordance with FRS 39 to the opening loss allowances determined in accordance with SFRS(I) 9:

	Allowance for impairment under FRS 39 as at 31 December 2017 $'000	Remeasurement $'000	ECL under SFRS(I) 9 as at 1 January 2018 $'000
Group			
Loans and receivables under FRS39/ Financial assets at amortised cost under SFRS(I) 9	2,891	1,549	4,440

SFRS(I) 16 Leases

SFRS(I) 16 replaces the existing FRS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 16 Leases (cont'd)

The Group plans to adopt the new standard on the required effective date using the modified retrospective approach and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 16 at the date of initial application in the opening accumulated losses as at 1 January 2019. Right-of-use assets will be recognised at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) on adoption.

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $1,463,000 [Note 32(a)]. Of these commitments, approximately $7,000 relate to short term leases and leases of low value items which will be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately $1,016,000 and lease liabilities of approximately $1,016,000 on 1 January 2019.

The standard substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classifies its leases as operating leases using existing operating lease accounting model. The Group does not expect any significant impact on the financial statements as a lessor. However, some additional disclosures will be required in the financial statements upon adoption of the standard.

2.2 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar, which is the Company's functional and presentation currency.

2 Summary of significant accounting policies (cont'd)

2.2 Foreign currencies (cont'd)

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

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

Translation of Group entities' financial statements

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

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve within equity.

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

2 Summary of significant accounting policies (cont'd)

2.2 Foreign currencies (cont'd)

Transactions and balances (cont'd)

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

On disposal of a foreign operation/entity, the cumulative amount of the currency translation reserve relating to that particular foreign operation/entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

2.3 Subsidiary companies

Subsidiary companies are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investment in subsidiary companies are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies at the end of the reporting period. Subsidiary companies 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.

The financial statements of the subsidiary companies are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

2 Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation (cont'd)

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary company. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any 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 fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.5. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary company attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary company, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

2 Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation (cont'd)

Changes in the Company's ownership interest in subsidiary company that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to the equity holders of the Company.

When a change in the Company's ownership interest in subsidiary company results in a loss of control over the subsidiary company, the assets and liabilities of the subsidiary company including any goodwill, non-controlling interest and other components of equity related to the subsidiary company are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated profits if required by a specific SFRS(I).

Any retained equity interest in the previous subsidiary company is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

2.5 Intangible assets

Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

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

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

On disposal of subsidiary company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2 Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses except for land and buildings.

Land and buildings are initially recorded at cost. Freehold land are subsequently stated at revalued amount less any accumulated impairment losses while freehold properties and leasehold land and buildings are subsequently stated at revalued amount less accumulated depreciation and any accumulated impairment losses prior to 1 January 2018. Their fair values are determined annually by professional valuers and whenever their carrying amounts are likely to differ materially from their fair values.

The Group has applied the option to measure freehold land, freehold properties and leasehold land and buildings at the date of transition to SFRS(I) at its fair value and use that fair value as its deemed cost at the date.

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

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss; any amount in revaluation reserve relating to that asset is transferred to accumulated profits directly.

Depreciation

No depreciation is provided on freehold land.

Leasehold land and buildings are amortised evenly over the terms of the leases, expire at various dates in 2020 and 2027.

2 Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment (cont'd)

Depreciation (cont'd)

Depreciation is calculated on a straight-line basis to write off the cost or revalued amount of other property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

	Years
Freehold properties	50
Motor vehicles	3 to 8
Moulds	1 to 5
Office equipment, furniture and fittings	1 to 10
Plant and machinery and factory equipment	3 to 12
Renovation	5

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

Fully depreciated assets are retained in the financial statements until they are no longer in use.

2.7 Investment properties

Investment properties include those portions of properties that are held to earn rental income and/or for capital appreciation or for a currently indeterminate use. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

2 Summary of significant accounting policies (cont'd)

2.7 Investment properties (cont'd)

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

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

2.8 Impairment of non-financial assets excluding goodwill

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

2 Summary of significant accounting policies (cont'd)

2.9 Development properties

Development properties are properties held or developed for sale in the ordinary course of business. Development properties are measured at the lower of cost and net realisable value. The costs are assigned by using specific identification which includes acquisition costs, development expenditure, capitalised borrowing costs and other costs directly attributable to the development activities. Net realisable value represents the estimated selling price less cost to complete and costs to be incurred in selling the property.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials are stated at cost on a weighted average basis. The cost of finished goods and work-in-progress includes raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.11 Financial assets

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

Classification

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

Financial assets, at fair value through profit or loss

This category has two sub-categories: "financial assets held for trading", and those designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at initial recognition are those that are managed and their performance are evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Derivatives are also categorised as "held for trading" unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the reporting period.

2 Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

The accounting policies for financial assets before 1 January 2018 are as follows (cont'd):

Classification (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "trade receivables", "other receivables" (excluding prepayments, tax recoverable and advance payments to suppliers) and "cash and cash equivalents" on the statement of financial position except for non-current interest-free loans due from subsidiary companies which have been considered to be part of the Company's net investment in subsidiary companies and accounted for in accordance with Note 2.3.

Financial assets, available-for-sale

Financial assets, available-for-sale include equity securities that are non-derivatives and are either designated in this category or not classified in any of the other categories. They are included in current assets due to short-term in nature.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

2 Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

The accounting policies for financial assets before 1 January 2018 are as follows (cont'd):

Initial measurement

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

Subsequent measurement

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

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss, including effects of currency translation, are recognised in profit or loss in the financial year in which the changes in fair values arise.

Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in fair value reserve together with the related currency translation differences.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss.

Impairment

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

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

2 Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

The accounting policies for financial assets before 1 January 2018 are as follows (cont'd):

Impairment (cont'd)

Loans and receivables (cont'd)

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

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

Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that was recognised directly in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised.

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

2 Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

The accounting policies for financial assets before 1 January 2018 are as follows (cont'd):

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group classifies its financial assets in the following measurement categories:

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

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

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

2 Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

The accounting policies for financial assets before 1 January 2018 are as follows (cont'd):

Subsequent measurement

i) Debt instruments

Debt instruments include cash and cash equivalents, trade receivables and other receivables (excluding prepayments). There are three subsequent measurement categories, depending on the Group's business model for managing the asset and cash flow characteristics of the asset:

Amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

ii) Derivatives

Derivatives are classified and measured as financial assets at FVTPL. Movements in fair values and interest income are recognised in profit or loss in the period in which it arises and presented in "other income".

2 Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

The accounting policies for financial assets before 1 January 2018 are as follows (cont'd):

Subsequent measurement

iii) Equity instruments

For equity investments which are not held for trading or not a contingent consideration recognised by an acquirer in a business combination, the Group may make an irrevocable election (on an investment by investment basis) to designate equity investments as at FVOCI.

The Group has designated all of its equity investments that are not held for trading as at FVOCI at initial recognition. Gains and losses arising from changes in fair value of these equity investments classified as FVOCI are presented as "fair value gains/losses" in other comprehensive income and accumulated in fair value reserve and will never be reclassified to profit or loss. On disposal of an equity investment, the difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income. Fair value reserve relating to the disposed asset would be transferred to retained earnings upon disposal. Dividends from equity investments are recognised in profit or loss and presented in "other income". Equity investments classified as FVOCI are not subject to impairment assessment.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2 Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

The accounting policies for financial assets from 1 January 2018 onwards are as follows (cont'd):

Impairment (cont'd)

For trade receivables and contract assets that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

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

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

2.12 Cash and cash equivalents in the consolidated statement of cash flows

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts that form an integral part of the Group's cash management, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged fixed deposits. Bank overdrafts are included in current borrowings on the statement of financial position.

2.13 Financial liabilities

Financial liabilities include trade payables, other payables (excluding provision for unutilised annual leave), borrowings, hire purchase payables and derivative financial instruments.

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

2 Summary of significant accounting policies (cont'd)

2.13 Financial liabilities (cont'd)

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

2.14 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected loss computed using the impairment methodology under SFRS(I) 9. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder.

2.15 Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage time is recognised as a finance cost in profit or loss.

2 Summary of significant accounting policies (cont'd)

2.15 Provisions for other liabilities (cont'd)

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2.16 Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at the end of the subsequent reporting period. Changes in the fair value of derivative financial instruments that are not designated or do not qualify for hedge accounting are recognised in profit or loss as they arise.

2.17 Share capital

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.

2.18 Revenue recognition

Sale of precast and prefabricated components

The Group manufactures and supplies precast and prefabricated components to customers. The Group recognises revenue when (or as) a performance obligation is satisfied i.e. when "control" of the goods underlying the particular performance obligation is transferred to customers. A performance obligation represents a good (or a bundle of goods that is distinct goods or a series of distinct goods that are substantially the same). The Group recognises revenue over time by measuring the progress towards complete satisfaction of performance obligations. The Group has determined that the output method based on units delivered reflects the over-time transfer of control to customers and when the Group has the right to consideration from the customers. The amount of revenue recognised is based on the contractual price. The Group will progressively bill its customers in accordance with the billing terms in the sales contracts. No element of financing is deemed present.

Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date. Contract liabilities relate to advance consideration received from customers, billings in excess of revenue recognised to-date and deferred revenue. Contract liabilities are recognised as revenue as and when the Group satisfies the performance obligations under its contracts.

Where a retention sum is withheld by the customer in accordance with the contract or the business practices, it is classified as receivables as the retention sum provides the customer with assurance that the related product sold will function as intended because it complies with agreed-upon specifications.

2 Summary of significant accounting policies (cont'd)

2.18 Revenue recognition (cont'd)

Property development activities

Revenue from sales of completed development properties held for sale is recognised when the customer obtains control of the asset, upon transfer of legal title. Revenue from these sales is recognised based on the price specified in the contract.

Construction revenue

The Group is in the business of construction including residential and commercial properties, and infrastructure. As the Group has enforceable right to payment for performance completed to date, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

Progress billings to customer are based on a payment schedule in the contract and are based upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. A contract liability is recognised when the Group has not yet performed under the contract but has received advanced payment from the customer. Contract assets are transferred to receivables when the right to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred. The Group has elected to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods that have not been recognised as expenses.

2 Summary of significant accounting policies (cont'd)

2.18 Revenue recognition (cont'd)

Management fee

Management fee income is recognised when services are rendered. A contract asset is recognised when the Company has performed under the contract but has not yet billed the customer. Contract assets are transferred to receivables when the right to consideration becomes unconditional.

Rental income

Rental income from operating leases are recognised on a straight-line basis over the lease term.

Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

Interest income

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

2.19 Leases

(i) When Group entity is the lessee:

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the outstanding liability and finance charges. The corresponding leases liabilities, net of finance charges, are included in hire purchase payables. The finance charge is recognised in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the assets or the lease term.

2 Summary of significant accounting policies (cont'd)

2.19 Leases (cont'd)

(i) When Group entity is the lessee (cont'd):

Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) When Group entity is the lessor:

Operating leases

Leases where the Group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.20 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

2 Summary of significant accounting policies (cont'd)

2.21 Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

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

2.22 Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

2.23 Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

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

2 Summary of significant accounting policies (cont'd)

2.23 Income taxes (cont'd)

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

Deferred income tax is provided on temporary differences arising on investment in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

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

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

2.24 Dividends

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

2.25 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the 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 end of the reporting period. However, 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.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations):

Going concern assumption

The Group and the Company incurred a net loss for the financial year of $30,848,000 and $45,008,000 respectively during the financial year ended 31 December 2018. As at 31 December 2018, the Company's current liabilities exceeded its current assets by $9,842,000. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's and Company's ability to continue as going concerns. The ability of the Group and Company to continue as going concerns is dependent on the Group's and Company's ability to generate sufficient cash flows to pay its debts and obligation as and when they fall due. In addition, the Group has sufficient unutilised banking facilities available for future use should the need arise. In the opinion of the directors, the Group and the Company are able to continue as going concerns for a period of 12 months from the date these financial statements were approved.

If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Critical judgements in applying the Group's accounting policies (cont'd)

Functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiary companies. In determining the functional currencies of the entities in the Group, judgement is required by management to determine the primary economic environment in which the entities operate, the entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

Key sources of estimation uncertainty

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

Calculation of loss allowance

When measuring ECL, the Group and Company use reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on trade receivables and other receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of receivables. Details of ECL measurement and carrying value of trade receivables, contract assets, other receivables and amounts due from subsidiaries at the end of the reporting period are disclosed in Note 35, Note 14, Note 15 and Note 18 respectively.

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values.

The Group reviews the useful lives and residual values of property, plant and equipment at the end of each reporting period in accordance with the accounting policy in Note 2.6. The estimation of the useful lives and residual values involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage. Any changes in the expected useful lives of these assets would affect the carrying amount of property, plant and equipment, and the depreciation charge for the financial year.

The carrying amounts of the Group's and the Company's property, plant and equipment at the end of the reporting period and the depreciation charge for the financial year are disclosed in Note 11.

Deferred income tax assets

The Group recognises deferred income tax assets on deductible temporary differences to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the deductible temporary differences can be utilised and that the Group is able to satisfy the continuing ownership test.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits and/or taxable temporary differences. The unrecognised potential deferred tax assets of the Group at the end of the reporting period are disclosed in Note 9.

The carrying amount of the Group's deferred tax liabilities at the end of the reporting period is disclosed in Note 23.

Allowance for inventories

Management determines whether an allowance is required for any shortfall in net realisable value of inventories by reviewing the inventory listing on a periodic basis. The review involves a comparison of the carrying value of the inventory items with the respective net realisable value as well as the forecasted demand for the inventories. Following the review, management sets up the necessary allowance for any shortfall in the net realisable value of the inventories.

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Allowance for inventories (cont'd)

The carrying amounts of the Group's inventories at the end of the reporting period and the amount of inventories written down for the financial year are disclosed in Note 17.

Impairment of investment in subsidiary companies

Management assesses impairment of investment in subsidiary companies whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable or indicate that the recoverable amount of the investment may be higher than the carrying amount. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the investment is estimated to determine the impairment loss or write-back of impairment. Fair value less cost to sell calculation is based on observable market prices or market valuations less incremental costs for disposing asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the investment or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of the Company's investment in subsidiary companies at the end of the reporting period and impairment losses for the financial year are disclosed in Note 13.

Provision for onerous contracts

The Group has significant on-going and new contracts to deliver precast and prefabricated components. A provision for onerous contract is recognised when it is probable that the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received.

Significant judgement is used to estimate the total costs of fulfilling the contracts. In making these estimates, management has relied on the expertise of the quantity surveyors to determine the estimated total costs.

The provision for onerous contracts recognised for the financial year is disclosed in Note 26.

4 Group entities

The subsidiary companies at 31 December are:

Name of entity (country of incorporation/ place of business)	**Principal activities**	**Ownership interest 2018 %**	**Ownership interest 2017 %**
Subsidiary companies held by the Company			
Hor Kew Private Limited (Singapore)	Building and engineering contractor and property development	**100**	100
Hor Kew Land Pte Ltd (Singapore)	Dormant	**100**	100
Park Vale Design & Development Pte Ltd (Singapore) (1)	Dormant	**100**	100
Prefab Technology Pte Ltd (Singapore)	Design, manufacture and sale of prestressed and precast reinforced concrete building components	**100**	100
Prefab Technology 3 Pte Ltd (Singapore)	Design, manufacture and sale of prefabricated architectural metal components	**100**	100
Prefab Technology 8 Pte Ltd (Singapore) (1)	Rental of machinery	**100**	100
GPX Land Sdn. Bhd. (Malaysia) (2)	Dormant	**99**	99
ABX Land Sdn. Bhd. (Malaysia) (2)	Property investment and development	**100**	100
Prefab Technology Sdn. Bhd. (Malaysia) (3)	Design, manufacture and sale of precast concrete building components	**100**	100
Prefab Metal Sdn. Bhd. (Malaysia) (3)	Design, manufacture and sale of prefabricated metal components	**100**	100

4 Group entities (cont'd)

The subsidiary companies at 31 December are (cont'd):

Name of entity (country of incorporation/ place of business)	Principal activities	Ownership interest 2018 %	Ownership interest 2017 %
Subsidiary company held by Hor Kew Private Limited			
Oxley Lights Pte Ltd (Singapore)	Investment holding	100	100
Subsidiary company held by Oxley Lights Pte Ltd			
Oxley Lights Development Pte Ltd (Singapore)	Property investment and development	100	100

All the companies are audited by Baker Tilly TFW LLP, Singapore except for the following:

(1) Audited by T S Choo & Co, Singapore

(2) Audited by Baker Tilly Malaysia, independent member firm of Baker Tilly International in Malaysia

(3) Audited by Tee & Partners, Malaysia

In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited Listing Manual, the Board of Directors of the Company and Audit Committee confirmed that they are satisfied that the appointment of different auditing firms for its subsidiary companies would not compromise the standard and effectiveness of the audit of the Group.

5 Revenue

The following table provides a disaggregation disclosure of the Group's revenue by primary geographical market, major product or service lines and timing of revenue recognition.

	Property investment and development		Construction		Prefabrication		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical market								
Singapore	–	9,335	2,412	5,919	47,670	44,094	50,082	59,348
Major product or service line								
Sale of goods	–	9,335	–	–	47,670	44,094	47,670	53,429
Contract revenue	–	–	2,412	5,919	–	–	2,412	5,919
	–	9,335	2,412	5,919	47,670	44,094	50,082	59,348
Timing of revenue recognition								
At a point in time	–	9,335	–	–	–	–	–	9,335
Over time	–	–	2,412	5,919	47,670	44,094	50,082	50,013
	–	9,335	2,412	5,919	47,670	44,094	50,082	59,348

The Group applies the practical expedient in SFRS(I) 15 and does not disclose information about its remaining performance obligation if:

- The performance obligation is part of a contract that has an original expected duration of one year or less; or
- The Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

6 Other income

	Group	
		(Restated)
	2018	2017
	$'000	$'000
Dividend income	**1**	1
Gain on disposal of property, plant and equipment	**–**	66
Gain on foreign exchange	**–**	336
Rental income from:		
- investment properties (Note 12)	**939**	1,031
- others	**189**	167
Sales of scrap materials	**272**	330
Sundry income	**847**	223
	2,248	2,154

7 Finance costs

	Group	
	2018	2017
	$'000	$'000
Interest expense on:		
- bank overdrafts	**1**	1
- bills payables and trust receipts	**33**	49
- fixed advance facility	**53**	22
- hire purchases	**50**	58
- term loans	**1,408**	1,049
	1,545	1,179

8 Loss before tax

	Group	
		(Restated)
	2018	2017
	$'000	$'000
Loss before tax is arrived at after charging/(crediting):		
Auditors' remuneration paid/payable to:		
- auditor of the Company	**120**	136
- other auditors of the Group*	**20**	22
Bad debts written off	**–**	25
Club membership written off	**–**	34
Depreciation of property, plant and equipment (Note 11)	**5,786**	4,402
Directors' fees	**104**	110
Fair value loss on derivative financial instruments (Note 27)	**261**	–
Fair value loss/(gain) on investment properties (Note 12)	**124**	(48)
Fees for non-audit services paid to:		
- auditor of the Company	**–**	–
- other auditors of the Group	**–**	–
Impairment loss on property, plant and equipment	**824**	65
Impairment loss on trade receivables	**3,806**	1,382
Inventories written down (Note 17)	**613**	–
Loss on foreign exchange	**2,227**	–
Loss on settlement of derivative financial instruments	**–**	3
Operating lease expense	**656**	893
Provision for onerous contracts (Note 26)	**6,017**	–
Reversal of inventories written down (Note 17)	**(38)**	(4)
Write-back of impairment loss on trade receivables	**(307)**	(238)
Staff costs**	**12,034**	10,852

8 Loss before tax (cont'd)

* Includes independent member firm of the Baker Tilly International network.

	Group	
	2018	(Restated) 2017
	$'000	$'000
** Staff costs		
Short-term employee benefits	**11,645**	10,460
Contribution to defined contribution plans	**389**	392
Total staff costs	**12,034**	10,852

9 Tax expense/(credit)

	Group	
	2018	(Restated) 2017
	$'000	$'000
Income tax:		
- current year	**2**	5
- under/(over) provision in respect of prior years	**210**	(14)
	212	(9)
Deferred income tax (Note 23):		
- current year	**–**	(197)
- under provision in respect of prior years	**–**	31
	–	(166)
	212	(175)

9 Tax expense/(credit) (cont'd)

The income tax expense/(credit) on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable to loss in the countries where the Group operates due to the following factors:

	Group	
		(Restated)
	2018	2017
	$'000	$'000
Loss before tax	**(30,636)**	(3,463)
Tax at the domestic rates applicable to loss in the countries where the Group operates	**(5,600)**	(711)
Expenses not deductible for tax purposes	**571**	529
Income not subject to tax	**(5)**	(304)
Deferred tax assets not recognised	**5,038**	616
Utilisation of deferred tax assets not recognised previously	**(2)**	(319)
Under provision of taxation in respect of prior years	**210**	17
Others	**–**	(3)
	212	(175)

The above tax reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The statutory income tax rate applicable is 17% (2017: 17%) for companies incorporated in Singapore and 24% (2017: 24%) for companies incorporated in Malaysia.

At the end of the reporting period, the Group has potential tax benefits arising from unabsorbed tax losses and unabsorbed capital allowances of approximately $40,595,000 (2017: $16,745,000) and $5,279,000 (2017: $1,690,000) respectively, that are available for carry-forward to offset against future taxable profits and/or taxable temporary differences of the companies in which the tax losses and unabsorbed capital allowances differences arose, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

9 Tax credit (cont'd)

The potential deferred tax assets on the following deductible temporary differences have not been recognised in the financial statements at the end of the reporting period:

	Group	
	2018	2017
	$'000	$'000
Unabsorbed tax losses	**40,595**	16,745
Unabsorbed capital allowances	**5,279**	1,690
Accelerated tax depreciation	**1,113**	1,269
Others	**37**	31
	47,024	19,735

The potential deferred tax assets have not been recognised in the financial statements as it is not probable that the future taxable profits and/or taxable temporary differences in these companies will be available and sufficient to allow these deductible temporary differences to be realised in the foreseeable future.

10 Loss per share

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following:

	Group	
		(Restated)
	2018	2017
	$'000	$'000
Loss for the financial year attributable to equity holders of the Company	**(30,848)**	(3,288)
Weighted average number of ordinary shares in issue		
- Basic weighted average	**52,067**	52,067
- Fully diluted weighted average	**52,067**	52,067

10 Loss per share (cont'd)

Basic loss per share is calculated based on the Group's loss for the financial year attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

Diluted loss per share is calculated based on the Group's loss for the financial year attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares arising from the share options.

Loss per share of the Group for the current year reported on and the immediately preceding financial year are as follows:

	Group	
		(Restated)
	2018	2017
	$'000	$'000
Basic loss per share	**(59.25)**	(6.31)
Diluted loss per share	**(59.25)**	(6.31)

11 Property, plant and equipment

	Freehold properties $'000	Leasehold land and buildings $'000	Plant and machinery and factory equipment $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Renovation $'000	Moulds $'000	Total $'000
Group - 2018								
Cost or deemed cost								
At 1 January 2018	28,566	14,000	8,671	2,559	2,368	823	2,927	59,914
Additions	2,223	–	1,025	29	40	–	3,260	6,577
Written off	–	–	–	–	–	–	(537)	(537)
Currency translation differences	(57)	–	(19)	–	–	–	(41)	(117)
At 31 December 2018	**30,732**	**14,000**	**9,677**	**2,588**	**2,408**	**823**	**5,609**	**65,837**
Accumulated impairment loss								
At 1 January 2018	–	65	–	–	–	–	–	65
Impairment loss	824	–	–	–	–	–	–	824
At 31 December 2018	**824**	**65**	**–**	**–**	**–**	**–**	**–**	**889**
Accumulated depreciation								
At 1 January 2018	337	2,097	5,595	1,273	2,093	790	1,915	14,100
Depreciation charge	392	2,066	780	338	90	18	2,102	5,786
Written off	–	–	–	–	–	–	(537)	(537)
Currency translationdifferences	(2)	–	(6)	(1)	(1)	(1)	(25)	(36)
At 31 December 2018	**727**	**4,163**	**6,369**	**1,610**	**2,182**	**807**	**3,455**	**19,313**
Net carrying value								
At 31 December 2018	**29,181**	**9,772**	**3,308**	**978**	**226**	**16**	**2,154**	**45,635**

11 Property, plant and equipment (cont'd)

	Freehold properties $'000	Leasehold land and buildings $'000	Plant and machinery and factory equipment $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Renovation $'000	Moulds $'000	Total $'000
Group - 2017								
Cost or deemed cost								
At 1 January 2017	28,281	14,000	8,267	1,893	2,249	822	2,794	58,306
Additions	4	–	344	1,028	119	–	1,146	2,641
Disposals	–	–	–	(367)	(3)	–	(495)	(865)
Written off	–	–	–	–	–	–	(564)	(564)
Currency translation differences	281	–	60	5	3	1	46	396
At 31 December 2017, restated	28,566	14,000	8,671	2,559	2,368	823	2,927	59,914
Accumulated impairment loss								
At 1 January 2017	–	–	–	–	–	–	–	–
Impairment loss	–	65	–	–	–	–	–	65
At 31 December 2017	–	65	–	–	–	–	–	65
Accumulated depreciation								
At 1 January 2017	–	–	5,005	1,210	1,954	729	1,890	10,788
Depreciation charge	330	2,097	567	323	140	60	885	4,402
Disposals	–	–	–	(262)	(3)	–	(327)	(592)
Written off	–	–	–	–	–	–	(564)	(564)
Currency translation differences	7	–	23	2	2	1	31	66
At 31 December 2017	337	2,097	5,595	1,273	2,093	790	1,915	14,100
Net carrying value								
At 31 December 2017	28,229	11,838	3,076	1,286	275	33	1,012	45,749
At 1 January 2017	28,281	14,000	3,262	683	295	93	904	47,518

11 Property, plant and equipment (cont'd)

The Group elected the optional exemption is SFRS(I) 1 to measure the freehold properties and leasehold land and buildings at 1 January 2017 at fair value and use that fair value as its deemed cost. The details of adjustments at 1 January 2017 and 31 December 2017 on adoption of SFRS(I) are disclosed in Note 2.1.

(i) Freehold properties comprise the following:

(a) Geran Mukim 99 Lot 388 in the Mukim of Senai ("Freehold Property I")

The property erected on the freehold land at Geran Mukim 99 Lot 388 in the Mukim of Senai, District of Kulai, Johor Bahru, Malaysia is a single-storey detached factory with a double-storey office annex, a single-storey detached factory, a guard house, a pump house and a bin centre associated with concrete fabrication.

(b) Geran Mukim 98 Lot 389 in the Mukim of Senai ("Freehold Property II")

The property erected on the freehold land at Geran Mukim 98 Lot 389 in the Mukim of Senai, District of Kulai, Johor Bahru, Malaysia is a double-storey detached office cum guard house, a single-storey open-sided fabrication yard, one block of three-storey cabin, a power substation and a bin centre associated with concrete fabrication.

(c) 66 Kallang Pudding Road ("Freehold Property III")

The property erected on the freehold land at 66 Kallang Pudding Road, Singapore 349324 is an 8-storey multiple-user industrial complex with a 2-storey carpark.

Freehold Property III comprises a portion that is used as corporate office of the Group which are accounted for under property, plant and equipment, and another portion is held to earn rental income and/or for capital appreciation which are accounted for under investment properties (Note 12).

11 Property, plant and equipment (cont'd)

(ii) Leasehold land and buildings comprise the following:

(a) 66 Sungei Kadut Street 1 ("Leasehold Property I")

A precast fabrication factory with two 2-storey office buildings, a single storey factory building and a 2-storey factory building with a 4-storey extension which includes staff dormitories situated at 66 Sungei Kadut Street 1, Sungei Kadut Industrial Estate, Singapore 729367. The land lease is for 30 years starting from 16 January 1990.

(b) 99 Pioneer Road ("Leasehold Property II")

A part single/part 3-storey Type 'D8' standard detached factory with mezzanine level and 2 open-sided sheds situated at 99 Pioneer Road, Jurong Industrial Estate, Singapore 639580. The land lease is for 30 years starting from 1 December 1997.

(iii) The net carrying value of freehold properties and leasehold land and buildings amounting to $11,312,000 (2017: $11,575,000) and $9,772,000 (2017: $11,839,000) are mortgaged to banks to secure banking facilities of the Group (Note 21).

(iv) During the financial year, a subsidiary carried out a review of the recoverable amount of its freehold properties because of its continuous loss-making position. The recoverable amount of the freehold properties was determined on the basis of its fair value less cost of disposal. The fair values of the freehold properties are determined based on the desktop valuation performed by a professional valuer using a direct comparison with recent sales transactions of comparable freehold properties within the vicinity and elsewhere at the end of the reporting period. Adjustments are made for differences in factors such as locations, physical characteristics and time element. This fair value measurement is categorised in the Level 3 of the fair value hierarchy. As a result of the review, an impairment loss of $824,000 was recognised in profit or loss for the financial year ended 31 December 2018.

11 Property, plant and equipment (cont'd)

(v) At the end of the reporting period, the net carrying value of the Group's property, plant and equipment acquired under hire purchase arrangements (Note 22) are as follows:

	Group	
	2018	2017
	$'000	$'000
Plant and machinery and factory equipment	**583**	1,292
Motor vehicles	**404**	344
	987	1,636

(vi) At the end of the reporting period, motor vehicles of the Group with net carrying value of $491,000 (2017: $654,000) are registered in the name of the directors and key management of the Group who held in trust for the Group.

	Office equipment, furniture and fittings	Motor vehicles	Renovation	Total
	$'000	$'000	$'000	$'000
Company - 2018				
Cost				
At 1 January 2018	482	418	176	1,076
Additions	11	–	–	11
At 31 December 2018	**493**	**418**	**176**	**1,087**
Accumulated depreciation				
At 1 January 2018	480	115	176	771
Depreciation charge	2	84	–	86
At 31 December 2018	**482**	**199**	**176**	**857**
Net carrying value				
At 31 December 2018	**11**	**219**	**–**	**230**

11 Property, plant and equipment (cont'd)

	Office equipment, furniture and fittings $'000	Motor vehicles $'000	Renovation $'000	Total $'000
Company - 2017				
Cost				
At 1 January 2017	480	228	176	884
Additions	2	190	–	192
At 31 December 2017	482	418	176	1,076
Accumulated depreciation				
At 1 January 2017	432	38	158	628
Depreciation charge	48	77	18	143
At 31 December 2017	480	115	176	771
Net carrying value				
At 31 December 2017	2	303	–	305

(i) At the end of the reporting period, the net carrying value of the Company's property, plant and equipment acquired under hire purchase arrangements (Note 22) are as follows:

	Company	
	2018	2017
	$'000	$'000
Motor vehicles	**–**	158

(ii) At the end of the reporting period, motor vehicles of the Company with net carrying value of $219,000 (2017: $303,000) are registered in the name of the director and key management of the Company who held in trust for the Company.

12 Investment properties

	Group	
	2018	2017
	$'000	$'000
At 1 January	**34,847**	34,799
Fair value (loss)/gain recognised in profit or loss (Note 8)	**(124)**	48
At 31 December	**34,723**	34,847

The following amounts are recognised in profit or loss:

	Group	
Fair value (loss)/gain on investment properties (Note 8)	**(124)**	48
Rental income (Note 6)	**939**	1,031
Direct operating expenses arising from investment properties that generated rental income	**304**	301

The investment properties held by the Group at the end of the reporting period are as follows:

		Group	
		2018	2017
		$'000	$'000
Properties	**Tenure**		
Property 1	70 years from 1993, 45 years remaining	**1,061**	1,185
Property 2	Freehold	**33,662**	33,662
		34,723	34,847

12 Investment properties (cont'd)

Property 1

Property 1 comprises commercial office units located at 23B, 23C, 23G, 23H, 23J and 23K, Fuhua Complex of Quanzhou, The People's Republic of China. Property 1 are leased out to non-related parties under cancellable operating leases.

At the end of the reporting period, the fair value of the Property 1 is determined based on the desktop valuation performed by a professional valuer. In valuing the portions of the property which are vacant, Direct Market Comparison Method of valuation was adopted whereby comparisons based on actual sales or offerings of comparable properties have been made. Comparable properties with similar character, location, sizes and so on are analysed and carefully weighted against all respective advantages and disadvantages of the properties in order to arrive at a fair comparison of value. In respect of the portions of the property which are subject to existing tenancies, the income method of valuation was adopted whereby the net rental income derived from the existing tenancies are capitalised at appropriate term yields and due allowance has been made on the reversionary interests. This fair value measurement is categorised in the Level 3 of the fair value hierarchy.

Property 2

Property 2 comprises the portion of 8-storey multiple-user industrial complex with a 2-storey carpark located at 66 Kallang Pudding Road, Singapore 349324 which are held to earn rental income and/or for capital appreciation (Note 11(i)(c)). Property 2 is mortgaged to bank to secure banking facilities of the Group (Note 21).

At the end of the reporting period, the fair value of the Property 2 is determined based on the formal full valuation performed by a professional valuer using a direct comparison with recent transactions of comparable properties within the vicinity at the end of the reporting period. The valuer has taken into consideration the prevailing market conditions and have made due adjustments for differences between the property and the comparables in terms of locations, size, layout and other factors affecting its value. This fair value measurement is categorised in the Level 3 of the fair value hierarchy.

12 Investment properties (cont'd)

The following table shows the significant unobservable inputs used in the valuation model:

Description	Fair value $'000	Valuation technique	Significant unobservable input [1]	Range
2018				
Property 1	1,061	Direct comparison method	Price per square metre [2]	$1,200 to $1,300
		Income method	Capitalisation rate [3]	4.50%
Property 2	33,662	Direct comparison method	Price per square metre [2]	$7,700 to $11,400
2017				
Property 1	1,185	Direct comparison method	Price per square metre [2]	$1,300 to $1,500
		Income method	Capitalisation rate [3]	4.50%
Property 2	33,662	Direct comparison method	Price per square metre [2]	$8,000 to $10,000

(1) The significant unobservable input of the properties are yet to be adjusted for any differences in terms of locations, tenure, physical characteristics or condition of the specific properties by the professional valuer.

(2) Any significant isolated increases (decreases) in the significant unobservable input would result in a significantly higher (lower) fair value measurement.

(3) Any significant isolated increases (decreases) in the significant unobservable input would result in a significantly lower (higher) fair value measurement.

13 Investment in subsidiary companies

	Company	
	2018	2017
	$'000	$'000
Unquoted equity shares at cost	**40,098**	40,098
Impairment losses	**(37,964)**	(27,454)
	2,134	12,644
Loans due from subsidiary companies	**32,127**	36,375
	34,261	49,019

Movements in impairment losses on investment in subsidiary companies during the financial year are as follows:

	Company	
	2018	2017
	$'000	$'000
At 1 January	**27,454**	31,084
Impairment made and recognised in profit or loss	**10,510**	–
Write-back of impairment losses and recognised in profit or loss	**–**	(3,630)
At 31 December	**37,964**	27,454

See Note 4 for details of subsidiary companies.

In 2018, management performed an impairment test for the investment in certain subsidiary companies as these companies had been making significant losses and were in net liability positions. Full impairment loss of $10,510,000 was recognised to write-down these subsidiary companies.

In 2017, management has performed a review of the recoverable amounts of the investment in subsidiary companies. Management considered it appropriate to reverse $3,630,000 of the prior years' impairment losses to the recoverable amount of a subsidiary company as this subsidiary company was profitable and generated positive cash inflows from operating activities during the financial year ended 31 December 2017. The recoverable amount was determined based on its fair value less cost to sell, which represented its adjusted net assets value taking into account the fair value of underlying assets and liabilities of this subsidiary company. Management is also confident that this subsidiary company will continue to be profitable in the foreseeable future. The fair value is determined using the market approach and this is categorised in the Level 3 of the fair value hierarchy.

13 Investment in subsidiary companies (cont'd)

Management determined that owing to the nature of the activities of the subsidiary companies, the loans due from subsidiary companies are quasi-equity in nature, non-interest bearing and are therefore included in the investment in subsidiary companies. The settlements of the quasi-equity loans are neither planned nor likely to occur in the foreseeable future and accordingly, the amounts are stated at cost.

14 Trade receivables

	Group		
		(Restated)	(Restated)
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Third party receivables	**30,229**	26,390	32,579
Related party receivables	**2,555**	2,522	–
	32,784	28,912	32,579
Impairment loss on trade receivables	**(7,939)**	(2,891)	(1,771)
	24,845	26,021	30,808
Represented by:			
- Non-current	**5,544**	4,502	4,185
- Current	**19,301**	21,519	26,623
	24,845	26,021	30,808

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2017: 30 to 90 days) credit terms. Included in trade receivables are retention sums withheld by customers amounted to $7,840,000 (2017: $8,333,000).

Impairment loss on trade receivables recognised as an expense amounted to $3,499,000 (2017: $1,144,000).

15 Contract assets and liabilities

The Group receives payments from customers based on a billing schedule, as established in contracts. Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date on the Group's prefabrication metal services and construction business. The Company's contract assets relate to management service performed but not billed at the reporting date. Contract liabilities relate to advance consideration received from customers and billings in excess of revenue recognised to-date. Contract liabilities are recognised as revenue as and when the Group satisfies the performance obligations under its contracts.

Significant changes in the contract assets balances during the financial year are as follows:

	Contract assets	
	2018	2017
	$'000	$'000
Group		
Contract assets reclassified to trade receivables	**4,335**	1,441
Company		
Contract assets reclassified to other receivables	**2,468**	2,607

16 Development properties

	Group	
	2018	2017
	$'000	$'000
Unsold development properties:		
At 1 January	**18,998**	18,554
Currency translation differences	**(41)**	444
At 31 December	**18,957**	18,998

16 Development properties (cont'd)

Development properties comprise 6 parcels of vacant residential lands and 3 parcels of vacant commercial lands located within Kota Seriemas, Nilai, Negeri Sembilan, Malaysia with total land areas of 741,554 square metres. The Group intends to develop a township on these land, but yet to commence any development activities as at 31 December 2018.

17 Inventories

	Group	
	2018	2017
	$'000	$'000
Raw materials	**2,879**	2,280
Work-in-progress	**412**	583
Finished goods	**4,771**	3,976
Goods-in-transits	**–**	167
	8,062	7,006

The following amounts are recognised in profit or loss:

Inventories recognised as an expense in cost of sales	**49,222**	31,851
Inclusive of the following:		
- Inventories written down (Note 8)	**613**	–
- Reversal of inventories written down (Note 8)	**(38)**	(4)

During the financial year, the Group has recognised a reversal of $38,000 (2017: $4,000) being part of inventories written down made in prior years, as the inventories were sold above the carrying amounts.

18 Other receivables

	Group		Company		
				(Restated)	(Restated)
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017	1.1.2017
	$'000	$'000	**$'000**	$'000	$'000
Amounts due from subsidiary companies	**–**	–	**52,444**	45,401	42,759
Sundry receivables	**1,596**	1,272	**6**	4	3
Impairment loss on receivables	**(893)**	(893)	**(37,500)**	(4,578)	(5,142)
	703	379	**14,950**	40,827	37,620
Sundry deposits	**192**	118	**–**	–	–
Prepayments	**246**	238	**20**	17	19
Tax recoverable	**–**	8	**–**	–	–
	1,141	743	**14,970**	40,844	37,639

The amounts due from subsidiary companies are non-trade in nature, unsecured, interest-free and payable on demand.

19 Available-for-sale financial assets Financial assets at fair value through other comprehensive income

This represents quoted equity securities listed in Singapore. The quoted equity securities classified as available-for-sale financial assets as at 31 December 2017 are classified and measured as financial assets at FVOCI beginning 1 January 2018.

20 Cash and cash equivalents

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**4,756**	4,728	**46**	24
Fixed deposits	**26,191**	25,321	**–**	–
	30,947	30,049	**46**	24

Fixed deposits are placed for periods between 1 and 12 months (2017: 1 and 12 months) and bear interest rates ranging from 1.53% to 3.30% (2017: 1.48% to 3.15%) per annum. Fixed deposits of $26,191,000 (2017: $25,321,000) are pledged to banks to secure banking facilities of the Group (Note 21).

21 Borrowings

	Group	
	2018	2017
	$'000	$'000
Non-current		
Term loan A	**25,000**	25,000
Term loan B	**659**	924
Term loan C	**2,090**	2,366
Term loan D	**5,272**	–
Current portion	**(1,232)**	(25,544)
	31,789	2,746

21 Borrowings (cont'd)

	Group	
	2018	2017
	$'000	$'000
Current		
Bank overdrafts	**169**	–
Bills payables and trust receipts	**1,271**	631
Short term loans	**27,280**	27,480
Fixed advance facility	**2,800**	1,000
Current portion of term loan	**1,232**	25,544
	32,752	54,655

The Group's borrowings are secured by legal mortgages over certain freehold properties (Note 11), leasehold land and buildings (Note 11), certain investment properties (Note 12), fixed deposits (Note 20) and a corporate guarantee from the Company.

Term loan A is also secured by an assignment of all rights, title, benefits and interests in connection with any insurance policies, leases, tenancy agreements and/or sale and purchase agreements with respect to the investment property.

Term loan A was refinanced on 8 August 2018 and the final maturity date is extended for another 3 years from 31 October 2018 to 31 October 2021. As such, the loan was reclassified from current portion to non-current portion accordingly. The term loan A bears interest rate of 1.20% (2017: 1.20%) per annum above the Association of Banks in Singapore (ABS) Swap offer rate. The effective interest rate is 3.10% (2017: 2.41%) per annum.

Term loan B is repayable by 20 quarterly principal instalments. The first principal instalment commenced on 5 September 2017. The term loan B bears interest rate of 1.25% (2017: 1.25%) per annum above the bank's Cost of Fund. The effective interest rate is 5.30% (2017: 5.04%) per annum.

Term loan C is repayable in 84 monthly instalments up to 2026. The term loan C bears fixed interest rate of 2.38% (2017: 1.68%) per annum.

21 Borrowings (cont'd)

Term Loan D is repayable in 56 monthly instalments commencing from 5 September 2018 with a bullet balance payment at the end. The term loan D bear interest rate of 1.75% per annum above the bank's Cost of Fund. The effective interest rate is 3.65% per annum.

At 31 December 2018, the bank overdrafts bore effective interest rate of 5.00% per annum.

The bills payables and trust receipts bear effective interest rates ranging from 4.25% to 4.46% (2017: 3.61% to 3.62%) per annum.

The short term loans bear effective interest rates ranging from 2.05% to 2.96% (2017: 1.49% to 2.33) per annum.

The fixed advance facility is repayable on 10 January 2019 and bears interest rate of 1.30% (2017: 1.30%) per annum above the 1-month Singapore Interbank Offered Rate (SIBOR) rate. The effective interest rate is 2.90% (2017: 2.35%) per annum.

Based on the discounted cash flow analysis using a discount rate based upon market lending rate for similar borrowings which the management expects would be available to the Group at the end of the reporting period, the fair values of the fixed rate borrowings at the end of the reporting period approximate their carrying values as there are no significant changes in the market lending interest rates available to the Group at the end of the reporting period. The floating rate borrowings are instruments that are repriced to market interest rates on or near the end of the reporting period. Accordingly, the fair values of these borrowings, determined from discounted cash flow analysis using market lending rates for similar borrowings which the management expects would be available to the Group at the end of the reporting period, would approximate their carrying amounts at the end of the reporting period. This fair value measurement for disclosure purposes is categorised in the Level 3 of the fair value hierarchy.

21 Borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Term loans $'000	Bills payables and trust receipts $'000	Fixed advance facility $'000	Hire purchase payables (Note 22) $'000	Total $'000
Balance at 1 January 2017	59,274	1,051	–	918	61,243
Changes from financing cash flows:					
- Drawdown	–	2,546	1,000	–	3,546
- Repayments	(3,524)	(2,976)	–	(448)	(6,948)
- Interest paid	(1,042)	(49)	(22)	(59)	(1,172)
Non-cash changes:					
- Currency translation differences	20	10	–	13	43
- Interest expense	1,049	49	22	58	1,178
- Interest payable	(7)	–	–	–	(7)
- Acquisition of property, plant and equipment	–	–	–	771	771
Balance at 31 December 2017	55,770	631	1,000	1,253	58,654
Changes from financing cash flows:					
- Drawdown	5,462	5,144	2,000	–	12,606
- Repayments	(972)	(4,502)	(200)	(437)	(6,111)
- Interest paid	(1,380)	(33)	(53)	(52)	(1,518)
Non-cash changes:					
- Currency translation differences	41	(2)	–	4	43
- Interest expense	1,408	33	53	50	1,544
- Interest payable	(28)	–	–	–	(28)
- Acquisition of property, plant and equipment	–	–	–	23	23
Balance at 31 December 2018	**60,301**	**1,271**	**2,800**	**841**	**65,213**

22 Hire purchase payables

The Group leases certain plant and machinery and factory equipment and motor vehicles from non-related parties under hire purchase arrangements. The hire purchase payables of the Group are effectively secured over leased plant and machinery and factory equipment and motor vehicles, as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the hire purchase payables. The net carrying value of plant and machinery and factory equipment and motor vehicles acquired under hire purchase arrangements are disclosed in Note 11(vi). The hire purchase agreements have effective interest rates ranging from 3.40% to 6.26% (2017: 3.40% to 6.13%) per annum.

Future minimum lease payments under hire purchase arrangements together with the present value of the minimum lease payments based on contractual repayment obligations are as follows:

	Group			
	2018		2017	
	Minimum lease payments	**Present value**	Minimum lease payments	Present value
	$'000	**$'000**	$'000	$'000
Not later than one financial year	**449**	**413**	488	438
Later than one financial year but not later than five financial years	**434**	**419**	863	815
Later than five financial years	**9**	**9**	–	–
Total minimum lease payments	**892**	**841**	1,351	1,253
Less: Future finance charges	**(51)**	**–**	(98)	–
Present value of minimum lease payments	**841**	**841**	1,253	1,253

22 Hire purchase payables (cont'd)

	Company			
	2018		2017	
	Minimum lease payments	**Present value**	Minimum lease payments	Present value
	$'000	**$'000**	$'000	$'000
Not later than one financial year	**25**	**23**	25	21
Later than one financial year but not later than five financial years	**57**	**54**	82	77
Total minimum lease payments	**82**	**77**	107	98
Less: Future finance charges	**(5)**	**–**	(9)	–
Present value of minimum lease payments	**77**	**77**	98	98

Certain of the Group's and the Company's hire purchase arrangements are callable finance leases, therefore the amounts are classified under current liabilities instead of based on the scheduled repayment dates. The Group's and the Company's hire purchase payables are classified in the statements of financial position as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Current	**677**	939	**77**	98
Non-current	**164**	314	**–**	–
	841	1,253	**77**	98

Based on the discounted cash flows using market interest rates for similar finance lease agreements at the end of the reporting period, the fair values of finance lease liabilities at the end of the reporting period approximate their carrying amounts as the market interest rates at the end of the reporting period are close to the effective interest rates of the Group's existing finance lease liabilities. This fair value measurement for disclosure purposes is categorised in the Level 3 of the fair value hierarchy.

23 Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movements in the deferred tax accounts are as follows:

	Group	
	2018	(Restated) 2017
	$'000	$'000
At 1 January	**2,468**	2,634
Tax credited to profit or loss (Note 9)	**–**	(166)
At 31 December	**2,468**	2,468

The following are the major deferred tax assets and liabilities recognised by the Group and the movements thereon, during the current and prior reporting periods:

	Accelerated tax/ (accounting) depreciation	**Revaluation gain of property, plant and equipment**	**Total**
	$'000	**$'000**	**$'000**
Group			
At 1 January 2017	(157)	2,791	2,634
Tax charged/(credited) to profit or loss	73	(239)	(166)
At 31 December 2017	(84)	2,552	2,468
Tax charged/(credited) to profit or loss	9	(9)	–
At 31 December 2018	**(75)**	**2,543**	**2,468**

24 Trade payables

	Group	
	2018	2017
	$'000	$'000
Third party payables	**25,343**	15,038
Sub-contractors' retention sum	**804**	1,094
	26,147	16,132

25 Other payables

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Accrued operating expenses	**2,835**	1,680	**203**	220
Amounts due to subsidiary companies	**–**	–	**25,435**	22,693
Deposits received	**243**	245	**–**	–
Sundry payables	**731**	504	**30**	6
	3,809	2,429	**25,668**	22,919

The amounts due to subsidiary companies are non-trade in nature, unsecured, interest-free and payable on demand.

26 Provisions

	Group	
	2018	2017
	$'000	$'000
Provision for onerous contracts		
At 1 January	**–**	–
Provisions made during the financial year	**6,017**	–
At 31 December	**6,017**	–

The Group entered into contracts with customers to deliver precast concrete and prefabricated metal components. Due to rising cost of materials, the unavoidable aggregate costs to fulfil certain contracts are higher than the economic benefits expected to be received. As such, a provision for onerous contracts was recognised.

Significant judgements were made by management (i) to estimate the total contract costs to complete, which were used to determine the Group's recognition of the provision for the onerous contract and (ii) when it is probable that the unavoidable aggregate costs of meeting the obligations under the contract exceed the economic benefits expected to be received. In making these estimates, management has relied on the expertise of quantity surveyors to determine the estimated total contract cost and also on past experience of completed projects. The estimated total contract costs is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

27 Derivative financial instruments

	Group					
	2018			2017		
	Contract/ Nominal amount	**Fair value**		Contract/ Nominal amount	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Non-hedging instruments						
- Interest rate swap	**25,000**	**–**	**261**	–	–	–

27 Derivative financial instruments (cont'd)

In 2018, the Group's fair value of interest rate swap contract was provided by a reputable financial institution, which was calculated as the present value of the estimated future cash flows based on observable yield curves, and their fair values were estimated to be approximately $261,000.

In 2018, loss in the fair value of non-hedging interest rate swap contract amounting to $261,000 had been recognised in profit or loss for the financial year (Note 8).

28 Share capital

	Group and Company	
	2018	2017
	$'000	$'000
Issued and fully paid capital		
52,066,937 ordinary shares with no par value	**68,323**	68,323

All issued shares are fully paid ordinary shares with no par value.

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 restriction.

29 Share option reserve

Share option reserve was made up of the cumulative value of services received from employees recorded on grant of equity settled share options.

The Hor Kew Share Option Plans were approved by shareholders at an Extraordinary General Meeting of the Company held on 26 April 2006. On 11 May 2006, 8 July 2006 and 22 August 2007, a total of 25,438,500 share options (before adjusted for the impact of the share consolidation) were granted to the controlling shareholders and/or associates and general employees.

29 Share option reserve (cont'd)

All employees, including executive and non-executive directors, controlling shareholders and/or their associates, are entitled to a grant of options once they have been in service for six months and the share options will vest if the respective party stays in service for a period of 2 to 4 years from the date of grant. The contractual life of the share options is 10 years and there are no cash settlement alternative.

All share options expired on 21 August 2017.

30 Other reserves

	Group		Company	
		(Restated)		
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Asset revaluation reserve	**–**	–	**–**	–
Fair value reserve	**2**	5	**4**	7
Currency translation reserve	**(6,341)**	(6,382)	**–**	–
	(6,339)	(6,377)	**4**	7

Asset revaluation reserve

	Group		Company	
		(Restated)		
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
At 1 January	**–**	22,986	**–**	–
Effect of changes in accounting policy upon adoption of SFRS(I) 1	**–**	(22,986)	**–**	–
At 31 December	**–**	–	**–**	–

The asset revaluation reserve represented increase in fair value (net of tax) of freehold land, freehold properties, leasehold land and buildings under property, plant and equipment.

30 Other reserves (cont'd)

Fair value reserve

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
At 1 January	**5**	–	**7**	1
Fair value gain on available-for-sale financial assets	**–**	5	**–**	6
Fair value loss on financial assets at fair value through other comprehensive income	**(3)**	–	**(3)**	–
At 31 December	**2**	5	**4**	7

Fair value reserve represents fair value adjustments on quoted equity securities classified as financial assets at fair value through other comprehensive income.

Currency translation reserve

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
At 1 January	**(6,382)**	(6,803)	**–**	–
Net currency translation differences of financial statements of foreign subsidiary companies	**41**	421	**–**	–
At 31 December	**(6,341)**	(6,382)	**–**	–

Currency translation reserve arises from the translation of foreign subsidiary companies' financial statements whose functional currencies are different from the presentation currency of the Group.

31 Segmental information

For management purposes, the Group is organised into business units based on their products and services. The operating segments of the Group are as follows:

(i) The property investment and development segment is involved in the development, sales and leasing of residential, commercial and industrial properties.

(ii) The construction segment is in the business of constructing residential, institutional, industrial and commercial properties as the main contractor.

(iii) The prefabrication segment is in the business of design, manufacture and sales of prestressed and reinforced concrete building components as well as prefabricated architectural metal components.

(iv) Others segment comprises mainly the Group level corporate services and treasury functions.

The segment information provided to management for the operating segments are as follows:

Group

2018

	Property investment and development $'000	Construction $'000	Prefabrication $'000	Others $'000	Eliminations $'000	Consolidated $'000
Revenue:						
Sales to external customers	–	2,412	47,670	–	–	50,082
Intersegment sales	–	–	–	2,542	(2,542)	–
Total revenue	–	2,412	47,670	2,542	(2,542)	50,082
Results:						
Segment loss	(1,866)	(3,970)	(24,451)	(349)	–	(30,636)
Tax expense						(212)
Loss for the financial year						(30,848)

31 Segmental information (cont'd)

The segment information provided to management for the operating segments are as follows (cont'd):

Group

2018 (cont'd)

	Property investment and development $'000	Construction $'000	Prefabrication $'000	Others $'000	Eliminations $'000	Consolidated $'000
Other significant non-cash expenses:						
Impairment loss on trade receivables	71	–	3,735	–	–	3,806
Impairment of property, plant and equipment	–	–	824	–	–	824
Provision for onerous contracts	–	–	6,017	–	–	6,017
Depreciation of property, plant and equipment	1	81	5,355	349	–	5,786
Fair value loss on derivative financial instruments	261	–	–	–	–	261
Fair value loss on investment properties	–	124	–	–	–	124
Segment assets	79,602	3,662	72,756	12,164	–	168,184
Unallocated assets						–
Total assets						168,184
Segment assets includes:						
Additions to non- current assets	–	–	6,566	11	–	6,577
Segment liabilities	25,691	29,334	50,929	310	–	106,264
Unallocated liabilities						2,700
Total liabilities						108,964

31 Segmental information (cont'd)

The segment information provided to management for the operating segments are as follows (cont'd):

Group

2017

	(Restated) Property investment and development $'000	(Restated) Construction $'000	(Restated) Prefabrication $'000	(Restated) Others $'000	(Restated) Eliminations $'000	(Restated) Consolidated $'000
Revenue:						
Sales to external customers	9,335	5,919	44,094	–	–	59,348
Intersegment sales	–	–	–	2,468	(2,468)	–
Total revenue	9,335	5,919	44,094	2,468	(2,468)	59,348
Results:						
Segment profit/(loss)	3,098	1,448	(7,569)	(440)	–	(3,463)
Tax credit						175
Loss for the financial year						(3,288)
Other significant non-cash expenses:						
Impairment loss on trade receivables	–	–	1,382	–	–	1,382
Impairment of property, plant and equipment	–	–	65	–	–	65
Bad debts written off	–	–	25	–	–	25
Club membership written off	–	34	–	–	–	34
Depreciation of property, plant and equipment	1	58	3,937	406	–	4,402
Fair value gain on investment properties	–	(48)	–	–	–	(48)

31 Segmental information (cont'd)

The segment information provided to management for the operating segments are as follows (cont'd):

Group

2017 (cont'd)

	(Restated) Property investment and development $'000	(Restated) Construction $'000	(Restated) Prefabrication $'000	(Restated) Others $'000	(Restated) Eliminations $'000	(Restated) Consolidated $'000
Segment assets	83,943	4,948	70,165	12,211	–	171,267
Unallocated assets						8
Total assets						171,275
Segment assets includes:						
Additions to non- current assets	–	398	2,051	192	–	2,641
Segment liabilities	25,529	31,183	20,179	324	–	77,215
Unallocated liabilities						2,481
Total liabilities						79,696

Segment results

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Income taxes are managed on a group basis and are not allocated to operating segments. Sales between operating segments are on terms agreed by the group companies concerned.

Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than deferred tax assets and tax recoverable which are classified as unallocated assets.

31 Segmental information (cont'd)

Segment liabilities

The amounts provided to the management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than deferred tax liabilities and tax payables. These liabilities are classified as unallocated liabilities.

Geographical information

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

	Group			
	Sales to external customers		**Non-current assets**	
				(Restated)
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Singapore	**50,082**	59,348	**56,304**	60,299
The People's Republic of China	**–**	–	**1,060**	1,185
Malaysia	**–**	–	**22,994**	19,112
	50,082	59,348	**80,358**	80,596

Non-current assets information presented above are non-current assets as presented on the statement of financial position excluding financial instruments and deferred tax assets.

31 Segmental information (cont'd)

Information about major customers

Revenue from major customers which amounts to more than 10% of the Group's revenue are as follows:

	Group	
	2018	2017
	$'000	$'000
Prefabrication segment - 2 (2017: 1) external customers		
- Customer 1	**–**	9,212
- Customer 2	**5,699**	–
- Customer 3	**5,079**	–
	10,778	9,212

32 Operating lease commitments

(a) Where the Group is a lessee

The Group leases land and buildings under non-cancellable operating lease arrangements. The leases, which have renewal options, expire at various dates in 2020 and 2027.

The Group also leases office equipment under non-cancellable operating lease arrangements, which do not have purchase nor renewal options.

32 Operating lease commitments (cont'd)

(a) Where the Group is a lessee (cont'd)

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period, but not recognised as liabilities, are as follows:

	Group	
	2018	2017
	$'000	$'000
Not later than one financial year	**395**	591
Later than one financial year but not later than five financial years	**492**	827
Later than five financial years	**576**	705
	1,463	2,123

Lease term does not contain restrictions on the Group's activities concerning dividends and additional debt.

(b) Where the Group is a lessor

The Group leases out commercial office units to non-related parties under non-cancellable operating lease arrangements.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period, but not recognised as receivables, are as follows:

	Group	
	2018	2017
	$'000	$'000
Not later than one financial year	**501**	1,058
Later than one financial year but not later than five financial years	**244**	358
	745	1,416

33 Contingent liabilities

Financial guarantees

	Company	
	2018	2017
	$'000	$'000
Guarantees issued for banking and hire purchase facilities granted to subsidiary companies	**140,046**	140,620
Amounts of banking facilities utilised by subsidiary companies	**66,074**	58,204

Management has assessed the fair values of these financial guarantees to have no material financial impact on the financial performance for the financial years ended 31 December 2018 and 31 December 2017.

34 Related party transactions

(a) In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	Group	
	2018	2017
	$'000	$'000
Sales of goods to a related party	**2,118**	4,450
Purchases of goods from related parties	**–**	78
Maintenance fee charged by a related party	**14**	14
Backcharges to a related party	**69**	54
Backcharges from a related party	**2,022**	75

Related parties comprise mainly companies which are controlled by the Company's directors and their close family members.

The outstanding balances with related parties at the end of the reporting period are disclosed in Note 14.

34 Related party transactions (cont'd)

(b) Key management personnel compensation

Total key management personnel compensation is analysed as follows:

	Group	
	2018	2017
	$'000	$'000
Directors of the Company:		
- short-term employee benefits	**1,323**	1,297
- contribution to defined contribution plans	**45**	48
- directors' fees	**98**	98
	1,466	1,443
Other key management personnel:		
- short-term employee benefits	**440**	475
- contribution to defined contribution plans	**31**	38
	471	513
	1,937	1,956

In addition, benefits in kind amounting to $42,000 (2017: $38,000) are in respect of motor vehicles used by the directors and key management of the Group.

34 Related party transactions (cont'd)

(b) Key management personnel compensation (cont'd)

The number of directors and other key management personnel, and their remuneration bands are as follows:

	Number of directors		Number of other key management personnel	
	2018	2017	**2018**	2017
Above $1,000,000	**–**	–	**–**	–
$750,000 to below $1,000,000	**1**	1	**–**	–
$500,000 to below $750,000	**–**	–	**–**	–
$250,000 to below $500,000	**1**	1	**–**	–
Below $250,000	**4**	4	**3**	4
	6	6	**3**	4

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

35 Financial instruments

Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group			Company		
		(Restated)	(Restated)		(Restated)	(Restated)
	31.12.2018	31.12.2017	1.1.2017	**31.12.2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Financial assets:						
Loans and receivables	**–**	56,567	60,888	**–**	40,851	37,640
Available-for-sale financial assets	**–**	21	16	**–**	19	13
Finance assets at amortised costs	**56,687**	–	–	**14,996**	–	–
Financial assets at fair value through other comprehensive income	**18**	–	–	**17**	–	–
Financial liabilities:						
Financial liabilities at amortised cost	**101,257**	77,086	83,182	**25,732**	23,000	20,525
Derivative financial instruments	**261**	–	250	**–**	–	–

Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from the operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk, interest rate risk, liquidity risk and market price risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

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

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Foreign currency risk

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of the entities in the Group. The foreign currencies in which the Group's currency risk arises are Australian dollar ("AUD") and Singapore dollar ("SGD"). The Company has no significant exposure to foreign currency risk as nearly all of its transactions are in Singapore dollar. The Group and the Company do not hedge their net position.

The Company and its subsidiary companies maintain their respective books and accounts in their functional currencies. As a result, the Group is subjected to transaction and translation exposures resulting from currency exchange rate fluctuations. However, to minimise such foreign currency exposures, the Group uses currency borrowings and natural hedges.

At the end of the reporting period, the Group has the following significant financial assets and financial liabilities denominated in foreign currencies based on information provided to key management.

	AUD $'000	SGD $'000
Group		
2018		
Cash and cash equivalents	**23,677**	**363**
Trade and other receivables	**–**	**2,435**
Bank borrowings	**–**	**(5,272)**
Trade and other payables	**–**	**(18,977)**
Net financial assets/(liabilities) denominated in foreign currencies	**23,677**	**(21,451)**

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

	AUD $'000	SGD $'000
Group		
2017		
Cash and cash equivalents	**25,235**	–
Trade and other receivables	**–**	1,080
Trade and other payables	**–**	(13,164)
Net financial assets/(liabilities) denominated in foreign currencies	**25,235**	(12,084)

The following table demonstrates the sensitivity to a reasonably possible change in the AUD and SGD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant, of the Group's loss after tax:

	Increase/(decrease) in loss after tax	
	Group	
	2018 **$'000**	2017 $'000
AUD/SGD		
- strengthened 5% (2017: 5%)	**1,184**	1,262
- weakened 5% (2017: 5%)	**(1,184)**	(1,262)
SGD/MYR		
- strengthened 5% (2017: 5%)	**(1,072)**	(604)
- weakened 5% (2017: 5%)	**1,072**	604

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk

Credit risk is the risk that companies and other parties will be unable to meet their obligations to the Group. The Group manages such risk by dealing with a diversity of credit-worthy counterparties to mitigate any significant concentration of credit risk. Credit policy includes assessing and evaluation of existing and new customers' credit reliability and monitoring of receivable collections.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses (ECL):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 90 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payment are more than 1 year past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- significant increases in credit risk on other financial instruments of the same debtor.

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

Regardless of the evaluation of the above factors, the Group considers that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, based on the Group's historical information of payment trends of its receivables.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

At the end of the reporting period, the Group has significant credit risk exposures mainly arising on trade receivables. Approximately 10% (2017: 16%) of the Group's trade receivables were due from 1 (2017: 1) major customer located in Singapore. The Company has significant credit risk exposures arising on amounts due from subsidiaries of $14,944,000 (2017: $40,823,000) which represented 93% (2017: 94%) of total receivables.

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Estimation techniques and significant assumptions (cont'd)

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of each financial assets presented on the statement of financial position and the amount of $66,074,000 (2017: $58,204,000) relating to corporate guarantees given by the Company to banks and hire purchase financial institutions for the subsidiary companies' bank borrowings and hire purchase facilities (Note 33).

Movements in credit loss allowance are as follows:

	Trade receivables $'000
Group	
Balance at 1 January 2018, under FRS 39	2,891
Adoption of FRS 109 (Note 2.1)	1,549
Balance at 1 January 2018, under SFRS(I) 9	4,440
Loss allowance measured	
Lifetime ECL	
- simplified approach	1,615
- credit-impaired	1,884
	3,499
Balance at 31 December 2018	**7,939**

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Estimation techniques and significant assumptions (cont'd)

	Other financial assets at amortised cost $'000
Company	
Balance at 1 January 2018, under FRS 39	4,578
Adoption of FRS 109 (Note 2.1)	–
Balance at 1 January 2018, under SFRS(I) 9	4,578
Loss allowance measured:	
Lifetime ECL	
- credit-impaired	32,922
	32,922
Balance at 31 December 2018	**37,500**

The credit loss for cash and cash equivalents and other receivables is immaterial as at 31 December 2018.

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Trade receivables and contract assets

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

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

The Group categories its trade receivables by its past due status and segregates debtors regarded as credit-impaired where one or more credit impairment events have occurred.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

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

A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor such as when the debtor has been placed under liquidation, has entered into bankruptcy proceedings, cannot be located or are not recoverable despite legal recourse made to recover the debt, including reminders and letters of demand issued for debts due for more than 12 months.

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

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

		Past due				
	Not past due	**0 to 6 months**	**6 to 12 months**	**More than 1 year**	**Credit-impaired**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Expected loss rate	2.76%	6.91%	19.61%	40.82%	100%	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross receivables and contract assets	8,300	13,528	3,375	3,278	4,775	33,256
Loss allowance	229	935	662	1,338	4,775	7,939

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Other financial assets at amortised cost

Other financial assets at amortised costs include other receivables and cash and cash equivalents.

The table below details the credit quality of the Group's and Company's financial assets (other than trade receivables and contract assets):

Group	**12-month or lifetime ECL**	**Gross carrying amount $'000**	**Loss allowance $'000**	**Net carrying amount $'000**
Other receivables	N.A. Exposure limited	895	–	895
Cash and cash equivalents with financial institutions	N.A. Exposure limited	30,947	–	30,947

Company	**12-month or lifetime ECL**	**Gross carrying amount $'000**	**Loss allowance $'000**	**Net carrying amount $'000**
Other receivables	Lifetime ECL	52,450	(37,500)	14,950
Cash and cash equivalents with financial institutions	N.A. Exposure limited	46	–	46

Financial guarantee

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

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Previous accounting policy for impairment of financial assets

(i) Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy receivables with good payment record with the Group and the Company. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions which are regulated and have good credit standing.

(ii) Financial assets that are either past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables and other receivables.

The analysis of trade receivables past due but not impaired is as follows:

	Group 2017 $'000
Trade receivables that are past due:	
< 90 days	9,644
91 to 180 days	2,196
> 180 days	4,486
	16,326

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Previous accounting policy for impairment of financial assets (cont'd)

(ii) Financial assets that are either past due and/or impaired (cont'd)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group 2017 $'000
Impaired receivables - individually assessed	
Gross amount:	
< 90 days	502
91 to 180 days	298
> 180 days	4,495
	5,295
Less: Allowance for impairment	(2,891)
	2,404
Movement in allowance for impairment:	
At 1 January	1,771
Allowance made and recognised in profit or loss (Note 8)	1,382
Write-back of allowance recognised in profit or loss (Note 8)	(238)
Bad debts written off against allowance	(24)
At 31 December	2,891

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those receivables that are in significant financial difficulties, have defaulted on payments, or are disputing the amounts due. These receivables are not secured by any collateral or credit enhancements.

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Previous accounting policy for impairment of financial assets (cont'd)

(ii) Financial assets that are either past due and/or impaired (cont'd)

Movements in impairment loss on other receivables during the financial year are as follows:

	Group 2017 $'000	Company 2017 $'000
At 1 January	893	5,142
Write-back of impairment loss recognised in profit or loss	–	(564)
At 31 December	893	4,578

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Company has no significant interest-bearing assets and liabilities. The Group's exposure to interest rate risk arises primarily from their borrowings, hire purchase payables and fixed deposits placed with the financial institutions. Borrowings at variable rates expose the Group to cash flow interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates). Borrowings, hire purchase payables and fixed deposits at fixed rates expose the Group to fair value interest rate risk (i.e. the risk that the value of a financial instrument will fluctuate due to changes in market rates).

The Group's policy is to obtain the most favourable interest rates available and manage interest costs using a mix of fixed and floating rate debts depending on market and economic conditions. For interest income from fixed deposits, the Group and the Company manage interest rate risks by placing deposits with reputable financial institutions on varying maturities and interest rate terms.

As the Company has no significant interest-bearing assets and liabilities at variable rates, the Company's financial performance is substantially independent of changes in market interest rates.

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk of the Group

The sensitivity analysis below have been determined based on the exposure to interest rates for borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of borrowings that have floating rates.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in SGD. If the SGD interest rates increase/decrease by 100 (2017: 100) basis points with all other variables including tax rate being held constant, the profit after tax of the Group will be lower/higher by $632,000 (2017: $517,000) as a result of higher/lower interest expense on these borrowings.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's and the Company's objective are to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. Short term funding is obtained from bank overdrafts and revolving credit facilities.

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	1 year or less $'000	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Group				
2018				
Trade payables	26,147	–	–	26,147
Other payables	3,711	–	–	3,711
Hire purchase payables	449	443	–	892
Provisions	6,017	–	–	6,017
Borrowings	33,753	33,164	669	67,586
	70,077	**33,607**	**669**	**104,353**
2017				
Trade payables	16,132	–	–	16,132
Other payables	2,300	–	–	2,300
Hire purchase payables	488	863	–	1,351
Borrowings	54,655	1,929	943	57,527
	73,575	2,792	943	77,310

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company				
2018				
Other payables	25,655	–	–	25,655
Hire purchase payables	25	57	–	82
Financial guarantee contracts (Note 33)	66,074	–	–	66,074
	91,754	**57**	**–**	**91,811**
2017				
Other payables	22,902	–	–	22,902
Hire purchase payables	25	82	–	107
Financial guarantee contracts (Note 33)	58,204	–	–	58,204
	81,131	82	–	81,213

At the end of the reporting period, the Company has assessed that its subsidiary companies have the capacity to meet the contractual cash flow obligations and does not expect significant credit losses arising from those guarantees.

The table below analyses the Group's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groups based on the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Group Less than 1 year	
	2018 $'000	2017 $'000
Net settled interest rate swap		
- Net cash outflows	**261**	–

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices other than interest or exchange rates. The Group is exposed mainly to the market price risk arising from changes in equity price of its investment in quoted securities. These instruments are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk by monitoring the fluctuations in the price of the quoted securities and the dividend yields.

The sensitivity analysis for market price risk is not disclosed as the effect on the profit or loss and other comprehensive income/fair value reserve is considered not significant.

36 Fair value of assets and liabilities

(a) Fair value hierarchy

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

(i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and
(iii) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36 Fair value of assets and liabilities (cont'd)

(b) Fair value measurements of assets and liabilities that are measured at fair value

The following table presents the level of fair value hierarchy for each class of assets and liabilities measured at fair value on the statement of financial position at the end of the reporting period:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
2018				
Group				
Financial assets				
FVOCI				
- Quoted equity securities	**18**	**–**	**–**	**18**
Non-financial assets				
Investment properties				
- Freehold properties	–	–	33,662	33,662
- Leasehold properties	–	–	1,061	1,061
Total non-financial assets	**–**	**–**	**34,723**	**34,723**
Financial liabilities				
Derivative financial instruments	**–**	**261**	**–**	**261**
Company				
Financial assets				
FVOCI				
- Quoted equity securities	**17**	**–**	**–**	**17**

36 Fair value of assets and liabilities (cont'd)

(b) Fair value measurements of assets and liabilities that are measured at fair value (cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
2017 (Restated)				
Group				
Financial assets				
Available-for-sale financial assets				
- Quoted equity securities	21	–	–	21
Non-financial assets				
Investment properties				
- Freehold properties	–	–	33,662	33,662
- Leasehold properties	–	–	1,185	1,185
Total non-financial assets	–	–	34,847	34,847
Company				
Financial assets				
Available-for-sale financial assets				
- Quoted equity securities	19	–	–	19

Fair values have been determined for measurement purposes based on the following methods:

Quoted equity securities

The fair value of financial instruments traded in active markets (such as held for trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. These instruments are included in Level 1.

Investment properties

The basis of determining fair values for measurement at the end of the reporting period is disclosed in Note 12.

Derivative financial instruments

The fair value of interest rate swap contract was provided by a reputable financial institution, which was calculated as the present value of the estimated future cash flows based on observable yield curves.

36 Fair value of assets and liabilities (cont'd)

(c) Assets and liabilities not carried at fair value but which fair values are disclosed

The carrying amounts of non-current trade receivables, non-current borrowings and hire purchase payables approximate their fair values at the end of the reporting period, as the market lending rates at the end of the reporting period were not significantly different from either their respective coupon rates of the agreements or market lending rate at the initial measurement date.

The basis of determining fair values for disclosure purposes at the end of the reporting period are disclosed in Notes 14, 21 and 22 respectively.

The above does not include financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

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

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

	Investment properties	
	2018	2017
	$'000	$'000
Balance at beginning of financial year	**34,847**	34,799
Fair value (loss)/gain recognised in profit or loss	**(124)**	48
Balance at end of financial year	**34,723**	34,847
Total (losses)/gains for the financial year included in:		
Profit or loss:		
General and administrative expenses		
- fair value (loss)/gain on investment properties	**(124)**	48

(e) Valuation process applied by the Group

The fair values of investment properties are determined by professional valuers, having appropriate professional qualifications and experience in the category of property being valued at the end of the reporting period. The valuation reports and changes in fair value measurements are analysed and reported to the Audit Committee and Board of Directors.

37 Capital management

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

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

The Group and the Company monitor capital using a gearing ratio, which is net debts divided by total capital plus net debts. The Group and the Company include within net debts, borrowings, trade payables, other payables, hire purchase payables, less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company. The Group's and the Company's policy is to keep the gearing ratio below 100%, as shown below:

	Group		**Company**	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Borrowings	**64,541**	57,401	**–**	–
Trade payables	**26,147**	16,132	**–**	–
Other payables	**3,809**	2,429	**25,668**	22,919
Hire purchase payables	**841**	1,253	**77**	98
Cash and cash equivalents	**(30,947)**	(30,049)	**(46)**	(24)
Net debts	**64,391**	47,166	**25,699**	22,993
Total equity	**59,220**	91,579	**24,649**	69,660
Capital and net debts	**123,611**	138,745	**50,348**	92,653
Gearing ratio	**52%**	34%	**51%**	25%

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

38 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors dated 5 April 2019.

STATISTICS OF SHAREHOLDINGS

As at 14 March 2019

Share Capital	:	$68,323,493
Number of Issued and Paid-Up Shares	:	52,066,937
Class of Shares	:	Ordinary shares
Voting Rights	:	One (1) vote per share
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1,132	21.44	72,115	0.14
100 - 1,000	2,696	51.05	881,370	1.69
1,001 - 10,000	1,253	23.73	4,075,778	7.83
10,001 - 1,000,000	193	3.65	14,131,121	27.14
1,000,001 AND ABOVE	7	0.13	32,906,553	63.20
TOTAL	5,281	100.00	52,066,937	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HOR KEW HOLDINGS PTE LTD	17,093,821	32.83
2	AW KHOON HWEE	5,413,499	10.40
3	AW SOON HWEE	3,327,746	6.39
4	CITIBANK NOMINEES SINGAPORE PTE LTD	2,559,002	4.91
5	TAN AH CHANG	1,790,462	3.44
6	AW YUE YING ELISE	1,596,684	3.07
7	AW LAY SIM	1,125,339	2.16
8	AW ZHIXIAN BENSON (HU ZHIXIAN BENSON)	905,786	1.74
9	AU YONG EANG	833,333	1.60
10	LIM WAI SEONG	754,733	1.45
11	PHILLIP SECURITIES PTE LTD	656,187	1.26
12	AW YING YING ELICIA	611,625	1.17
13	DBS NOMINEES (PRIVATE) LIMITED	534,998	1.03
14	AW LAY TIN	433,955	0.83
15	KHO CHUAN THYE PATRICK	405,333	0.78

STATISTICS OF SHAREHOLDINGS

As at 14 March 2019

NO.	NAME	NO. OF SHARES	%
16	AW XIAOYING ELEANOR	358,093	0.69
17	KUEK TONG AU	331,500	0.64
18	RAFFLES NOMINEES (PTE.) LIMITED	325,844	0.63
19	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	279,768	0.54
20	AW GEOK MUI	264,759	0.51
	TOTAL	39,602,467	76.07

PERCENTAGE OF SHAREHOLDINGS HELD BY THE PUBLIC

Based on information available to the Company as at 14 March 2019, approximately 31.35% of the issued ordinary shares of the Company are held by the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders as at 14 March 2019 as recorded in the Register of Substantial Shareholders maintained by the Company are:

	Number of Shares			
Name	Direct Interest	Deemed Interest	Total Interest	%
Hor Kew Holdings Pte Ltd	17,093,821	–	17,093,821	32.83
Aw Khoon Hwee	5,413,499	17,093,821[1]	22,507,320	43.23
Estate of Aw Leng Hwee (deceased)	53,333[2]	17,093,821[1]	17,147,154	32.93
Aw Soon Hwee	3,327,746	–	3,327,746	6.39

Note 1: Aw Khoon Hwee and Estate of Aw Leng Hwee (deceased) are deemed to be interested in 17,093,821 shares held by Hor Kew Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

Note 2: The shares are held in the name of United Overseas Bank Nominees Pte Ltd

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of Hor Kew Corporation Limited (the "**Company**") will be held at 66 Kallang Pudding Road, #07-01 Hor Kew Business Centre, Singapore 349324 on Monday, 29 April 2019 at 9.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

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

2. To re-elect the following Directors who will retire by rotation pursuant to Article 91 of the Constitution of the Company and who, being eligible, will offer themselves for re-election:

   (a) Mr William Chew Yew Meng **(Resolution 2)**
   (b) Ms Aw Ying Ying Elicia **(Resolution 3)**

   Mr William Chew Yew Meng will, upon re-election as a Director of the Company, continue to serve as Chairman of the Remuneration and Nominating Committees and remain as a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors' fees of S$97,500 for the financial year ended 31 December 2018 (2017: S$97,500). **(Resolution 4)**

4. To re-appoint Baker Tilly TFW LLP as Independent Auditor of the Company and to authorise the Directors to fix its remuneration. **(Resolution 5)**

5. To transact any other ordinary business that may be transacted at an annual general meeting.

AS SPECIAL BUSINESS

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

That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors of the Company to: **(Resolution 6)**

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

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

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

(2) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(a) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 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 (b) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% 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 (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the percentage of issued Shares excluding treasury shares and subsidiary holdings shall 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 Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or sub-division of Shares;

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

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

By Order of the Board

Koh Geok Hoon, Judy (Ms)
Koh Ee Koon (Ms)
Joint Company Secretaries

Singapore
12 April 2019

NOTES

1. A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead at the Annual General Meeting ("AGM"). Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shares to be represented by each proxy.

2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, a member who is a relevant intermediary (as defined therein) is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

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

4. The instrument or form appointing a proxy or proxies, duly executed, must be deposited at the office of the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 not less than 48 hours before the time for holding the above AGM.

Explanatory Note in relation to Special Business

The proposed Ordinary Resolution 6, if passed, will empower the Directors from the date of this AGM until the next annual general meeting, to allot and issue new shares and/or convertible securities in the Company up to a number not exceeding in total 50% of the issued shares excluding treasury shares and subsidiary holdings in the capital of the Company for the time being for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders pursuant to this Resolution shall not exceed 20% of the issued shares excluding treasury shares and subsidiary holdings in the capital of the Company for the time being, calculated as described in the Resolution.

PERSONAL DATA PRIVACY

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

HOR KEW CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
Company Reg. No. 199903415K

PROXY FORM
Annual General Meeting

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend, speak and vote at the Annual General Meeting ("AGM") (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF/SRS monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS investors may attend and cast their vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

I/We, ____________________ (Name) ____________ (NRIC / Passport No.)

of ______________________________ (Address)
being a member/members of Hor Kew Corporation Limited (the "Company"), hereby appoint

	Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)
(a)				
and/or (delete as appropriate)				
(b)				

or failing him/them, the Chairman of the Annual General Meeting ("AGM"), as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the AGM of the Company to be held at 66 Kallang Pudding Road, #07-01 Hor Kew Business Centre, Singapore 349324 on Monday, 29 April 2019 at 9.00 a.m. and at any adjournment thereof. I/we direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. In the absence of specific directions, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the AGM.

No	RESOLUTIONS RELATING TO:	FOR*	AGAINST*
Ordinary Business			
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2018		
2	Re-election of Mr William Chew Yew Meng as a Director of the Company		
3	Re-election of Ms Elicia Aw Ying Ying as a Director of the Company		
4	Approval of Directors' Fees for the year ended 31 December 2018		
5	Re-appointment of Baker Tilly TFW LLP as Independent Auditor of the Company		
Special Business			
6	Authority to Directors to issue shares and/or convertible securities		

* Voting on all the Resolutions proposed at the AGM will be conducted by poll. Please indicate your votes "For" or "Against" the relevant Resolution with a tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of ____________________ 2019

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

____
Signature of Individual Shareholder and
Common Seal of Corporate Shareholder

Notes:

1. A member who is not a relevant intermediary is entitled to appoint one or two proxies to attend, speak and vote on his/her behalf at the AGM.
2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's opinion to treat this proxy form as invalid.
3. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each such 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" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 of Singapore
4. A proxy need not be a member of the Company.
5. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register, you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.

fold along this line (1)

Please affix postage stamp

The Share Registrar for
Hor Kew Corporation Limited
RHT Corporate Advisory Pte. Ltd.
9 Raffles Place, #29-01
Republic Plaza Tower 1
Singapore 048619

fold along this line (2)

6. The proxy form must be deposited at the office of the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 not less than 48 hours before the time fixed for holding the AGM.
7. The proxy form must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
8. Where the proxy form is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the proxy form, failing which the proxy form shall be treated as invalid.
9. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By attending the AGM and/or any adjournment thereof or 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 AGM dated 12 April 2019.

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