許兄弟
KOH BROS
Building Cities Building Dreams

A TRIUMPH OF VISION

ANNUAL REPORT 2018

CONTENTS

OUR PROMISE

At Koh Brothers, customer satisfaction is our priority. To achieve this, we are committed to deliver quality products, services and solutions. With strong support from our business partners and dedicated staff, we strive to add value by adopting an innovative work approach.

With these strengths, we are confident to excel and grow our organisation to achieve shareholder satisfaction.

Visit us or download the
Annual Report at www.kohbrothers.com

CREATIVE RATIONALE

Natural landscapes often bring out the grandeur of ideologies and scale of ambition. This concept makes use of beautiful landscapes captured with a sense of optimism, promise and potential for greater things - a mountain peak illuminated by an ascending sun, a river bringing life through a rugged valley, and luxuriant blooms in a fertile slope - all symbolic of Koh Brothers' enduring achievements and corporate qualities of time-tested resilience, vision and sustained growth.

A TIME OF OPPORTUNITIES

CORPORATE PROFILE

Listed on SGX Mainboard in August 1994, Koh Brothers Group Limited is a well established construction, property development and specialist engineering solutions provider. Koh Brothers was started as a sole proprietorship in 1966 by Mr Koh Tiat Meng. Today, the Group has more than 40 subsidiaries, joint venture companies and associated companies spread across Singapore, Indonesia, Malaysia, China and South Korea.

Over the years, the Group has undertaken numerous construction and infrastructure projects with its A1 grading by the Building and Construction Authority ("BCA"). It is currently the highest grade for contractors' registration in this category and allows the Group to tender for public sector construction projects of unlimited value. Koh Brothers is also the largest shareholder of SGX Catalist-listed Koh Brothers Eco Engineering Limited ("KBE"), a sustainable engineering solutions group that provides engineering, procurement and construction services for infrastructure and building, water and wastewater treatment, hydro-engineering, bio-refinery and bio-energy projects. In addition, the Group has developed a name for itself as a niche real estate developer with an established reputation for quality and innovation.

Koh Brothers' diversified businesses have created multiple revenue streams, with operating synergies arising from these core areas.

CONSTRUCTION AND BUILDING MATERIALS

- Construction and Civil Engineering
- Building Materials
- Water and Wastewater Treatment
- Hydro-Engineering
- Bio-Refinery Engineering
- Bio-Energy Engineering

1

Construction and Civil Engineering

Our Construction and Civil Engineering division provides a complete and diverse range of infrastructure and building project management, products, services and solutions for the construction industry. Harnessing synergies from KBE, the Group is able to offer turnkey engineering solutions and tap opportunities in the water and wastewater treatment and hydro-engineering sectors to the construction industry. Recent projects undertaken include upgrading of Kallang – Bishan River, Singapore Changi Airport Runway 3 (Package 1), Marina East Desalination Plant, Circle Line 6 contract and the Deep Tunnel Sewage System Phase 2 contract. Our recently completed projects include the Downtown Line 1 Bugis MRT Station, Punggol Waterway, Geylang River makeover, the Used Water Lift Station at Jurong Water Reclamation Plant, the Design and Build Contract for Proposed Retention Pond, Drainage and Backfilling Works at Singapore Changi Airport, Bukit Timah First Diversion Canal, Westwood Residences Executive Condominium, Parc Olympia Condominium and Lincoln Suites Condominium.

2

Building Materials

Our Building Materials division is a long established and renowned one-stop quality provider of concrete solutions to the construction industry. The Building Materials division is supported by three batching plants in Singapore and one in Malaysia. The Group also has pre-cast yards in both Singapore and in Iskandar, Malaysia.

The Group manufactures and supplies ready-mix concrete, as well as pre-cast products such as facades, household shelters, bathroom units, columns and planks. The main users of these products are the HDB contractors and private developers. The Group also provides rental services of equipment, namely concrete pumps, to its clients.

The Group has a central truck-mixer despatch system to facilitate the efficient despatch of trucks to meet the demands of its clients around Singapore so as to achieve greater efficiency.

1 / Bukit Timah First Diversion Canal
2 / G&W Batching Plant and Mixer Trucks
3 / G&W Precast Yard in Malaysia
4 / G&W Precast Yard in Singapore

3

4

CORPORATE PROFILE

CONSTRUCTION AND BUILDING MATERIALS

Water and Wastewater Treatment

The Water and Wastewater Treatment division enjoys established expertise and a sterling track record in the areas of water and wastewater treatment and hydro-engineering.

KBE provides a complete solution which starts with technology, engineering, manufacturing and infrastructure procurement, specialist equipment and turnkey systems, followed by project management, installation, performance trials, commissioning, training, operations and maintenance.

Our water treatment capabilities span the entire process effectively covering the primary, secondary and tertiary treatments. The result is an effluent of drinking-water quality – a precious resource vital to countries all over the world.

6

Hydro-Engineering

Complementing our water and wastewater treatment function is our long standing expertise in hydro-engineering and fluid mechanics, which focuses on the flow and conveyance of fluids such as water and sewerage.

KBE designs and supplies devices which use state-of-the-art electrical drives and control systems. These are incorporated into infrastructure and products like pump systems, gates, valves and other operating equipment. We also act as a system integrator for mechanical and electrical power, the instrumentation, as well as control systems. Whether it is flow or flood control, bespoke or turnkey solutions, we have the capabilities to design, build and install hydro-engineering equipment and systems to meet all our clients' needs.

5

7


Bio-Energy Engineering

Oiltek enjoys a leading track record in integrated and multi-feedstock biodiesel plants. We provide consultancy, design, engineering, procurement and construction services for palm oil mills seeking to recover and utilise methane as a source of renewable energy.

Oiltek also assists in designing, reviewing, submitting and supporting palm oil mill effluent ("POME") biogas recovery projects to achieve Certified Emission Reduction registration, commonly known as carbon credits. We have demonstrated our capabilities and track record by completing successful biogas capturing and utilisation projects in Malaysia and Indonesia.

As a leading provider of biogas and methane recovery systems, the biogas recovery plant set up in palm oil mills using POME as feed, has been proven with its consistent and high performance in chemical oxygen demand ("COD") reduction and high methane purity and volume generation with zero downtime.

Bio-Refinery Engineering

Oiltek Sdn. Bhd. ("Oiltek"), engineers, procures and constructs facilities to refine palm oil. Oiltek provides a full range of customised solutions in well diversified industries which include complete edible oil and non-edible oil refining plants, renewable energy and biofuel plants as well as retrofit the production system for existing refining operations. Oiltek is the process licensee of Malaysia Palm Oil Board for biodiesel, winter fuel, multi-feedstock biodiesel, phytonutrient extraction and other related downstream processes and also plays an important industry role as a distributor of machinery and components.

Oiltek's technological breakthroughs, such as the ENORMOUS system, which greatly increases the yield of refined oil have won us distinguished accolades such as the Asia Pacific Super Excellent Brand 2009, Asia Success Award 2013, Super Outstanding Brand 2013, Asia Top Honesty Enterprise Award and Asia Honesty and Product Award in 2013, The Most Prestigious Brand Award 2015, The Most Prestigious Service Award 2015, Golden Eagle Award 2016 and Golden Bull Award 2017. With more than 37 years of experience, Oiltek has successfully designed, built and supplied to more than a thousand plants operating in more than 32 countries across Malaysia, Indonesia, Africa, South America and rest of Asia.

8


9


5 / Changi Wastewater Reclamation Plant

6 / Geylang River

7 / Marina East Desalination Plant

8 / Changi Water Reclamation Plant

9 / Bio-Refinery Engineering (Oiltek)

CORPORATE PROFILE

REAL ESTATE

Our Real Estate division provides quality property developments with specialised lifestyle themes at choice locations. Koh Brothers Development Pte Ltd, established in 1993, is a wholly owned flagship company for this division.

Koh Brothers has managed to carve a niche in developing themed properties that are innovative and promote the modern lifestyle. Amongst its many successes, there is the Lincoln Suites off Newton Road, the Lumos development at Leonie Hill, Montana off River Valley Road and Starville at Lengkong Tiga.

Some of our recent completed development projects include the development of Singapore's first bike-themed Executive Condominium (EC), Westwood Residences, as well as Parc Olympia Condominium at Flora Drive, with the finest sporting and recreational facilities.

Our maiden entry into South Korea commenced in May 2017 with the joint-acquisition of a freehold site in the heart of the famous Gangnam district in Seoul for S$119 million. The mixed-used development, Nonhyeon IPARK, commenced construction in the second quarter of 2018, and is expected to be completed in 2020. The project was very well-received, selling 75% of all units in the first seven days of its launch and was 96% sold in three months. The Group has also won the tender for the en-bloc sale of Toho Mansion at Holland Road, which is a 4,427.8 sqm freehold site, for S$120 million.

11

12

13

14

15

10 / Nonhyeon IPARK, Gangnam, Seoul

11 / Westwood Residences

12 / Fiorenza

13 / Sun Plaza

14 / Lincoln Suites

15 / Parc Olympia

CORPORATE PROFILE

LEISURE & HOSPITALITY

16

17

Our Leisure & Hospitality division provides 'no-frills' hospitality services through the Oxford Hotel brand name with more than 130 hotel rooms. Oxford Hotel has also recently completed major renovations as part of an upgrading programme. The Group also owns and operates The Alocassia, which consists resort-styled service apartments with 45 suites located at Bukit Timah Road, a prime district in Singapore.

16 / Alocassia Apartments

17 / Oxford Hotel

OUR CORE VALUES

STATEMENT

With knowledge and honesty, we add value to organisational excellence through commitment, teamwork, continuous self-development and opportunities for innovation.

K

KNOWLEDGE

Our culture of continuous improvement allows for the developmental opportunities that are responsive to the current and future challenges of our Company and our customers.

O

OPENNESS

We need to be open-minded to adapt and respond well to changes according to the environment.

H

HONESTY

We emphasise honesty in every aspect of our business, resulting in a Company that is trusted by our society at large whom we work with.

B

BONDING

Our culture of teamwork allows us to bring together the best thinking from our professionals and deliver optimum solutions to our clients' complex needs.

R

RESPONSIBILITY

Our culture encourages employees to pursue set goals and work towards achieving high standards of performance.

O

OPPORTUNITIES

We provide equal opportunity to all individuals to be innovative so as to bring Koh Brothers to the next level of excellence.

S

STANDARDS

We strive to achieve organisational excellence in whatever we set out to perform.

THE ILLUSTRIOUS JOURNEY THUS FAR

1960s

- Founded and established by Mr Koh Tiat Meng

1970s

- Rochor Canal Flood Alleviation
- Sungei Ulu Drainage
- Setup G & W Ready-Mix Pte Ltd providing ready-mix concrete

1980s

- G & W began equipment sale and rental operations
- Production of concrete products by G & W
- Established PT. Koh Brothers Indonesia and ventured into real estate development in Indonesia

1990s

- Registered with the CIDB as G8 Building and Civil Engineering Contractor
- Bukit Timah Flood Alleviation Scheme
- Refurbished and renovated Asian Hotel in Vietnam and Changi Hotel in Singapore
- New Hall of Residence for NTU
- Set up Automated Batching Plants
- First City Complex Project in Batam, Indonesia
- Construction of HDB flats in Jurong West
- Holland Road/Farrer Road/ Queensway Interchange
- SASCO Hanger Complex
- Substructures and Civil Works for NUH
- Listed on the Mainboard of SGX
- Improvements to Kallang River (from Braddell Road to Jalan Toa Payoh)
- Awarded by CIDB for Construction Excellence for Reconstruction of Geylang River
- Land Reclamation Phase 1 Project at Xinjin River Mouth, Shantou, China
- G & W Ready-Mix Pte Ltd and G & W Concrete Products Pte Ltd awarded ISO 9002 certification
- Opening of Oxford Hotel
- Building works at Choa Chu Kang Neighbourhood 4
- Construction of Civil Defence Academy at Jalan Bahar
- Construction of Container Stacking Yard for Container Terminal at Pasir Panjang Road
- Sun Plaza (Construction and Real Estate Project)
- The Capri (Real Estate Project)
- Koh Brothers Building & Civil Engineering Contractor (Pte) Ltd awarded ISO 9000

2000s

- Building & electrical works at Jurong West Neighbourhood 6
- BCA Award for Construction Excellence 2000 (Civil Engineering) and for Construction of Holland Road/Farrer Road/ Queensway Interchange
- Ranked amongst the top companies in Singapore 1000
- Extension/addition and alteration to existing Singapore Conference Hall
- Construction of SAF Warrant Officers & Specialists Club
- Designing and building of Provost & Armour Clusters in Kranji Camp
- Singapore Civil Defence Force HQ Complex
- The Sierra (Real Estate Project)
- The Montana (Real Estate Project)
- Starville (Construction and Real Estate Project)
- Construction of Common Services Tunnel Project in Marina South
- Changi Water Treatment Plants
- Construction of Marina Barrage
- The Lumos (Real Estate Project)
- Bungalows @ Caldecott (Real Estate Project)
- Construction of River Valley High School & Hostel
- Upgrading of Vehicular Bridges
- Fiorenza (Construction and Real Estate Project)
- Construction of Bugis Station and its Associated Tunnels for Downtown Line Stage 1
- Construction of Punggol Waterway
- Construction of HDB flats in Choa Chu Kang
- Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. awarded OHSMS
- Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. awarded ISO 14000

2010s

- South East Asia Property Award (Singapore) - The Real Estate Personality of the Year 2016
- 15th & 16th SIAS Investors' Choice Awards – Most Transparent Company Awards 2014 & 2015 (Construction & Materials Category)
- Singapore Quality Brand Award 2014 – (Special Merit)
- Promising SME 500 2014 (Distinguished Business Leader of the Year) Award
- BCA Construction Productivity Award – Advocates (Builder - Open Category) - Merit
- Malaysia Landscape Architecture Awards 2014 Excellence Award (International) – My Waterway @ Punggol
- Singapore Prestige Award – Heritage Brands Category 2013
- HDB BTO Project at Vine Grove @ Yishun
- Acquisition of Koh Brothers Eco Engineering Limited (formerly known as Metax Engineering Corporation Limited)
- Bukit Timah First Diversion Canal
- Geylang River Makeover
- Design and Engineering Safety Excellence Award 2010 - Marina Barrage (Merit - Civil Engineering Category)
- Green and Gracious Builder Award 2010 (Merit)
- BizSAFE STAR Certificate
- BizSAFE Partner Certificate
- Green and Gracious Builder Award 2012 (Excellent)
- BCA Construction Excellence Award 2011 - Marina Barrage (Civil Engineering Projects Category)
- Parc Olympia (Construction and Real Estate Project)
- Total Defence Award 2011
- Construction of used water lift station at Jurong Water Reclamation Plant
- Lincoln Suites (Construction and Real Estate Project)
- Design & Build Contract for Proposed Retention Pond, associated drainage and backfill works at Singapore Changi Airport
- BCA Construction Productivity Award - Platinum (Civil Engineering) Punggol Waterway Part 1
- HDB Construction Award – Punggol Waterway Part 1
- Upgrading Kallang River between Bishan and Braddell Road
- Singapore Changi Airport 3 - Runway - Package One
- Westwood Residences EC (Construction and Real Estate Project)
- Marina East Desalination Plant
- Deep Tunnel Sewerage System (Phase 2)
- Construction of cut and cover tunnel at Marina Bay Area for Circle Line 6
- Nonhyeon IPARK (Real Estate Project)
- Woodlands Health Campus
- Redevelopment of Toho Mansion (Construction and Real Estate Project)

OUR AWARDS & PROJECTS

1995

- Construction Industry Development Board Awards for Construction Excellence Reconstruction of Geylang River

SIAS INVESTORS' CHOICE AWARDS

2000

- Building Construction Authority Awards for Construction Excellence (Civil Engineering)
- Holland Road/ Farrer Road/ Queensway Interchange
- Singapore 1000 Company

2001

- Singapore 1000 Company

Singapore Quality Brand Award 2014

BCA
SO 14000
CERT. NO.: 2004/092
SS ISO 14001 : 2004

2004

- SS ISO 14001

2007

- OHSAS 18001

BCA
OHSMS
CERT. NO.: 2004/088
OHSAS 18001 : 2007

2008

- SS ISO 9001

2010

- Building Construction Authority Design & Engineering Safety Excellence Award Merit Award (Civil Engineering) Marina Barrage

2011

- Building Construction Authority Construction Excellence Award (Civil Engineering Projects) Marina Barrage
- Building Construction Authority Green & Gracious Builder Merit Award

SINGAPORE ACCREDITATION COUNCIL
Reg No: QS-1997-02
Member of the IAF MLA for QMS

2012

- Building Construction Authority Construction Productivity Platinum Award (Civil Engineering) Punggol Waterway Part 1
- Building Construction Authority Green & Gracious Builder Excellence Award HDB Construction Productivity Award My Waterway@ Punggol

PROMISING SME 500 2014

2013

- Singapore Prestige Brand Award (Heritage Brand)

2014

- Building Construction Authority Construction Productivity Merit Award
- Singapore Quality Brand Special Merit Award Promising SME 500
- Distinguished Business Leader of the Year Award

2015

- Most Transparent Company Award (Construction & Materials)

2016

- South East Asia Property Awards Singapore (Real Estate Personality of the Year)

2017

- The Singapore Property Awards (Low Rise Residential)

2018

- Asia Pacific Property Awards (Residential Apartment) – Parc Olympia
- PropertyGuru Asia Property Awards Singapore
  - Best Executive Condo Landscape Architectural Design (Winner) – Westwood Residences
  - Best Executive Condo (Highly Commended) – Westwood Residences
  - Best Executive Condo Architectural Design (Highly Commended) – Westwood Residences
- Edgeprop Singapore Excellence Awards
  - Innovation Excellence – Westwood Residences
- SCAL WSH Innovation Awards
  - Workplace Safety and Health Gold Award
- Woodlands Health Campus
- Nonhyeon IPARK (South Korea)
- Redevelopment of Toho Mansion


A TIME OF
GROWTH

STATEMENT BY EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR & GROUP CEO

DEAR SHAREHOLDERS

2018 has been a challenging year, with Singapore's GDP growth slowing to 3.2 per cent, down from 3.9 per cent in 2017. The construction sector also shrank 3.4% in 2018. Growth in the property development sector has also been adversely affected, due in part to the property cooling measures announced in July 2018. The cooling measures include the Additional Buyer's Stamp Duty for both individuals and developers, and further tightening of loan-to-value ratio for financing purposes. With higher interest rates, analysts have predicted that 2019 will likely be a relatively subdued year for the residential property market.

OUR FINANCIALS

Amidst the challenges of 2018, the Group was able to record revenue of S$403.6 million in the financial year ended 31 December 2018 (**"FY2018"**) as compared to S$403.8 million in the financial year ended 31 December 2017 (**"FY2017"**). The Construction and Building Materials division of the Group continued to be our largest revenue driver, accounting for 95.4% of our revenue. The division recorded revenue of S$394.2 million in FY2018 compared to S$393.4 million in FY2017.

In addition, gross profit increased by 39% to S$21.5 million in FY2018 from S$15.5 million in FY2017, mainly due to the improvement in gross profit margin from 3.8% in FY2017 to 5.3% in FY2018.

▲ Woodlands Health Campus

However, net profit declined to S$6.6 million in FY2018 from S$20.6 million in FY2017. The decrease in net profit as compared to FY2017 was due to the gain on disposal of a joint venture of S$11.6 million and one-off gain on compensation income of S$6.2 million, totalling S$17.8 million in FY2017.

The Group maintained a strong balance sheet with an overall current assets to current liabilities ratio of 2.0 times, an improvement from 1.6 times as at 31 December 2017. In FY2018, the Group's net gearing ratio was 1.0 and shareholders' fund was S$282.2 million.

OUR ROAD MAP

The Group continues to ensure its growth by adopting a structured diversification approach. We continue to look for opportunities in new sectors that can synergise with our current businesses in Construction and Building Materials, Real Estate, and Leisure and Hospitality, and with sectors that can improve our core competencies.

In spite of the challenges of 2018, Koh Brothers has continued to ensure its growth by exploring new sectors that can synergise with our current businesses. We remain ready and able to capitalise on opportunities that arise.

KOH TIAT MENG (PBM)
Executive Chairman

KOH KENG SIANG (FRANCIS)
Managing Director & Group CEO

STATEMENT BY EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR & GROUP CEO

Marina Bay Cut & Cover Tunnels

Construction and Building Material division

According to the latest statistics from the Building and Construction Authority (**"BCA"**), the total value of construction contracts to be awarded in 2019 is projected to reach between S$27.0 billion and S$32.0 billion. Public sector projects are expected to constitute 60% of the forecast with contracts to be awarded valued between S$16.5 billion and S$19.5 billion.

Public construction demand is expected to be boosted by major infrastructure projects and major industrial building projects such as the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5. The BCA expects a steady improvement in construction demand over the medium term with demand being projected to reach between S$27 billion and S$34 billion per year for 2020 and 2021 and increasing to between S$28 billion and S$35 billion per year for 2022 and 2023.The private sector's construction demand, on the other hand, is expected to remain steady at between S$10.5 billion and S$12.5 billion in 2019, supported by projects, including the redevelopment of past en-bloc sales sites concluded prior to the second half of 2018 and new industrial developments.

As a major player in the construction sector, with over 50 years of experience, we have built a strong brand and track record, being involved in Singapore's major civil engineering projects, such as the Marina Barrage, the Used Water Lift Station at Jurong Water Reclamation Plant, Downtown Line 1 Bugis MRT Station and Punggol Waterway. With our impressive track record and our A1 grade from the BCA, we are well-positioned to tender for more projects but will do so selectively and cautiously in view of the domestic challenges ahead.

In addition, the long-term and sustainable growth of the Construction division of the Group is secured as the Construction division's order book remains strong with the Circle Line 6 contract, the Deep Tunnel Sewerage System Phase 2 contract, and the S$960.0 million landmark Woodlands Health Campus being awarded to a joint venture comprising Koh Brothers Building & Civil Engineering (Pte.) Ltd, Ssangyong Engineering & Construction Co Ltd and Daewoo Engineering & Construction Co Ltd. These projects have added to Koh Brothers' strong construction order book of S$682.2 million as at 31 December 2018 and are expected to contribute progressively to the Group's performance in the next few years.

The Building Materials division also faced challenges during the year, due to reduction in construction activities and price competition. We expect the road ahead to continue to be challenging. Nevertheless, the Group will focus on enhancing our operational efficiencies and managing our costs.

Real Estate and Leisure Hospitality Division

The Real Estate division has also been placed on solid footing, by expanding its land bank in Singapore to include the wholly-owned Toho Mansion, and the 20% owned joint venture development sites, Hollandia and Estoril. These three freehold sites are located in the Holland Village vicinity, which has been earmarked by the Government for a highly-anticipated makeover

Woodlands Health Campus

STATEMENT BY EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR & GROUP CEO

▲ Marina East Desalination Plant

and expansion. As part of our ongoing push for greater innovation and commitment to bring lifestyle living to greater heights, we are confident that we will be able to create fresh concepts that offer seamless and integrated experiences with the convenience and connectivity for our developments.

With the various residential property market cooling measures still in place, we will continue to monitor the market, and will be prepared to launch the projects when the opportunity to ride on the market's upwards trend arises.

In addition to the development opportunities in Singapore, Koh Brothers has also ventured into foreign lands. Our recent venture by our Real Estate division to South Korea has been successful. Our maiden development project Nonhyeon IPARK in Gangnam, South Korea, comprising 99 apartments, 194 "Officetel" SoHo units, and 53 retail units, was launched in March 2018. To date, 96% of the units contained in Nonhyeon IPARK have been sold, with 75% of all units in the development being sold in the first seven days of its launch. We will continue to explore further opportunities abroad where we can continue to redefine living for consumers, maximising the yield of our properties.

Revenue from our Leisure and Hospitality division recorded a slight increase to S$3.4 million in FY2018 from S$3.3 million in FY2017.

PROPOSED DIVIDENDS

We are pleased to report that the Board has proposed a final dividend 0.40 Singapore cent per share, to be approved by shareholders at the forthcoming Annual General Meeting.

APPRECIATION

We would like to thank Mr Ling Teck Luke for his contributions to our Group during his tenure of service. Mr Ling has retired as an Independent Director of the Company. He will not be seeking re-election.

We would also like to take this opportunity to welcome Mr Low Yee Khim, who was appointed as an Independent Director of the Company. Mr Low brings a wealth of experience and will be an asset to the Group.

At Koh Brothers, we believe that our culture of teamwork allows us to set the foundation for our success. We would like to take this opportunity to thank our management and staff for their determination and commitment to the Group, as the success of the Group is through the efforts of each and every member of our staff and management.

We would also like to extend our sincere appreciation to our clients, business associates and shareholders for their unwavering support over the years. We believe that with their continued support, Koh Brothers will be able to reach greater heights.

Koh Tiat Meng
Executive Chairman

Koh Keng Siang (Francis)
Managing Director & Group CEO

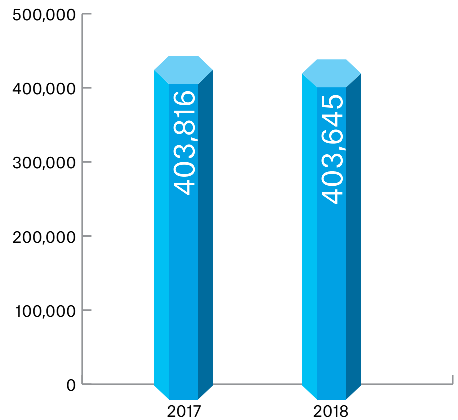
FINANCIAL HIGHLIGHTS

BALANCE SHEET HIGHLIGHTS	FY2017 S$'000	FY2018 S$'000
Shareholders' funds	283,845	282,220
Cash and bank balances	64,823	32,678
Net current assets	130,786	223,252
Total assets	711,044	799,214
Total liabilities	405,314	493,697
Total borrowings	198,143	322,065

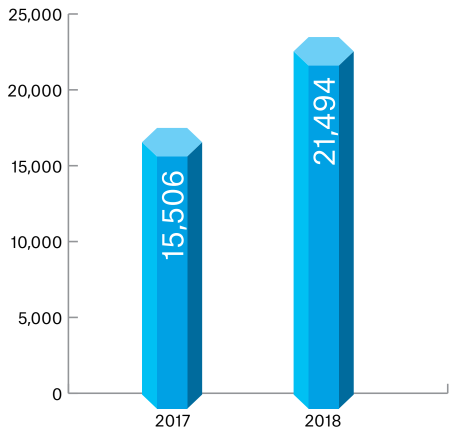
KEY FINANCIAL RATIOS	FY2017	FY2018
Net gearing (times)	0.47	1.03
Net tangible assets per share (in cents)	67.55	67.19
Earnings per share (in cents)	4.98	1.60
Dividend per share (in cents)	1.00	0.40

REVENUE

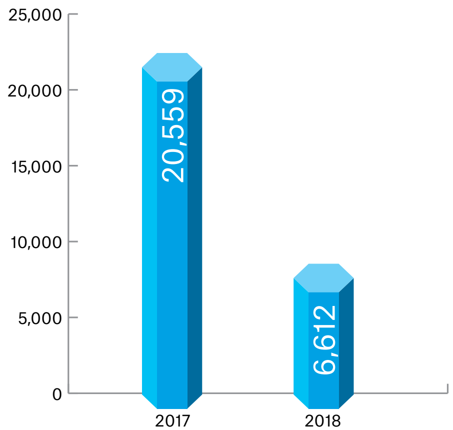
All figures in S$'000



GROSS PROFIT



NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY



SUSTAINABILITY APPROACH

Utilities and Emissions

Health and Safety

Building Cities Building Dreams

KOH BROTHERS GROUP LIMITED

Employees' Wellbeing

Corporate Social Responsibility Initiatives

BOARD STATEMENT

Koh Brothers Group Limited (the "Company", and together with its subsidiaries, the "Group") recognises that sound management of environmental, social and governance ("ESG") risks and opportunities is key to ensuring the sustainability of its business. The Group is committed to implement practices that would enable it to create sustainable value for its stakeholders.

In 2018, the Company focused on deepening its approach in managing its ESG performance. The Company also ensured that health and safety issues are assessed and managed at the Company, project and site levels, while establishing procedures that award those who champion a safety culture.

The directors of the Company (the "Board") continues to be supported by management from across the Group in integrating sustainability considerations into its business decisions. As appointed by the Board, management from across the Group is responsible for determining ESG issues that are material to the Group, and managing and reporting the Group's ESG performance.

The Group looks forward to continue sharing its performance on its sustainability journey.

Board of Directors
Koh Brothers Group Limited

ABOUT THIS REPORT

This report addresses the Group's practices and performance around its material ESG factors during the year of 1 January to 31 December 2018. The scope of the report covers the Group's main operating entities under two business units, the Construction and Building Materials and Real Estate business units.

This report has been prepared in accordance with the requirements of SGX-ST Listing Rules 711A and 711B, and with reference to the Global Reporting Initiative ("GRI") Standards as they represent the most commonly used sustability reporting framework globally. This report references the following GRI Standards and topic-specific disclosures:

- Disclosure 201-1 from GRI 201: Economic Performance 2016
- Disclosures 302-1 (c. (i)) from GRI 302: Energy 2016
- Disclosures 302-3 from GRI 302: Energy 2016
- Disclosures 303-5 (a) from GRI 303: Water and Effluents 2018
- Disclosure 403-9 (a. (i) and (iii)) from GRI 403: Occupational Health and Safety 2018
- Disclosure 405-1 (b.(i)) from GRI 405: Diversity and Equal Opportunity [1]

[1] For Disclosure 405-1, the gender distribution of employees is disclosed in this report, without the breakdown by employee catergory,

ASSESSING MATERIALITY WITH OUR STAKEHOLDERS IN MIND

STAKEHOLDER ENGAGEMENT

Stakeholders play a critical role in determining a business' long-term viability. The Company engages its stakeholder regularly through various methods to understand and address their needs and expectations.

KEY STAKEHOLDERS	ENGAGEMENT METHODS
Government / Regulators	• Participation in government initiatives and policy working groups
Employees	• Annual performance appraisals • Staff Orientation for new employees • Regular sessions with the Project Heads and/or Heads of Departments to address the training needs of staff • Annual Staff Events • Ad-Hoc Gatherings such as celebration dinners for achieving milestones
Investors	• Annual General Meetings ("AGMs") • Annual reports • Notices, Circulars, and Announcements
Customers	• Websites • Face-to-face meetings
Contractors	• Periodic meetings • Contractor/supplier evaluation exercises
Local communities	• Corporate Social Responsibility ("CSR") initiatives • Community meetings
Media	• Media announcements

SUSTAINABILITY APPROACH

MATERIALITY ASSESSMENT

The Company conducted a materiality assessment that is in line with the Materiality Principle of the GRI Standards in September 2017.

1. Identify potential material ESG factors

2. Prioritise material ESG factors based on management team discussion

3. Validate material ESG factors by the Board

In identifying the material ESG factors, the Company considered the following:

- Global and local emerging sustainability trends
- Main topics and future challenges for the construction, building materials, and real estate sectors, as identified by peers
- Insights gained from regular interactions with internal and external stakeholders

The assessment yielded four material ESG factors. The Company reviewed the four material ESG factors in 2018 and found that they continue to be relevant. The Company will regularly review and assess its material ESG factors to ensure their relevance.

SUSTAINABILITY FOCUS AREA	MATERIAL ESG FACTORS
Economic	Economic performance[1]
Environmental	Utilities and emissions
Social	Employees' wellbeing
	Health and safety

[1] Please refer to the financial statements set out in the Annual Report 2018 for more information on the Group's economic performance for the financial year ended 31 December 2018.

UTILITIES AND EMISSIONS

PERFORMANCE MEASURE[2]	2017	2018	2019 Target
Total water consumed within the organisation (m^3)	46,296	105,403	Maintain water intensity at 0.4 m^3/m^2 based on Project GFA
Water intensity per Project GFA (m^3/m^2)	0.16	0.36	
Total energy consumed within the organisation (kWh)	997,458	333,399	Maintain energy intensity at 3.0 kWh/m^2 based on Project GFA
Energy intensity per Project GFA (kWh/m^2)	3.46	1.15	

[2] The disclosures encompass the Group's performance in its main operating entities under the construction business unit.

The Company aims to minimise the environmental impacts created by its operations. To manage the Group's environmental performance holistically and systematically, the Company has acquired ISO 14001 Environmental Management System certification for its Construction business unit. Going forward, the Group will continue to maintain zero non-conformances for all external audits conducted for the aforementioned management systems.

The Group has also adopted various measures to optimise its utilities and emissions performance, including regular maintenance of equipment and facilities to maintain optimal energy efficiency, provision of high-efficiency systems such as lifts with variable voltage frequency and sleep mode features, and installation of energy-efficient light fittings and motion sensors at the common staircases and toilets.

In addition to reducing its own water and energy consumption, the Group aspires to help others decrease their resource use through promoting green buildings. The Group plans to send selected key staff for training in the design and implementation of Green Building and Energy Conservation. The Group aims to achieve at least the Green Mark Gold^{Plus} Award by the Building and Construction Authority of Singapore ("BCA") for new building projects in Singapore, and the BCA Green Mark Gold Award or its equivalent for new projects overseas.

In 2018, the Group saw an increase in its water and energy consumption, which was attributed to operational demands. The Group has established water and energy intensity targets for 2019 and will continue to work on improving its water and energy efficiency.

EMPLOYEES' WELLBEING

PERFORMANCE MEASURE		2017	2018	2019 Target
Gender distribution in the Group	Male	75%	77%	Maintain a gender distribution ratio within the Group of between 70% to 80% for male employees and between 20% to 30% for female employees
	Female	25%	23%	

Employees are fundamental to a business' success. The Company is committed to attracting, developing and retaining dedicated and professional employees that share the Company's values.

The Company does not tolerate any discrimination on the grounds of sex, age, marital status, racial origin, religious affiliation, or disability. All employees are evaluated based on their merits and work performance and have an equal opportunity to be trained, promoted and selected for prestigious postings.

The Company recognises that it operates in male-dominated industries, and has therefore highlighted the importance of monitoring gender diversity within the Group. The Group will continue to maintain a gender distribution ratio of 70% to 80% for male employees and 20% to 30% for female employees, while exploring opportunities to improve inclusivity and gender diversity among its workforce.

In addition to promoting an inclusive culture, the Company places great importance on understanding its employees' needs as this is crucial to retaining employees. The Company deploys an "open-door" policy to encourage communication between management and employees. The Company also has a set of effective employee retention strategies and incentives to increase staff retention and decrease staff turnover.

Another key to retaining employees is to help employees achieve their fullest potential and to build a fulfilling career. The Company provides personalised training and education programmes, including job rotations, which allow employees to gain different skill sets and deepen their understanding of the Company's operations. The Company reviews each employee's development plans during the annual performance appraisal to ensure that their training needs and goals are addressed.

SUSTAINABILITY APPROACH

HEALTH AND SAFETY

PERFORMANCE MEASURE[3]	2017	2018	2019 Target
Total number of workplace fatalities	0	0	Zero workplace fatalities
Accident Severity Rate ("ASR")[4]	45.00	57.04	• Maintain or reduce ASR as per 2018 levels • Maintain ASR below construction industry average

[3] The disclosures encompass the Group's performance in its main operating entities under the Construction business unit.

[4] "ASR" refers to the number of lost work days experienced by the Company's Construction business unit. It was computed based on the number of man-days lost due to workplace accidents per million man-hours worked.

Safeguarding our employees' health and safety is integral to ensuring smooth operations. The Company believes that maintaining a safe working environment is the responsibility of all – from employees to management.

The Company has established Health and Safety Policies that all business lines are required to abide to and implement during their operations. At the Company level, the Risk Management Committee of the Company's Construction unit meets monthly to discuss health and safety issues and incidents, and evaluate the sufficiency of health and safety initiatives. A quarterly Health and Safety Chairman Forum is also held, where the Chairman of the Construction unit discusses health and safety issues with the Company's Health, Safety, and Environment ("HSE") Division.

At the project level, health and safety risks and impacts are assessed for all projects and opportunities for improvement in the different project life cycle stages are identified, such as during project plan development, project execution and project handover. At the project weekly meetings, health and safety issues are the first items of discussion. Messages from the meetings are cascaded to all supervisors and workers every morning before work starts. The project teams also provide immediate updates on safety issues or incidents to the management to facilitate real-time communication.

At the site level, a safety manager conducts spot checks to ensure assets and equipment, including elevators, escalators and stairwells are well maintained at worksites, and that all necessary safety equipment are in place. 24/7 security guards are also hired to conduct daily rounds and spot checks. Periodic site meetings are conducted with project consultants to flag out any health and safety related matters. If any safety incidents were reported by employees or visitors, the safety managers are responsible for conducting timely investigation and execution of preventive and corrective actions. The Company also has a group of appointed clinics to provide readily available medical and healthcare services to any of its employees and workers when needed.

To supplement regular reviews of health and safety issues at various levels, the Company provides regular trainings to educate employees on the potential occupational health risks and safety hazards and the proper precautions to undertake. The Company's Construction unit has set aside a health and safety budget dedicated to implementing health and safety improvement initiatives. Procedures are also in place to award workers, supervisors and subcontractors for safety-conscious behaviours to incentivise and nurture the safety culture.

While the Group has met its target of zero workplace fatalities in 2018, it did not achieve its target of maintaining its ASR as per 2017 level. The Group's ASR has increased from 45.00 in 2017 to 57.04 in 2018. which is attributed largely to the increase in hand injuries. Hand safety training has thus been conducted, and proper selection of hand gloves has been carried out to ensure appropriate hand gloves are being used for the assigned tasks. The Group's ASR in 2018 is well below the 2018 average ASR for the construction sector, which is 119.[5]

[5] Figure for average ASR for the construction sector is extracted from the Workplace Safety and Health National Statistics Report January - June 2018, published by the Ministry of Manpower. As noted in the report, the 2018 figure is preliminary and will be finalised when the full-year report is published.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Company is committed to being a force of positive influence in the local communities it operates in. Giving back to the society that has supported the growth of the Company is at the core of our values. The Company contributes to the society through corporate responsibility initiatives ("CSR") that include corporate philanthropy, volunteerism, the environment and corporate sponsorship.

Habitat for Humanity Singapore: The Company is proud to be a part of Habitat for Humanity Singapore's inaugural Home Sweep Home initiative. Volunteers from the Group came together to improve the living conditions of vulnerable elderly, revitalise shared living spaces for thousands of residents, and litter-picking around the estates. The large-scale clean-up comprised of 200 homes across 6 neighbourhoods in Toa Payoh, Bukit Batok, Ang Mo Kio, Chinatown, Bedok, and Lavender.

SUSTAINABILITY APPROACH

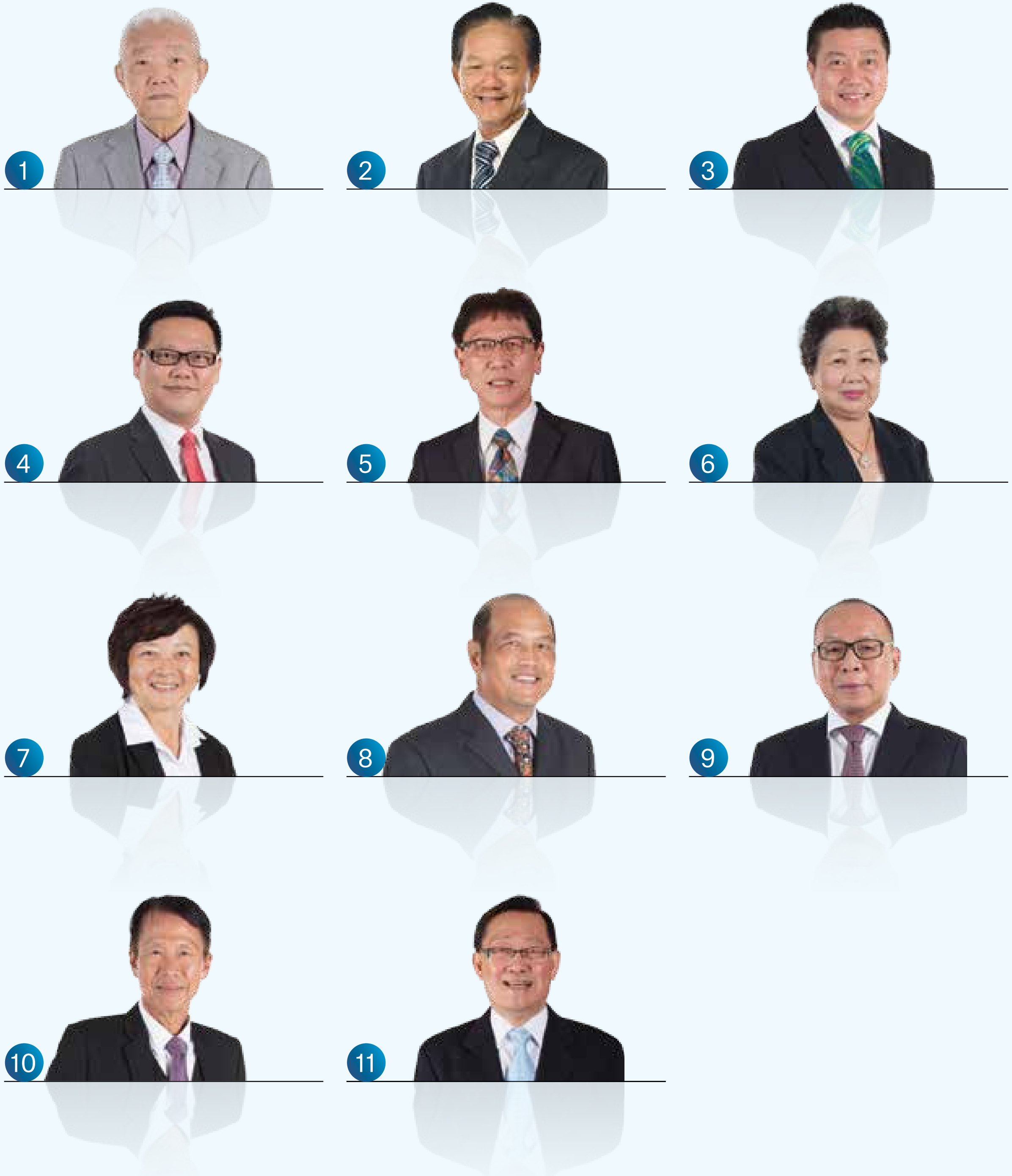
Singapore Children's Society: The Company is an active participant in the Singapore Children's Society's 1000 Enterprises for Children-In-Need Programme, where it pledges its donation to Singapore Children's Society annually. The Company will continue to contribute as it believes that its support will go a long way and will continue to help the children in need.

Society for the Physically Disabled (SPD) Charity Hongbao: The Company is proud to be part of SPD's Charity Hongbao Donation Drive. It hopes to make a difference in the lives of people with disabilities over the Lunar New Year. The Company's donations using 'hongbaos' will fund over 20 programmes and services offered by SPD, which facilitates the integration of people with disabilities into society.

Society for the Physically Disabled (SPD) Ability Walk: The Company is proud to be part of SPD's Ability Walk 2018. This annual event serves to promote inclusion in society by providing an opportunity for both members of the public and people with disabilities (PWDs) to walk together to raise fund in aid of PWDs. The event, which was held at the Asian Civilisation Museum, raised over S$160,000 that would be channelled to benefit PWDs under SPD's care with affordable programmes and services.

BCA-Industry Built Environment Undergraduate Scholarship/Sponsorship: Together with other industry firms, the Company's Construction unit collaborated with BCA to offer BCA-Industry Built Environment Undergraduate Scholarship/Sponsorship to students pursuing full-time built environment courses at local universities and the BCA Academy. The Company believes that through these programmes, graduates will enjoy ample opportunities while being nurtured for an exciting and rewarding career in the Built Environment sector.

Other CSR Initiatives at Koh Brothers: The Company has participated in many CSR programmes organised by various agencies, institutions, and associations. These activities include National Crime Prevention Council, SCDF (SGSECURE), Bishan East-Thomson National Day Dinner 2018, LTA Charity Golf, LTA UITP Singapore International Transport Congress & Exhibition, TUCSS Friendly Golf, SWA Golf 2018, SCAL Charity Golf, and YCH Global Championship.



BOARD OF DIRECTORS

1 KOH TIAT MENG
Executive Chairman

Mr Koh Tiat Meng is the Executive Chairman of Koh Brothers Group Limited. He was appointed a Director on 2 February 1994 and was last re-elected on 20 April 2017. He is the Chairman of the Executive Committee.

Mr Koh founded the Group in 1966 and has more than 45 years of experience in the construction industry. He was the driving force in charting the strategic expansion of the Group's businesses in Construction, Building Materials, Real Estate and Leisure & Hospitality as well as spearheading its activities into China, Malaysia, Indonesia and Vietnam.

In 2009, Mr Koh was awarded the Public Service Medal (PBM) by the President of Singapore for his contributions to social and community services.

2 KOH TEAK HUAT
Executive Deputy Chairman

Mr Koh Teak Huat is the Executive Deputy Chairman of the Company. He was appointed a Director on 2 February 1994 and was last re-elected on 20 April 2017. He is the Deputy Chairman of the Executive Committee.

Mr Koh joined the Group in 1970 and was a major contributor to the growth of the Group's core businesses. He has more than 40 years of experience in the construction industry, with in-depth expertise in managing drainage, excavation and reclamation projects.

Mr Koh was conferred the title of Dato' Paduka Mahkota Terengganu Yang Kehormet, D.P.M.T. by the Sultan of Terengganu, Malaysia on 29 April 1994.

BOARD OF DIRECTORS

3 KOH KENG SIANG (FRANCIS)
Managing Director and Group CEO

Mr Koh Keng Siang is the Managing Director and Group Chief Executive Officer of the Company. He was appointed a director on 5 May 1994 and was last re-elected on 29 April 2005. He was appointed as the Managing Director and Group CEO on 12 January 2007. He is a member of the Executive Committee and the Nominating Committee.

Mr Koh has been with the Group since 1987 and has held various positions in administration, finance and project management. He was the main driving force behind the expansion of the Group's business into Real Estate and Leisure & Hospitality. He is credited with spearheading the Group to establish its brand name in Singapore as a builder of quality homes.

Mr Koh holds a Master of Business Administration from the National University of Singapore and a Bachelor of Engineering (Honours) from the University of Birmingham. He was conferred the Best Executive Award 1997-1998 by His Excellency, The State Minister of Industry and Trade of the Republic of Indonesia, Mr Ir T Airwibowo. He was also conferred the Promising SME 500 (Distinguished Business Leader of the year) in 2014 and was named the Real Estate Personality of the year 2016.

Mr Koh is also the Non-Executive and Non-Independent Chairman of Koh Brothers Eco Engineering Limited and a counsel member of the Teochew Federation Council.

4 KOH KENG HIONG (JOSEPH)
Executive Director and Deputy CEO
(Real Estate and Leisure & Hospitality Divisions)

Mr Koh Keng Hiong is an Executive Director of the Company. He was appointed a Director on 7 February 2007 and was last re-elected on 26 April 2018. He is a member of the Executive Committee.

Mr Koh began his career with the Group in 1991 and involved in many key business development projects of the Group in Vietnam and Singapore. With over 20 years of experience, he has amassed an extensive portfolio of skills and capabilities spanning across a broad spectrum of businesses in hospitality and property. His vast array of expertise has seen him engaged in key corporate and operations functions such as strategic business management, corporate planning, sales and marketing, finance, human resource, information technology, as well as business development.

Mr Koh holds a Bachelor of Science with Honours in Business Administration (majoring in Finance) from the San Francisco State University, California, USA.

5 LEE SOK KHIAN JOHN
Executive Director

Mr Lee Sok Khian John is an Executive Director of Koh Brothers Group Limited. He was appointed a Director on 9 May 2016 and was last re-elected on 20 April 2017.

Prior to Mr Lee's appointment as a Director of the Company, he was its Chief Financial Officer and Company Secretary. He has extensive experience in management, corporate, accounting and finance functions in various industries.

Mr Lee is a Fellow of the Institute of Singapore Chartered Accountants and the Association of Chartered Certified Accountants. He is also an Associate of the Chartered Institute of Management Accountants and the Chartered Secretaries Institute of Singapore.

Mr Lee is also currently a Non-Executive and Non-Independent Director of Koh Brothers Eco Engineering Limited.

6 QUEK CHEE NEE
Non-Executive and Non-Independent Director

Mdm Quek Chee Nee is a Non-Executive Director of the Company. She was appointed a Director on 2 February 1994 and was last re-elected on 26 April 2018.

Mdm Quek joined the Group in 1969 and assisted the Chairman in running the Group's construction activities when it was still undertaken as a sole proprietorship. She played a pivotal role in helping the Group corporatise its businesses and achieve major success before relinquishing her executive role.

Mdm Quek has more than 40 years of experience in the construction industry and contributed significantly to the Group's growth.

7 ER DR LEE BEE WAH
Independent Director

Er Dr Lee Bee Wah is an Independent Director of Koh Brothers Group Limited. She was appointed a Director on 1 July 2015 and was last re-elected on 26 April 2017. She was appointed as the Lead Independent Director on 20 June 2016 and is the Chairperson of the Audit and Risk Committee.

Er Dr Lee is a Licensed Professional Engineer who made history at the Institution of Engineers Singapore by becoming its first woman President in 2008. She is also the first Singaporean to be awarded Honorary Fellow of the Institution of Structural Engineers, United Kingdom. Er Dr Lee is a Honorary Fellow Member of the Institution of Engineers Singapore and a past Board Member of the Professional Engineers Board, Singapore. She holds a Master of Science (Engineering) from the University of Liverpool and a Bachelor of Civil Engineering from Nanyang Technological University. She was conferred an Honorary Doctorate by The University of Liverpool in July 2011.

Er Dr Lee is currently the Group Director of Meinhardt (Singapore) Pte Ltd, a leading global engineering, planning and management consultancy firm headquartered in Singapore. Prior to this, she was the Principal Partner of LBW Consultants LLP, before the acquisition by Meinhardt Group.

Er Dr Lee is an elected Member of Parliament ("MP") since 2006 and is currently MP for Nee Soon GRC. As an MP, she has brought up many issues in Parliament to improve the standing of the engineering profession in Singapore. These ranged from the salaries of engineers to the implementation of green engineering in building structures. Many of her suggestions had subsequently become national policies. She was the chairman of the Government Parliamentary Committee (GPC) for National Development and currently chair the GPC for Ministry of Environment and Water Resources.

Er Dr Lee was the President of the Singapore Table Tennis Association ("STTA") from 2008 to 2014. During her tenure, STTA has put Singapore on the global sporting map, winning regional and international awards, including medals in the 2008 Beijing Summer Olympics and in the 2012 London Olympics. She is currently the Adviser to the STTA and Singapore Swimming Association since 2014.

Er Dr Lee is also the Non-Executive Chairman of public-listed TEE Land Ltd., an integrated real estate group with its operations in Singapore and the region.

8 LAI MUN ONN
Independent Director

Mr Lai Mun Onn is an Independent Director of the Company. He was appointed a Director on 30 July 1994 and was last re-elected on 20 April 2017. He is the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee, the Nominating Committee and the Share Purchase Committee.

Mr Lai was appointed an Independent Director of Fuji Offset Plates Manufacturing Ltd since 1 June 2018.

Mr Lai is the Managing Partner of Lai Mun Onn & Co., a law firm in Singapore. He graduated from the University of London with a Bachelor of Law with Honours and obtained his Barrister-at-Law from Lincoln's Inn. In 1982, he was admitted as an Advocate and Solicitor of the Supreme Court of Singapore. He is presently a Notary Public and Commissioner for Oaths, and a member of the Singapore Institute of Arbitrators.

He is a member of the Governing Council of the Singapore Golf Association, the Honorary Legal Advisor to the Basketball Association of Singapore and the President of the Keppel Club.

BOARD OF DIRECTORS

9 GN HIANG MENG
Independent Director

Mr Gn Hiang Meng is an Independent Director of the Company. He was appointed a Director on 16 August 2007 and was last re-elected on 26 April 2018. He is the Chairman of the Share Purchase Committee and a member of the Audit and Risk Committee, the Remuneration Committee and the Nominating Committee.

Mr Gn was with the United Overseas Bank Group for 28 years and till his resignation in 2001, was the Senior Executive Vice President in charge of investment banking and stock-broking businesses. From 2001 to his retirement in 2007, he was the Deputy President of UOL Group Limited.

Mr Gn graduated with a Bachelor in Business Administration with Honours from the then University of Singapore.

Mr Gn is also an Independent Director of Centurion Corporation Limited, Haw Par Corporation Limited, Singhaiyi Group Ltd. and Tee International Limited.

10 OW YONG THIAN SOO
Independent Director

Mr Ow Yong Thian Soo is an Independent Director of the Company. He was appointed a Director on 20 June 2016 and was last re-elected on 20 April 2017. He is the Chairman of the Nominating Committee and a member of the Audit and Risk Committee, the Remuneration Committee and the Share Purchase Committee.

Mr Ow Yong was admitted to the Singapore Bar in 1982. He is a Senior Partner of the law firm, Lee & Lee and is the Head of its Real Estate Department. His practice covers a wide range of real estate and financing transactions relating to commercial industrial and residential properties.

11 LOW YEE KHIM
Independent Director

Mr Low is an Independent Director of Koh Brothers Group Limited. Mr Low was appointed a Director on 1 January 2019. Mr Low was previously the Executive Director and Chief Operating Officer of Heeton Holdings Limited, overseeing its finance, leasing, operational, marketing, project and hospitality activities.

Prior to joining Heeton Holdings Limited, Mr Low worked with MNCs and various Singapore listed companies. Mr Low is a member of the Institute of Singapore Chartered Accountants.

SENIOR MANAGEMENT

SHIN YONG SEUB (PAUL)

Chief Executive Officer
(Koh Brothers Eco Engineering Limited)

Mr Shin was appointed the Chief Executive Officer of Koh Brothers Eco Engineering Limited in 2015. Prior to joining Koh Brothers Eco Engineering Limited, he was the Head of Southeast Asia for Samsung C&T Corporation from 2010 to 2015. He was also previously the Vice President and General Manager of the Global Marketing and Operations Division of Samsung C&T Corporation at the Seoul Headquarters from 2004 to 2009. From 1997 to 2004, Mr Shin was the General Manager for Samsung Corporation (E&C Group) in Singapore and the Managing Director for Samsung Singapore's Regional Office for Southeast Asia.

Mr Shin holds a Bachelor of Arts degree in International Business from Hankuk University of Foreign Studies in Korea, as well as a Bachelor of Arts in Middle East Politics & Economics from King Saud University. He also has a Master's degree in International Business Administration from Korea University.

CHOO SIEW MENG

Executive Director
(Construction Division)

Mr Choo was appointed as Executive Director (Construction) in December 2017. He has more than 45 years of experience in the construction industry including a stint as a Civil Engineer with the Housing & Development Board from 1973 to 1977.

Prior to 2009, he was the Executive Director of Koh Brothers Building & Civil Engineering (Pte.) Ltd. where he was responsible for the overall performance of the construction division. From 2009 to 2016, he was the Executive Director of the construction division of another public listed company.

Mr Choo has in-depth knowledge and experience in both the building projects and highly specialised civil engineering and infrastructural projects.

Mr Choo holds a Bachelor of Engineering from the University of Singapore.

TAN SOON POW (ALAN)

Group Chief Executive Officer
(Building Materials Division)

Mr Tan joined the Building Materials division as a Group General Manager in 1995. He was the principal driving force behind the expansion of this division. In recognition of his contributions and expertise, he was progressively promoted to his current position of Group Chief Executive Officer of the Building Materials division in 2010.

He is responsible for the strategic business development, planning and overall performance at this division. Mr Tan has more than 46 years of extensive experience in management positions spanning over 3 industries, namely Marine, Construction and Building Materials. He has been actively involved in the Building Materials industry and is the current President of the Cement and Concrete Association of Singapore. He was also previously the President of the Ready Mix Concrete Association of Singapore.

SENIOR MANAGEMENT

CHUA THING CHONG

Chief Operating Officer
(Construction Division)

Mr Chua joined Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd as Chief Operating Officer in 2017 and is responsible for overseeing all the construction projects undertaken. Mr Chua has close to 40 years of experience in the construction industry.

Prior to 2017, he held senior positions in various construction companies overseeing major infrastructure, and building projects such as MRT, airport development, power and incinerator plants, underground expressways and institution buildings in Singapore and in the region.

Mr Chua holds a Master of Engineering from Auckland University, New Zealand.

CHAN PING MENG

Executive Director
(Building Materials Division)

Mr Chan joined the Building Materials division as an Operations Manager in 1997. He was promoted to Executive Director of G&W Precast Pte Ltd and G&W Building Materials Sdn. Bhd. in 2013. He has more than 30 years of experience in precast concrete operations. He has been involved in precasting for a wide variety of projects from civil engineering, building and marine construction. Mr Chan holds a Diploma in Civil Engineering from the Singapore Polytechnic and a Specialist Diploma in Precast Concrete Construction from the Building and Construction Authority, Singapore.

BERNARD WONG EE YU

Executive Director
(Real Estate Division)

Mr Wong joined the Group as an Executive Director (Real Estate Division) in 2012 and is responsible for overseeing the overall operations, business performance and growth of this division. Mr Wong has more than 20 years of engineering and management experience in the property sector. Prior to joining the Group, he held senior and management positions with various property developers in Malaysia.

Mr Wong holds a Bachelor of Engineering with Honours in Civil Engineering from the University of Birmingham.

TAY TZE WEN (SAMMI)

Financial Controller

Ms Tay joined the Group in 2006 and was promoted to her current position of Financial Controller in May 2016. She is responsible for the Group's financial affairs including accounting, finance, treasury, taxation as well as risk management. Ms Tay has over 15 years of experience in auditing, accounting and finance. She holds a Bachelor of Commerce in Accounting and Finance from Monash University, Australia. She is also a Chartered Accountant of ISCA and member of CPA Australia.

CHUA HANYANG, ISAAC

Company Secretary

Mr Chua joined the Group in April 2019 as the Legal Counsel and was appointed Company Secretary in December 2018. Mr Chua oversees the Group's corporate secretarial, legal and compliance functions.

Mr Chua graduated from the National University of Singapore with a Bachelor of Laws (Honours) (LL.B.)

CORPORATE INFORMATION

REGISTERED OFFICE

11 Lorong Pendek
Koh Brothers Building
Singapore 348639
Tel: (65) 6289 8889
Fax: (65) 6841 5100
Website: www.kohbrothers.com

BOARD OF DIRECTORS

Koh Tiat Meng
(Executive Chairman)

Koh Teak Huat
(Executive Deputy Chairman)

Koh Keng Siang
(Managing Director & Group CEO)

Koh Keng Hiong
(Executive Director and Deputy CEO, Leisure & Hospitality and Real Estate divisions)

Lee Sok Khian John
(Executive Director)

Quek Chee Nee
(Non-Executive and Non-Independent Director)

Er Dr Lee Bee Wah
(Lead Independent Director)

Lai Mun Onn
(Independent Director)

Gn Hiang Meng
(Independent Director)

Ow Yong Thian Soo
(Independent Director)

Low Yee Khim
(Independent Director)

EXECUTIVE COMMITTEE

Koh Tiat Meng (Chairman)
Koh Teak Huat
Koh Keng Siang
Koh Keng Hiong

AUDIT AND RISK COMMITTEE

Er Dr Lee Bee Wah (Chairperson)
Lai Mun Onn
Gn Hiang Meng
Ow Yong Thian Soo

NOMINATING COMMITTEE

Ow Yong Thian Soo (Chairman)
Lai Mun Onn
Gn Hiang Meng
Koh Keng Siang

REMUNERATION COMMITTEE

Lai Mun Onn (Chairman)
Gn Hiang Meng
Ow Yong Thian Soo

SHARE PURCHASE COMMITTEE

Gn Hiang Meng (Chairman)
Lai Mun Onn
Ow Yong Thian Soo

COMPANY SECRETARY

Chua Hanyang, Isaac

GROUP CORPORATE COMMUNICATIONS MANAGER

David Tay

AUDITORS

PricewaterhouseCoopers LLP
(Certified Public Accountants)
7 Straits View
Marina One East Tower, Level 12
Singapore 018936

Partner-in-charge:

Yeow Chee Keong
(appointed during the financial year ended 31 December 2015)

SHARE REGISTRAR

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

INVESTOR RELATIONS

Citigate Dewe Rogerson, i.MAGE Pte Ltd
55 Market Street #02-01
Singapore 048941

Contact Persons:

Dolores Phua/Amelia Lee
Tel: (65) 6534 5122
Fax: (65) 6534 4171

GROUP STRUCTURE

CONSTRUCTION AND BUILDING MATERIALS

- G & W Ready-Mix Pte Ltd
- G & W Precast Pte Ltd
- G & W Building Materials Sdn Bhd
- G & W Industries Pte Ltd
- G & W Industries (M) Sdn Bhd
- Beijing G & W Cement Products Co, Ltd
- G & W Industrial Corporation Pte Ltd
- Construction Consortium Pte Ltd
- Koh Brothers Eco Engineering Limited
- Koh Brothers Building & Civil Engineering Contractor (Pte) Ltd
- Koh Eco Engineering Pte Ltd
- Oiltek (S) Pte Ltd
- Oiltek Sdn Bhd
- Oiltek Nova Bioenergy Sdn Bhd
- WSB Pte Ltd

Note: This list is not exhaustive

REAL ESTATE

- Koh Brothers Development Pte Ltd
- Koh Brothers Holdings Pte Ltd
- KBD Kosdale Pte Ltd
- Kosland Pte Ltd
- KBD Holland Pte Ltd
- Koh Brothers International Pte Ltd
- Koh Brothers Gangnam Limited
- PT. Koh Brothers Indonesia
- KBD Ventures Pte Ltd
- Changi Properties Pte Ltd

LEISURE & HOSPITALITY

- Oxford Hotel Pte Ltd
- Koh Brothers Investment Pte Ltd

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of Koh Brothers Group Limited (the "Company") is committed to ensuring that a high standard of corporate governance is practised throughout the Company and its subsidiaries (the "Group"). The Board believes that good corporate governance enhances shareholder value, corporate performance and accountability. This report discloses the corporate governance framework and practices that the Company has adopted, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code"). Where the Company's practices differ from the recommendations under the Code, the deviations are explained in this report. The Board will continue to review the corporate governance policies regularly in order to further add value to stakeholders and enhance investor confidence.

1 BOARD MATTERS

Guideline ("GL")

The Board's Conduct of Affairs

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

The Board comprises the following 11 directors, 5 of whom are executive, 1 of whom is non-executive and non-independent, and the rest are independent: GL 1.1

Koh Tiat Meng (Executive Chairman)
Koh Teak Huat (Executive Deputy Chairman)
Koh Keng Siang (Managing Director & Group CEO)
Koh Keng Hiong (Executive Director and Deputy CEO (Real Estate and Leisure & Hospitality divisions))
Lee Sok Khian John (Executive Director)
Quek Chee Nee (Non-Executive and Non-Independent Director)
Er Dr Lee Bee Wah (Lead Independent Director)
Lai Mun Onn (Independent Director)
Gn Hiang Meng (Independent Director)
Ow Yong Thian Soo (Independent Director)
Low Yee Khim (Independent Director)(appointed on 1 January 2019)

The Board assumes responsibility for stewardship of the Group. Its primary objective is to protect and enhance shareholder value. The Board's role is to, *inter alia*,:

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives
(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed (including safeguarding shareholders' interests and the Company's assets)
(c) approve major investment and funding decisions
(d) review and evaluate Management's performance
(e) set the Company's values and standards
(f) consider sustainability issues (eg. environmental and social factors) as part of its strategic formulation

All directors are expected to objectively discharge their duties and responsibilities, and consider the interests of the Company at all times. GL 1.2

The Board has established the following committees which assist the Board in executing its duties according to clearly defined terms of reference: GL 1.3

(a) Executive Committee ("EC")
(b) Audit and Risk Committee ("ARC")
(c) Nominating Committee ("NC")
(d) Remuneration Committee ("RC")
(e) Share Purchase Committee ("SPC")

The Board delegates the formulation of business policies and day-to-day management to the Managing Director & Group CEO ("MD & Group CEO") and the executive directors.

The EC comprises 4 executive directors. It is responsible for the supervision and management of the Group's core businesses. The EC reviews and monitors budgets and management reports on financial performance, position and prospects of the Group.

CORPORATE GOVERNANCE REPORT

The SPC comprises 3 independent directors. It is responsible for all decision making relating to share repurchases.

Details of the ARC, NC and RC are set out in other sections of this report.

The Board meets at least 4 times a year and convenes additional meetings when warranted by particular circumstances. GL 1.4

A record of the directors' attendance at Board and its committee meetings in 2018 is disclosed below[1].

	BOARD	EC	ARC	NC	RC	SPC
No. of meetings held in 2018	4	4	4	1	1	2
Name of Directors	**No. of meetings attended**	**No. of meetings attended**	**No. of meetings attended**	**No. of meetings attended**	**No. of meetings attended**	**No. of meetings attended**
Koh Tiat Meng	2/4	3/4	–	–	–	–
Koh Teak Huat	4/4	4/4	–	–	–	–
Koh Keng Siang	4/4	4/4	–	1/1	–	–
Koh Keng Hiong	4/4	4/4	–	–	–	–
Lee Sok Khian John	4/4	–	–	–	–	–
Quek Chee Nee	4/4	–	–	–	–	–
Er Dr Lee Bee Wah	4/4	–	4/4	-	-	-
Lai Mun Onn	4/4	–	4/4	1/1	1/1	2/2
Gn Hiang Meng	4/4	–	4/4	1/1	1/1	2/2
Ow Yong Thian Soo	4/4	–	–	–	–	–
Ling Teck Luke[2]	0/4	–	1/4	1/1	1/1	1/2

Note:

1 Low Yee Khim was appointed an Independent Director of the Company with effect from 1 January 2019.

2 Ling Teck Luke has retired as Independent Director of the Company with effect from 31 December 2018.

The Board is of the view that the contributions of each director should not be based only on his attendance at Board and/or Board committee meetings. A director's contributions may also extend beyond the formal environment of Board meetings, such as through sharing of views, advice, experience and strategic networking relationships which would further the interests of the Group.

The Company's constitution allows directors to consider and approve resolutions by written means. It also allows for telephonic and video-conference meetings.

The Company has adopted internal controls and guidelines setting forth matters that required Board's approval. These matters relate, *inter alia*, to: GL 1.5

(a) corporate or financial restructurings
(b) material acquisitions and disposals of assets which are outside the ordinary course of business
(c) dividend payments
(d) financial results announcements
(e) bank borrowings and provision of corporate guarantees

The Board also approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board committees and the Management via a structured delegation of authority matrix (ie. Group Limits of Authority), which is reviewed, and revised when necessary.

The GLA provides clear guidance and directions to the Management on matters requiring the Board's specific approval. These matters include but are not limited to:

(a) material acquisition and disposal of assets/investments
(b) corporate/financial restructuring/corporate exercises
(c) budgets/forecasts
(d) material financial/funding arrangements and expenditures

CORPORATE GOVERNANCE REPORT

The Company has in place an orientation programme for all newly appointed directors. This is to ensure that they are familiar with the Group's structure, business and operations, corporate governance practices, and their duties as directors. Where appropriate, the Company will also provide first-time directors with training in areas such as accounting, legal and industry-specific knowledge. GL 1.6

The Board is updated on relevant new laws, regulations and changing commercial risks from time to time. Directors are encouraged to attend training sessions, courses and seminars conducted by external consultants and institutions at the Company's expense.

Each newly appointed director will receive a formal letter of appointment, setting out among other things, his duties and obligations. In addition, an information pack containing the Group's organisation structure, the Company's constitution, Management's contact details and recent minutes of Board meetings will be provided to the director. GL 1.7

Board Composition and Guidance

Principle 2 There should be a strong and independent element on the Board, which is able to exercise objective judgment 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 comprises 11 directors, of whom 5 are independent directors, 1 director is a non-executive and non-independent director and the 5 remaining directors are executive directors. The Board is of the view that there is a strong and independent element on the Board, which can effectively exercise independent judgment. A majority of the Board members are non-executive directors. There is a sufficient number of non-executive directors on Board to carry significant weight in the Board's deliberations. No individual or small group of individuals is dominating the Board's decision making. GLs 2.1 and 2.2

The NC reviews and assesses the independence of each director, taking into account examples of the relationships set out in the Code, and the director's ability to act with independent judgement and to discharge his duties objectively. Each independent director is required to complete a director's independence checklist which is drawn up based on the guidelines provided in the Code. The NC reviews and assesses the director's independence before presenting its recommendations to the Board for consideration and endorsement. GL 2.3

During the financial year under review, the Group had received legal services rendered from M/s Lai Mun Onn & Co ("LMOC"), of which Mr Lai Mun Onn has an interest. The Board is of view that Mr Lai's independence has not been compromised as the aggregate value of the transactions during FY2018 was not significant in the context of both the Company's and LMOC's revenues. The Board believes that Mr Lai is able to exercise strong independent judgement in his deliberations and act in the interests of the Company.

Mr Ow Yong Thian Soo is a partner of Lee & Lee ("L&L"), which had rendered legal services to the Group during FY2018. The Board considers that Mr Ow Yong's independence has not been compromised as the aggregate value of the transactions during FY2018 was not significant in the context of both the Company's and L&L's revenues. The Board believes that Mr Ow Yong is able to exercise strong independent judgement and act in the interests of the Company.

Based on the NC's recommendations, the Board has determined that the following directors are considered independent:

Er Dr Lee Bee Wah
Lai Mun Onn
Gn Hiang Meng
Ow Yong Thian Soo
Low Yee Khim

Mr Lai Mun Onn and Mr Gn Hiang Meng have served on the Board for more than 9 years. The Board had conducted a rigorous review on their status and considered them to be independent directors of the Company. They have consistently exercised strong independent judgement in their deliberations. The Board believes that they have acted and will continue to act in the best interests of the Company. In addition, their knowledge, experience and contributions have been valuable to the Company. GL 2.4

The Board, having examining the scope and nature of the Group's business and operations, is of the view that the current Board size is appropriate for facilitating effective decision making. The Board will restructure the Board's and its committees' compositions, if warranted, to meet the changing needs and demands of the Group's business and operations. GL 2.5

Directors have been appointed based on their calibre, expertise and experience. Board members comprise business leaders and professionals with finance, legal and industry knowledge. The Board, in concurrence with the NC, is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. GL 2.6

The Board currently comprises 6 non-executive directors who constructively challenge and help develop strategies for the Group. The non-executive directors also review the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of the Group's performance. GL 2.7

The independent directors meet up at least once annually, without the presence of the Management to facilitate a more effective check on the Management. GL 2.8

Chairman and Chief Executive Officer

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

Mr Koh Tiat Meng is the executive chairman of the Board of the Company. The Board has appointed Mr Koh Keng Siang, who is the son of the executive chairman, as the MD & Group CEO. GL 3.1

The Board is of the view that it may not be in the best interest of the Company for the division of responsibilities between the executive chairman and the MD & Group CEO to be clearly established and set out in writing as the MD & Group CEO assists the executive chairman in his work from time to time. This is to ensure that the decision-making process of the Group would not be hindered unnecessarily. Both the executive chairman and the MD & Group CEO have executive responsibilities for the Group's businesses and operations. They are accountable to the Board. All major business proposals and decisions made by the executive chairman and the MD & Group CEO are discussed and reviewed by the Board.

The executive chairman (assisted by the MD & Group CEO) is responsible for the Board's proceedings. He leads the Board to ensure its effectiveness on all aspects of its roles, promotes a culture of openness and debates at the Board, facilitates effective communication with shareholders, encourages constructive relations within the Board and between the Board and Management, facilities effective contribution of each director and promotes high standards of corporate governance. With the assistance of the company scretary, he sets the agenda and ensures that the Board members are provided with complete, adequate and timely information of all agenda items. GL 3.2

CORPORATE GOVERNANCE REPORT

Er Dr Lee Bee Wah is the lead independent director whom shareholders may approach when they had concerns and for which contact through the normal channels of the executive chairman, the MD & Group CEO, or the Financial Controller had failed to resolve or is inappropriate. GL 3.3

The independent directors will confer among themselves (when necessary) and provide feedback to the executive chairman as appropriate. GL 3.4

Board Membership

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

The NC comprises the following members, the majority of whom, including the Chairman, are independent directors: GL 4.1

Ow Yong Thian Soo (Chairman) (appointed on 1 January 2019)
Lai Mun Onn
Gn Hiang Meng
Koh Keng Siang

The primary role of the NC is to make recommendations to the Board on all Board appointments. Its role is, *inter alia*, to: GL 4.2

- review board succession plans for the directors
- ensure that a process for evaluating the performance of the Board, its Board committees and directors is in place
- review training and professional development programs for the Board
- make recommendations on the appointment and re-appointment of directors

The NC ensures that the Board has the right balance of skills, knowledge and experience critical to the Group's business and evolving needs. Important issues that are also considered by the NC for the selection, appointment and re-appointment of a director include the current Board's composition and each director's contributions and competencies, and the need for progressive renewal of the Board.

Pursuant to Regulation 110 of the Company's Constitution, one-third of the directors (other than the Managing Director) shall retire from office at every annual general meeting ("AGM") provided always that each director (except the Managing Director) is required to retire from office at least once in every three years. A retiring director is eligible to offer himself for re-election.

Regulation 114 of the Company's Constitution provides that a newly appointed director is required to retire and submit himself for re-election at the AGM immediately following his appointment. Thereafter, he is subject to retirement by rotation in accordance with the Company's constitution.

The NC assesses annually and as and when circumstance require, whether or not a director is independent based on the guidelines set out in the Code and any other salient factors. GL 4.3

The Board has not determined the maximum number of listed company board representations which any director may hold. The Board is of the view that directors who have multiple board representations have thus far devoted sufficient time and attention to the affairs of the Group. Their multiple board representations and other principal commitments have not hindered their ability to carry out their duties as directors of the Company. Such multiple board representations of the directors benefit the Group as the directors are able to bring with them the experience and knowledge obtained from such board representations in other companies. GL 4.4

CORPORATE GOVERNANCE REPORT

The Board does not encourage the appointment of alternate directors. No alternate director is currently being appointed to the Board. GL 4.5

The Board has adopted a process for the selection, appointment and re-appointment of directors. The NC reviews the composition of the Board and its committees periodically. It assesses and shortlists candidates (sourced through contacts, recommendations, recruitment consultants or among the senior management) for a new position on the Board when a need arises. The successful candidate is then appointed as a director of the Company in accordance with the Company's constitution. GL 4.6

In appointing and re-appointing directors, the Board considers the skills and experience required in the light of:

- the geographical spread and diversity of the Group's business
- the strategic direction and progress of the Group
- the current composition of the Board
- the need for independence of the Board

The following directors are due for retirement, and will be offering themselves for re-election at the forthcoming AGM: GL 4.7

Koh Tiat Meng
Koh Teak Huat
Lai Mun Onn
Lee Sok Khian John
Low Yee Khim

Key information on the directors is set out under the "Board of Directors" section of the annual report for the year ended 31 December 2018 (the "Annual Report"). Additional details of the directors that are due for retirement and who will be offering themselves for re-elections at the forthcoming AGM is also contained in the Section of the Annual Report entitled "Additional Information for Directors seeking re-election."

Board Performance

Principle 5 There should be a formal 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 Board has implemented a process to be carried out by the NC for assessing its effectiveness as a whole and for assessing the contribution by each director to the effectiveness of the Board and its committees. GL 5.1

The NC reviews the Board's and each director's competency appraisal forms as part of the process adopted to assess the effectiveness of the Board. The outcomes of the appraisal exercise are presented to the Board for its evaluation with a view to enhance the effectiveness of the Board.

Each NC member shall abstain from voting on the resolution in respect of the assessment of his performance or re-nomination as a director.

The NC reviews the Board's performance annually based on the appraisal forms which have been approved by the Board. GL 5.2

The NC assesses the Board's performance through comparison with industry peers, how the Board's performance has enhanced long-term shareholder value, its ability to steer the Group in the right direction and the support it renders to the Management.

The NC also evaluates each individual director's performance based on factors such as the director's participation, knowledge of the Group's business and operations, contributions and commitments to the Company. GL 5.3

The executive chairman (with the assistance of the MD & Group CEO), where appropriate, will act on the results of the performance evaluation and propose, where appropriate, new members to the Board or seek the resignation of directors.

CORPORATE GOVERNANCE REPORT

Access to Information

Principle 6 ***In order to fulfill 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.***

All directors have access to complete, adequate and timely information and resources, and have separate and independent access to the Management. Directors are provided with meeting papers which set out the relevant background and information in order for them to have a comprehensive understanding of the issues to be deliberated upon. Management will address directors' queries and provide further insights into matters concerned (if needed) to enable the directors to make informed decisions. GLs 6.1 and 6.2

Directors have separate and independent access to the Company Secretary. The Company Secretary attends all Board and board committee meetings, and is responsible for ensuring that the meeting and other Board procedures are followed and the applicable rules and regulations are complied with. Under the direction of the executive chairman, the Company Secretary is responsible for, *inter alia*, (i) ensuring an effective flow of information within the Board and its committees and between the Management; (ii) facilitating orientation and (iii) assisting with professional development, as required. The Company Secretary also assists the Board in implementation and upkeep of good corporate governance and best practices across the Group. GL 6.3

The appointment and the removal of the Company Secretary are matters taken by the Board as a whole. GL 6.4

In the event that the directors (either individually or as a group) require independent professional advice in the furtherance of their duties, the Company Secretary will, upon approval by the Board, appoint a professional advisor to render such services. The cost of the services will be borne by the Company. GL 6.5

2 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 comprises the following directors, all of whom are independent directors: GL 7.1

Lai Mun Onn (Chairman)
Gn Hiang Meng
Ow Yong Thian Soo (appointed on 1 January 2019)

The key responsibilities of the RC are to: GL 7.2

(a) review and recommend to the Board for endorsement a framework of remuneration for the Board and key members of the Management, and the remuneration package for each executive director and each key member of the Management
(b) review and recommend to the Board for endorsement the terms of the service contract for each executive director as well as each key member of the Management
(c) ensure that there is an adequate disclosure on the remuneration directors and key members of the Management

The RC covers all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

The RC will seek internal or external expert advice in furtherance of its duties whenever there is a need for such consultation. No individual director is involved in deciding his own remuneration. GL 7.3

The RC reviews the executive directors' and key Management members' contracts of service to ensure that their contracts of service contain fair and reasonable termination clauses which are not overly generous. GL 7.4

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 Company recognises that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent. The Company has adopted a remuneration structure for executive directors and key members of the Management that is aligned with the long-term interest and risk policies of the Company. The RC ensures that the executive directors' and key Management members' remuneration commensurate with their performance and that of the Group's, taking into consideration the prevailing financial and commercial health and business needs of the Group. GLs 8.1 and 9.6

Executive directors receive directors' fees and are remunerated as members of the Management. The remuneration package of each executive director/key Management member comprises a basic salary component and a variable component (ie. annual bonus) which is based on the performance of the Group as a whole and each individual performance. This is to ensure that each executive director's/key Management member's remuneration links to corporate and individual performance.

Each executive director's service contract is for a fixed appointment period and does not contain onerous removal clauses.

The Company currently does not have any share-based compensation schemes or long-term schemes involving the offer of shares or options. GL 8.2

The Company will be seeking shareholders' approval at the forthcoming AGM for the payment of S$496,000 as directors' fees for FY2018. In determining the proposed fees, the Board took into account factors such as effort and time spent, and the increasingly onerous responsibilities of directors. GL 8.3

The Company currently does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors and key members of the Management in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. GL 8.4

The Board has considered the matter and determined that it is not necessary at this juncture to incorporate "claw-back" mechanisms to allow the Company to reclaim the variable incentive-based component of remuneration from directors and key management personnel in the exceptional circumstances of (a) misstatement of financial results; or (b) misconducted resulting in financial loss to the Company.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9 ***Each 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.***

Due to the competitive pressures in the market, the Board has, on review, decided not to disclose the remuneration of directors and top 5 key Management members in the manner as required in the Code. The total remuneration paid to the directors of the Company and the top 5 executives of the Group in FY2018 was approximately S$6,174,800. GLs 9.1, 9.2 and 9.3

A breakdown of remuneration of each director of the Company by percentage for FY2018 is set out below:

Remuneration band	Director	Fees (%)	Salary (%)	Bonuses and other variable performance components (%)	Allowances and other benefits (%)	Total (%)
S$1,000,000 to S$1,249,999	Koh Tiat Meng	15.9	66.2	16.6	1.3	100
	Koh Keng Siang	19.8	61.6	17.6	1.0	100
S$750,000 to S$999,999	Koh Teak Huat	8.0	75.7	14.0	2.3	100
S$250,000 to S$499,999	Koh Keng Hiong	12.6	70.1	15.0	2.3	100
	Lee Sok Khian John	14.6	70.4	15.0	-	100
Below S$250,000	Quek Chee Nee	100	-	-	-	100
	Er Dr Lee Bee Wah	100	-	-	-	100
	Ling Teck Luke	100	-	-	-	100
	Lai Mun Onn	100	-	-	-	100
	Gn Hiang Meng	100	-	-	-	100

A breakdown of remuneration of each of the top 5 executives of the Group (who are not directors of the Company) by percentage for FY2018 is set out below:

Remuneration band	Top five executives*	Fees (%)	Salary (%)	Bonuses and other variable performance components (%)	Allowances and other benefits (%)	Total (%)
S$500,000 to S$749,999	First Executive	4.3	76.1	17.5	2.1	100
S$250,000 to S$499,999	Second Executive	-	83.8	13.3	2.9	100
	Third Executive	-	88.5	7.3	4.2	100
	Fourth Executive	-	88.4	11.6	-	100
	Fifth Executive	-	83.2	16.8	-	100

Note:

* *Their names are not disclosed in order to maintain confidentiality taking into consideration the competitive pressures in the talent market.*

Immediate Family Member of Director

Mdm Phua Siew Gaik is the spouse of Mr Koh Keng Siang, the MD & Group CEO and Mdm Erliana Sutadi is the spouse of Mr Koh Keng Hiong, Executive Director and Deputy CEO (Real Estate and Leisure & Hospitality divisions). Mr Benjamin Koh Yong Jun is the son of Mr Koh Keng Siang, the MD and Group CEO. The remuneration of Mdm Phua Siew Gaik, Mdm Erliana Sutadi and Mr Benjamin Koh Yong Jun exceeds S$50,000 for FY2018. However, the Board is of the opinion that the remuneration of Mdm Phua Siew Gaik, Mdm Erliana Sutadi and Mr Benjamin Koh Yong Jun are confidential and disclosure of their remuneration in the bands of S$50,000 would not be in the interest of the Company. GL 9.4

The Company currently does not have any employee share option scheme. GL 9.5

CORPORATE GOVERNANCE REPORT

3 ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price-sensitive public reports, and reports to regulators (if required). GL 10.1

The Board ensures that the Company complies with the applicable legislative and regulatory requirements by establishing written policies (where appropriate) and reviewing all relevant compliance reports from Management. GL 10.2

The Management provides all Board members financial reports with adequate explanation and information on the Group's performance, position and prospects on a quarterly basis and as the Board may require from time to time, enabling the Board to make a balanced and informed assessment. GL 10.3

Risk Management and Internal Controls

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

The Board will determine the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems. GL 11.1

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has engaged the services of the Company's internal auditor ("IA") KPMG Services Pte Ltd ("KPMG"), to assist in the Control Self-Assessment ("CSA") programme which has been implemented. The Board has tasked the ARC to review the adequacy and effectiveness of the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls). GL 11.2

The IA prepares, on an annual basis, the internal audit plan (taking into consideration the risks identified) which is approved by the ARC. The audits are conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal controls system that have put in place (including financial, operational, compliance and information technology controls). Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the ARC. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

CORPORATE GOVERNANCE REPORT

Based on the framework of risk management controls and internal controls established and maintained, the work performed by the IA and the review undertaken by the external auditors as part of their statutory audit, the Board, with the concurrence of the ARC, is of the view that the Group's risk management and internal control systems (including its financial, operational, compliance and information technology controls), are adequate and effective. The Board has received assurance from the MD & Group CEO, and the financial controller that: GL 11.3

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

(2) the Company's risk management and internal control systems are effective in addressing the material risks faced by the Group in its current business environment

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the ARC with the assistance of the IA. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being. GL 11.4

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 ARC comprises the following directors, all of whom are independent directors: GL 12.1

Er Dr Lee Bee Wah (Chairman)
Lai Mun Onn
Gn Hiang Meng
Ow Yong Thian Soo (appointed on 1 January 2019)

The Board is of the view that the members of the ARC (including the Chairman) have the requisite accounting and related financial management expertise and experience to discharge their duties. GL 12.2

The ARC is empowered to investigate any matter within its terms of reference. It has full access to and co-operation from Management, and unfettered discretion to invite any director or executive officer to attend its meetings. The ARC has been given adequate resources to enable it to discharge its duties and responsibilities. GL 12.3

The ARC carries out its functions in accordance with the Code and the Companies Act (the "Act"), and is also guided by its terms of reference. The ARC reviews, *inter alia*, the following: GL 12.4

(a) annual audit plans (internal and external)
(b) system of internal controls and management of financial risks
(c) effectiveness and adequacy of the internal audit function which is outsourced to a professional services firm
(d) regulatory compliance matters
(e) risk management framework
(f) interested person transactions
(g) financial results announcements

In the review of the financial statements, the ARC had discussed with management and the external auditor, and reviewed the significant matters identified by the latter as key audit matters. Following the discussions and review, the ARC recommended to the Board to approve the financial statements for FY2018.

The ARC also makes recommendations on the appointment, re-appointment and removal of auditors, and their remuneration.

CORPORATE GOVERNANCE REPORT

The ARC meets with the external and internal auditors at least once a year without the presence of the Management. GL 12.5

The ARC has reviewed all the non-audit services provided by the external auditors and is satisfied that such services would not, in the ARC's opinion, affect the independence of the external auditors. GL 12.6

The aggregate amount of fees paid to the auditors is set out below:

Audit services:	Auditors of the Company	–	S$533,000
	Member firms of the Auditors of the Company	–	S$49,000
Non-audit services:	Auditors of the Company	–	S$104,000
	Member firms of the Auditors of the Company	–	S$10,000

The Company has complied with Listing Rules 712 and 716 of the Singapore Exchange Securities Trading Limited ("SGX-ST") in relation to appointments of auditing firms.

The Company has put in place a whistle-blowing policy (reviewed by the ARC) of which the employees of the Company may, in confidence, raise or report genuine concerns about possible improprieties in matters of business activities, financial reporting or other matters they may encounter without fear of retaliatory action. The independent directors of the Company have been appointed to review and carry out investigations on all such complaints and/or concerns raised. GL 12.7

The ARC held 4 meetings during FY2018 and performed its functions and responsibilities as set out in its terms of reference. GL 12.8

The ARC meets regularly with the Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any major transactions (including significant financial reporting issues). It also reviews the internal audit function to ensure that an effective system of controls is maintained within the Group.

The ARC is kept abreast by the Management and the external auditors of new changes to the accounting standards, Listing Rules of the SGX-ST, the Code and other regulations which could have an impact on the Group's businesses and financial statements.

No former partner or director of the Company's existing auditing corporation is a member of the ARC. GL 12.9

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 Company has outsourced its internal audit function to a certified public accounting firm, KPMG Services Pte Ltd. The IA reports to the ARC Chairperson and has full access to the ARC, documents, records, properties and staff of the Group. GL 13.1

The Board recognises that it is responsible for maintaining a system of internal controls to safeguard shareholders' interests and the Group's businesses and assets, while the Management is responsible for establishing and implementing internal control procedures in a timely and appropriate manner. The IA's role is to (a) assist the ARC in ensuring that the controls are effective and functioning as intended, (b) undertake investigations as directed by the ARC, and (c) conduct regular in-depth audits of high risk areas. GL 13.2

The ARC is satisfied that the internal audit function has adequate resources to perform its function effectively.

CORPORATE GOVERNANCE REPORT

The ARC is satisfied that the IA is staffed by suitably qualified and experienced professionals with the relevant experience. GL 13.3

The IA is a member of the Singapore branch of the Institute of Internal Auditors ("IIA"), an internal professional association which has its headquarters in the United States. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing ("IIA Standards") laid down in the International Professional Practices Framework issued by the IIA. GL 13.4

The IA plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the ARC for approval prior to the commencement of the internal audit work. In addition, the IA may be involved in ad-hoc projects initiated by the Management and which require IA's assurance in specific areas of concerns. GL 13.5

4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

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

The Company is committed to treating all shareholders fairly and equitably. The Company recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements. GL 14.1

The Company ensures that there is an adequate and timely disclosure of developments in the Group or its business which would have a material impact on the Company's shares price, and such disclosure is in compliance with SGX-ST listing rules.

The Company invites all registered shareholders to participate and vote at the Company's general meetings. Each shareholder will receive a notice of meeting which is also advertised in the newspaper and released via SGXNet. All shareholders are entitled to vote in accordance with the established voting rules and procedures. GL 14.2

Under the new multiple proxy regime, "relevant intermediaries" (such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund Board (CPF)), are allowed to appoint more than 2 proxies to attend, speak and vote at the Company's general meetings. This will enable indirect investors (including CPF investors) to be appointed as proxies to participate at these meetings. GL 14.3

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 embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. The Company conveys pertinent information to shareholders and complies with the guidelines set out in the SGX-ST rules when disclosing information. GL 15.1

The Company does not practise selective disclosure of price sensitive information. The Company discloses quarterly financial results, and any significant transactions and developments via SGXNet in a timely manner. The financial results are also available on the Company's website (www.kohbrothers.com). The corporate website also contains various other investor-related information on the Company that serves as important resources for investors. GL 15.2

CORPORATE GOVERNANCE REPORT

General meetings are the principal forum for dialogue with shareholders. There is a question and answer session during which shareholders may raise questions or share their views about the proposed resolutions, and the Group's business affairs and financial performance. This enables the Board to gather shareholders' views and address any of the shareholders' concerns. GL 15.3

The Board encourages shareholders to participate actively during the Company's general meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views on the Group's businesses. Following any release of earnings or price sensitive developments, the Company's investor relations consultant is available by email or telephone to answer questions from shareholders and the media, as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure. GL 15.4

The Company strives to provide consistent and sustainable dividend payments to shareholders based on the Company's profitability, cash position, working capital needs, capital expenditure plan, investment and business opportunities, and market conditions. It aims to balance returns to shareholders with a need for long term sustainable growth. GL 15.5

The Board has recommended a final dividend of 0.04 Singapore cent per share for FY2018. These proposed dividend is subject to shareholders' approval at the upcoming AGM.

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.

The Company invites and encourages all registered shareholders to participate and vote at the Company's general meetings. Voting in absentia and by mail, facsimile or email is currently not permitted. Such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identities. GL 16.1

The Company ensures that separate resolutions are proposed for substantially separate issues at the general meetings. GL 16.2

The Board, Financial Controller and external auditors are present at the general meetings to address shareholders' queries or concern about the Company's financial performance, audits and auditor's reports. GL 16.3

Minutes of shareholders' meetings are available on request by registered shareholders. GL 16.4

The Company conduct electronic poll voting at general meetings for greater transparency in the voting process. The voting results are also announced after the meetings via SGXNet and in accordance with the SGX-ST rules. GL 16.5

CORPORATE GOVERNANCE REPORT

5 INTERESTED PERSON TRANSACTIONS

The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed, approved and conducted on an arm's length basis.

The interested person transactions entered during FY2018 are disclosed as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (S$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) (S$'000)
Ah Boon Civil Engineering & Building Contractor Pte Ltd	1,959	–
Lee & Lee	352	–

6 RISK MANAGEMENT

The Management regularly reviews the Group's businesses and operational activities to assess and manage potential risk exposure. The Group's financial risk management objectives and policies are set out in the notes to the FY2018 financial statements. The Company has implemented a CSA programme. Through the programme, weakness in the control environment may be detected and reported to the Management. Corrective actions are taken to strengthen and the process and prevent furture occurrences. The CSA programme is to better manage risks and instill ownership among control owners and promote accountability.

7 DEALINGS IN SECURITIES

The Company has adopted an internal compliance code on dealings in the Company's securities. The Company has issued share trading guidelines to all directors, employees of executive level and above, and personal assistants. They are not allowed to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the Company's financial year, and one month before the announcement of the Company's full year financial statements, and ending on the date of the announcement of the relevant results. In addition, they are prohibited from dealing in the Company's securities while in possession of price sensitive information and on short-term considerations.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 61 to 129 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

DIRECTORS

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

Koh Tiat Meng
Koh Teak Huat
Koh Keng Siang
Koh Keng Hiong
Lee Sok Khian John
Quek Chee Nee
Er Dr Lee Bee Wah
Lai Mun Onn
Gn Hiang Meng
Ow Yong Thian Soo
Low Yee Khim (appointed on 1 January 2019)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		**Holdings in which director is deemed to have an interest**	
	At 31.12.2018	At 1.1.2018 or date of appointment if later	**At 31.12.2018**	At 1.1.2018 or date of appointment if later
Koh Brothers Group Limited				
(Ordinary shares)				
Koh Tiat Meng	**8,908,654**	61,308,654	**–**	–
Koh Teak Huat	**32,213,088**	32,213,088	**325,000**	325,000
Koh Keng Siang	**29,822,535**	2,422,535	**60,020,000**	87,420,000
Koh Keng Hiong	**55,260,100**	30,260,100	**10,000**	25,010,000
Quek Chee Nee	**25,896,814**	25,896,814	**–**	–
Er Dr Lee Bee Wah	**369,000**	189,000	**–**	–
Lai Mun Onn	**100,000**	100,000	**–**	–
Gn Hiang Meng	**–**	–	**200,000**	200,000

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES *(continued)*

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2018	At 1.1.2018 or date of appointment if later	**At 31.12.2018**	At 1.1.2018 or date of appointment if later
Koh Brothers Group Limited				
(S$70 million 5.1% fixed rate notes due 2022)				
Koh Teak Huat	**S$1,000,000**	S$1,000,000	**-**	–
Koh Keng Siang	**-**	–	**S$250,000**	S$250,000
Lee Sok Khian John	**-**	–	**S$250,000**	S$250,000
Quek Chee Nee	**S$500,000**	S$500,000	**-**	–
Er Dr Lee Bee Wah	**S$250,000**	S$250,000	**-**	–
Koh Brothers Eco Engineering Limited				
(Ordinary shares)				
Koh Tiat Meng	**3,950,000**	5,240,000	**-**	–
Koh Teak Huat	**6,764,746**	4,509,831	**32,500**	32,500
Koh Keng Siang	**13,120,000**	8,731,154	**1,114,369,607**	678,681,807
Koh Keng Hiong	**3,026,010**	3,026,010	**1,211,000**	2,501,000
Quek Chee Nee	**2,589,681**	2,589,681	**-**	–
Lai Mun Onn	**14,000**	14,000	**-**	–
Gn Hiang Meng	**-**	–	**28,000**	28,000

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2018	At 1.1.2018 or date of appointment if later	**At 31.12.2018**	At 1.1.2018 or date of appointment if later
Koh Brothers Eco Engineering Limited				
(Warrants 2017)				
Koh Teak Huat	**1,457,448**	1,288,523	**-**	–
Koh Keng Siang	**2,815,195**	2,488,901	**218,444,432**	193,125,659
Lai Mun Onn	**4,524**	4,000	**-**	–
Gn Hiang Meng	**-**	–	**9,048**	8,000
(Warrants 2018)				
Koh Teak Huat	**2,254,915**	–	**-**	–
Koh Keng Siang	**4,388,846**	–	**433,000,000**	–

Koh Keng Siang, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's subsidiaries.

The directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company under option at the end of the financial year.

AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee at the end of the financial year were as follows:

Er Dr Lee Bee Wah (Chairperson)
Lai Mun Onn
Gn Hiang Meng
Ow Yong Thian Soo (appointed on 1 January 2019)

All members of the Audit and Risk Committee were independent and non-executive directors.

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 before their submission to the Board of Directors.

The Audit and Risk Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

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

On behalf of the directors

Koh Keng Siang
Director

Koh Keng Hiong
Director

21 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

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

What we have audited

The financial statements of the Company and the Group comprise:

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

BASIS FOR OPINION

We have 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

OUR AUDIT APPROACH

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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 for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS GROUP LIMITED

OUR AUDIT APPROACH *(continued)*

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for construction contracts *Refer to Note 3.1(a) and Note 4* During the financial year ended 31 December 2018, revenue from construction contracts amounted to S$328.2 million and it represented 81% of the total revenue of the Group. The Group uses the input method (i.e. "cost-to-cost" method) to measure project progress and recognise contract revenue in accordance with SFRS(I) 15 Revenue from Contracts with Customers. We focused on the accuracy of revenue recognition and adequacy of provision for onerous contracts due to the significant management judgement required in determining the total contract sum and the total contract costs.	We obtained an understanding of the projects under construction through discussions with management and project managers, assessed the appropriateness of the method selected for individual projects to measure project progress and recognise contract revenue, and examined project documentation (including contracts, correspondences with customers on delays or extension of time). In relation to total contract sum for project in progress, our audit procedures include the following: • traced total contract sums to contract entered into by the Group and its customers; • traced variation orders included in total contract sums to surveyor/architect's certification; and • assessed the adequacy of the amount of liquidated damages to be net off against contract sums, based on our understanding of the projects. In relation to total contract costs, our audit procedures include the following: • traced the cost to complete for each project by substantiating costs that have been committed to quotations and contracts entered; • tested the reasonableness of the cost to complete for selected projects, focusing on those with significant activities during the year; and • assessed the reasonableness of cost incurred against our understanding of the project. Based on the audit procedures performed above, we have assessed management's estimates to be reasonable. We then recomputed the percentage of completion based on actual cumulative contract cost incurred as a portion of total contract costs, cumulative contract revenue and the contract revenue for the current financial year as well as the amount of provision for onerous contract (where relevant) for each project, and traced to the accounting records and found it to be appropriate. We have also assessed the adequacy of the disclosures of the key accounting estimates and the sensitivity and found the disclosures in the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS GROUP LIMITED

OUR AUDIT APPROACH *(continued)*

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to Note 3.1(c) and Note 22* The Group's investment properties carried at fair value amount to S$92.7 million at 31 December 2018 and accounted for 12% of the Group's total assets. The disclosures relating to these investment properties are included in Note 3.1(c) and Note 22 to the financial statements. Management uses external valuers to support its determination of the individual fair value of its investment properties annually. The valuation of investment properties is significant to our audit due to the complexity involved in the valuation techniques. The judgement relating to the assumptions used in the valuation technique, including discount rate, rental rate and market value of comparable property, impact the valuation. Uncertainty arises as a result of having to consider long-term trends and market conditions in the assumptions.	Our procedures included the following: • assessed the competency, capabilities and objectivity of the external valuers engaged by the Group; • obtained an understanding of the techniques used by the external valuers in determining the valuation of individual investment properties; • discussed the critical assumptions made by the external valuers for the key inputs used in the valuation techniques; • tested the integrity of information, including underlying lease and financial information provided to the external valuers; and • assessed the reasonableness of the rental rate and market value of comparable property by benchmarking these against those of comparable properties and prior year inputs. We have also assessed the adequacy of the disclosures relating to the assumptions as we consider them as likely to be significant to users of the financial statements given the estimation uncertainty and sensitivity of the valuations. We found that the external valuers are members of recognised professional bodies for external valuers. We also found that the valuation methodologies used were appropriate in the context of the Group's investment properties and the critical assumptions used for the key inputs were within the range of market data.
Impairment assessment of goodwill *Refer to Note 3.1(b) and Note 24* The goodwill of S$5.1 million at 31 December 2018 relates to the "Bio-Refinery and Bio-Energy" cash generating unit ("CGU"). In accordance with SFRS(I), the Group performs an impairment test for the CGU to assess whether the goodwill might be impaired. The test performed by the Group did not result in an impairment of goodwill since the recoverable amount based on future cash flows exceeded the carrying amount of goodwill and other net assets. The assumptions, sensitivities and results of the tests performed are disclosed in Note 24 to the financial statements. We focused on this area because of the significant judgement involved in determining inputs for certain assumptions used in the model and the dependency on future market circumstances.	In respect of the assumptions which were most sensitive to changes in terms of the impact on the valuation, our procedures included the following: • involved internal specialists in assessment on the appropriateness of the discount rate; • validated terminal growth rate used by corroborating against the long-term average growth rate in the country which the CGU operates in; and • corroborated gross margin used against historical margin of the CGU. Based on the audit procedures performed above, we have assessed management's assumptions to be appropriate. We have also assessed the adequacy of the disclosures relating to key assumptions and the sensitivities and found the disclosures in the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS GROUP LIMITED

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS GROUP LIMITED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

- 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.

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 Yeow Chee Keong.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 21 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group 2018 S$'000	Group 2017 S$'000
Sales	4(a)	**403,645**	403,816
Cost of sales	7	**(382,151)**	(388,310)
Gross profit		**21,494**	15,506
Other income	5	**6,605**	10,469
Other (losses)/gains - net	6	**(297)**	10,950
Expenses			
– Distribution and marketing	7	**(256)**	(1,163)
– Administrative	7	**(20,017)**	(23,706)
– Finance	9	**(8,343)**	(5,397)
– Other	7	**(993)**	6,423
Share of profit of associated companies	19	**312**	262
Share of profit of joint ventures	20	**11,738**	13,561
Profit before income tax		**10,243**	26,905
Income tax expense	10(a)	**(993)**	(895)
Profit after income tax		**9,250**	26,010
Profit attributable to:			
Equity holders of the Company		**6,612**	20,559
Non-controlling interests		**2,638**	5,451
		9,250	26,010
Earnings per share for profit attributable to equity holders of the Company:			
– Basic earnings per share (in cents)	11(a)	**1.60**	4.98
– Diluted earnings per share (in cents)	11(b)	**1.60**	4.98

	Note	Group 2018 S$'000	Group 2017 S$'000
Profit after income tax		**9,250**	26,010
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation arising from consolidation	30(d)	**(261)**	557
Financial assets, at FVOCI/ available-for-sale			
– Fair value losses – equity instruments	30(b)	**-**	(75)
– Fair value gains/(losses) – debt instruments	30(b)	**36**	(213)
		(225)	269
Items that will not be reclassified subsequently to profit or loss:			
Fair value losses on equity financial assets at FVOCI	30(b)	**(7,815)**	–
Other comprehensive (loss)/income, net of tax		**(8,040)**	269
Total comprehensive income		**1,210**	26,279
Total comprehensive income attributable to:			
Equity holders of the Company		**(1,265)**	20,786
Non-controlling interests		**2,475**	5,493
		1,210	26,279

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

BALANCE SHEET – GROUP

As at 31 December 2018

	Note	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
ASSETS				
Current assets				
Cash and bank balances	12	**32,678**	64,823	43,227
Investment securities	13	**47,953**	57,473	13,532
Trade and other receivables	14	**76,232**	101,867	133,332
Contract assets	4(b)	**117,183**	62,282	44,450
Amounts due from an associated company	15	**45**	–	–
Amounts due from joint ventures	16	**38,034**	62,897	76,056
Inventories	17	**6,951**	9,342	8,395
Development properties	18	**127,578**	–	1,189
Income tax receivables	10(b)	**773**	–	–
Other current assets	4(c)	**3,229**	5,209	–
		450,656	363,893	320,181
Non-current assets				
Trade and other receivables	14	**29,448**	22,250	–
Contract assets	4(b)	**10,882**	25,431	15,885
Investment securities	13	**2,373**	2,925	–
Investments in associated companies	19	**1,676**	1,504	1,347
Investments in joint ventures	20	**92,279**	90,923	77,196
Investment properties	22	**93,579**	90,973	90,706
Property, plant and equipment	23	**113,243**	108,067	108,879
Goodwill	24	**5,078**	5,078	5,078
		348,558	347,151	299,091
Total assets		**799,214**	711,044	619,272

	Note	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
LIABILITIES				
Current liabilities				
Trade and other payables	25	**131,984**	122,754	128,765
Contract liabilities	4(b)	**4,989**	40,459	38,801
Amount due to an associated company	15	**-**	508	485
Amounts due to joint ventures	16	**16,457**	16,282	15,507
Current income tax liabilities	10(b)	**381**	1,485	3,289
Short-term borrowings and finance leases	26	**73,593**	14,619	28,224
Notes payables	29	**-**	37,000	–
		227,404	233,107	215,071
Non-current liabilities				
Trade and other payables	25	**9,622**	17,422	7,707
Finance leases	27	**2,342**	3,634	2,755
Bank borrowings	28	**176,130**	72,890	58,963
Notes payables	29	**70,000**	70,000	50,000
Deferred income tax liabilities	10(c)	**8,199**	8,261	8,559
		266,293	172,207	127,984
Total liabilities		**493,697**	405,314	343,055
NET ASSETS		**305,517**	305,730	276,217
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	30	**36,981**	36,981	36,981
Treasury shares	30	**(7,983)**	(7,910)	(7,614)
Other reserves	30(b)	**(6,796)**	989	1,203
Retained profits	30(c)	**269,157**	262,701	243,095
Currency translation reserve	30(d)	**(9,139)**	(8,916)	(9,361)
		282,220	283,845	264,304
Non-controlling interests		**23,297**	21,885	11,913
Total equity		**305,517**	305,730	276,217

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

BALANCE SHEET – COMPANY

As at 31 December 2018

	Note	31 December **2018** **S$'000**	31 December 2017 S$'000	1 January 2017 S$'000
ASSETS				
Current assets				
Cash and bank balances	12	**822**	11,186	134
Investment securities	13	**3,913**	3,090	–
Trade and other receivables	14	**277**	1,063	16
Amounts due from subsidiaries	21	**65,625**	106,759	57,506
		70,637	122,098	57,656
Non-current asset				
Investments in subsidiaries	21	**132,361**	114,117	104,752
Total assets		**202,998**	236,215	162,408
LIABILITIES				
Current liabilities				
Trade and other payables	25	**1,938**	2,983	614
Amounts due to subsidiaries	21	**9,895**	5,861	25,693
Current income tax liabilities	10(b)	**82**	65	3
Notes payables	29	**-**	37,000	–
		11,915	45,909	26,310
Non-current liabilities				
Amounts due to subsidiaries	21	**19,011**	19,011	–
Notes payables	29	**70,000**	70,000	50,000
		89,011	89,011	50,000
Total liabilities		**100,926**	134,920	76,310
NET ASSETS		**102,072**	101,295	86,098

	Note	31 December **2018** **S$'000**	31 December 2017 S$'000	1 January 2017 S$'000
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	30	**36,981**	36,981	36,981
Treasury shares	30	**(7,983)**	(7,910)	(7,614)
Retained profits	30(c)	**73,074**	72,224	56,731
Total equity		**102,072**	101,295	86,098

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

		← Attributable to equity holders of the Company →							
Group (S$'000)	Note	**Share capital**	**Treasury shares**	**Other reserves**	**Retained profits**	**Currency translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2018		36,981	(7,910)	989	262,701	(8,916)	283,845	21,885	305,730
Profit for the financial year		–	–	–	6,612	–	6,612	2,638	9,250
Other comprehensive (loss)/income for the financial year		–	–	(7,796)	–	(81)	(7,877)	(163)	(8,040)
Total comprehensive (loss)/income for the financial year		–	–	(7,796)	6,612	(81)	(1,265)	2,475	1,210
Change in ownership interests in subsidiaries	21(a)	–	–	(57)	4,222	(142)	4,023	(4,145)	(122)
Transfer upon disposal of equity financial assets at FVOCI	30(b)	–	–	68	(68)	–	–	–	–
Rights cum warrants issue by a subsidiary		–	–	–	(185)	–	(185)	3,727	3,542
Purchase of treasury shares	30(a)	–	(73)	–	–	–	(73)	–	(73)
Dividend relating to 2017 paid	31	–	–	–	(4,125)	–	(4,125)	(371)	(4,496)
Dividend relating to 2018 paid		–	–	–	–	–	–	(274)	(274)
Total transactions with owners, recognised directly in equity			(73)	11	(156)	(142)	(360)	(1,063)	(1,423)
Balance at 31 December 2018		**36,981**	**(7,983)**	**(6,796)**	**269,157**	**(9,139)**	**282,220**	**23,297**	**305,517**
Balance at 1 January 2017		36,981	(7,614)	1,203	243,095	(9,361)	264,304	11,913	276,217
Profit for the financial year		–	–	–	20,559	–	20,559	5,451	26,010
Other comprehensive (loss)/income for the financial year		–	–	(214)	–	441	227	42	269
Total comprehensive (loss)/income for the financial year		–	–	(214)	20,559	441	20,786	5,493	26,279
Change in ownership interests in subsidiaries	21(a)	–	–	–	633	4	637	(637)	–
Rights cum warrants issue by a subsidiary		–	–	–	(140)	–	(140)	5,752	5,612
Purchase of treasury shares	30(a)	–	(296)	–	–	–	(296)	–	(296)
Dividend relating to 2016 paid	31	–	–	–	(1,446)	–	(1,446)	(318)	(1,764)
Dividend relating to 2017 paid		–	–	–	–	–	–	(318)	(318)
Total transactions with owners, recognised directly in equity		–	(296)	–	(953)	4	(1,245)	4,479	3,234
Balance at 31 December 2017		36,981	(7,910)	989	262,701	(8,916)	283,845	21,885	305,730

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 2018 S$'000	Group 2017 S$'000
Cash flows from operating activities		
Profit after income tax	**9,250**	26,010
Adjustments for:		
– Income tax expense	**993**	895
– Depreciation of property, plant and equipment	**10,573**	10,154
– Property, plant and equipment written off	**23**	17
– Impairment loss of property, plant and equipment	**-**	2,845
– Gain on disposal of a joint venture	**-**	(11,563)
– Fair value gain on investment properties	**(1,755)**	(267)
– Gain on disposal of property, plant and equipment	**(810)**	(70)
– Fair value loss on financial assets at fair value through profit or loss	**2,902**	3
– Dividend income	**-**	(1)
– Share of profit of associated companies	**(312)**	(262)
– Share of profit of joint ventures	**(11,738)**	(13,561)
– Finance expense	**8,343**	5,397
– Interest income	**(6,009)**	(3,332)
– Transaction cost relating to issuance of notes payables	**-**	510
– Unrealised translation (gain)/loss	**(596)**	1,066
	10,864	17,841
Change in working capital:		
– Trade and other receivables	**20,134**	31,428
– Inventories	**2,391**	(947)
– Contract assets and liabilities	**(75,822)**	(26,917)
– Development properties	**(127,578)**	1,189
– Other current assets	**1,980**	(5,209)
– Trade and other payables	**1,801**	(3,059)
– Amount due from/to associated companies	**(553)**	23
– Amount due from/to joint ventures	**25,037**	(5,654)

	Group 2018 S$'000	Group 2017 S$'000
Cash (used in)/generated from operations	**(141,746)**	8,695
Income tax paid	**(2,932)**	(2,988)
Interest paid	**(8,719)**	(3,633)
Net cash (used in)/provided by operating activities	**(153,397)**	2,074
Cash flows from investing activities		
Investment in joint ventures	**(683)**	(2,677)
Purchase of property, plant and equipment	**(17,327)**	(6,811)
Purchase of financial assets at fair value through profit or loss	**(3,000)**	–
Purchase of financial assets at FVOCI	**(1,000)**	–
Purchase of available-for-sale financial assets	**-**	(2,991)
Net proceeds from/(purchase of) short-term notes receivables	**2,873**	(50,671)
Proceeds from disposal of property, plant and equipment	**4,810**	104
Proceeds from disposal of a joint venture	**-**	15,000
Proceeds from redemption of financial assets at FVOCI	**518**	–
Proceeds from redemption of available-for-sale financial assets	**-**	6,525
Additions to investment properties	**(855)**	–
Dividends received from associated companies and joint ventures	**11,140**	2,605
Dividend received from other investment	**-**	1
Interest received	**4,394**	2,695
Net cash provided by/(used in) investing activities	**870**	(36,220)

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 2018 S$'000	Group 2017 S$'000
Cash flows from financing activities		
Proceeds from issuance of notes payables	-	70,000
Proceeds from bank borrowings	**199,316**	25,619
Proceeds from rights cum warrants issue of a subsidiary	**3,802**	5,829
Payment of finance lease instalments	**(3,582)**	(3,370)
Repayment of bank borrowings	**(37,040)**	(25,806)
Redemption of notes payables	**(37,000)**	(13,000)
Restricted cash released/(pledged)	**3,062**	(1,900)
Purchase of treasury shares	**(73)**	(296)
Transaction cost relating to issuance of notes payables	-	(510)
Transaction cost relating to rights cum warrants issue of a subsidiary	**(260)**	(217)
Transaction cost relating to change of ownership interest in a subsidiary without loss of control	**(122)**	#
Dividends paid to equity holders of the Company	**(4,125)**	(1,446)
Dividends paid to non-controlling interests	**(645)**	(318)
Net cash provided by financing activities	**123,333**	54,585
Net change in cash and bank balances	**(29,194)**	20,439
Beginning of financial year	**61,568**	41,890
Effects of currency translation on cash and bank balances	**104**	(761)
End of financial year [Note 12(i)]	**32,478**	61,568

- less than S$1,000

Reconciliation of liabilities arising from financing activities

	Beginning of financial year S$'000	Net cash flows S$'000	Non-cash changes: Additions to property, plant and equipment S$'000	Non-cash changes: Foreign exchange movement S$'000	End of financial year S$'000
2018					
Bank borrowings (Note 26 and 28)	84,578	162,276	–	(82)	246,772
Finance leases (Note 27)	6,565	(3,582)	2,310	–	5,293
Notes payables (Note 29)	107,000	(37,000)	–	–	70,000
2017					
Bank borrowings (Note 26 and 28)	84,716	(187)	–	49	84,578
Finance leases (Note 27)	5,226	(3,370)	4,709	–	6,565
Notes payables (Note 29)	50,000	57,000	–	–	107,000

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. General information

Koh Brothers Group Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 11 Lorong Pendek, Koh Brothers Building, Singapore 348639.

The principal activities of the Company are investment holding and provision of management services.

The principal activities of its subsidiaries, joint ventures, joint operation entities and associated companies are set out in Note 36 of the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

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

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, 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 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").

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) 1, 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's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(a) Optional exemptions applied

(i) Business combinations

SFRS(I) 3 Business Combinations has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

The Group has not applied SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

(ii) Leases

The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease.*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.2 Adoption of SFRS(I) *(continued)*

(a) Optional exemptions applied *(continued)*

(iii) Borrowing costs

The Group has elected to apply the requirements in the SFRS(I) 1-23 *Borrowing Costs* from the date of transition to SFRS(I) on 1 January 2017. Borrowing costs that were accounted for previously under SFRS prior to date of transition are not restated.

(iv) Short-term exemption on adoption of SFRS(I) 9 Financial Instruments

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

(v) Practical expedients on adoption of SFRS(I) 15 Revenue from Contracts with Customers

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and
- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

As at 1 January 2017	Note	**Reported under SFRS S$'000**	**Effects of applying SFRS(I) 15 S$'000**	**Reported under SFRS(I) S$'000**
ASSETS				
Current assets				
Trade and other receivables	A4	140,917	(7,585)	133,332
Due from customers on construction contracts	A4	35,067	(35,067)	–
Contract assets	A4	–	44,450	44,450
Non-current assets				
Trade and other receivables	A4	9,251	(9,251)	–
Amount due from joint ventures	A4	5,936	(5,936)	–
Contract assets	A3, A4	–	15,885	15,885
			2,496	
LIABILITIES				
Current liabilities				
Trade and other payables	A2, A4	133,416	(4,651)	128,765
Due to customers on construction contracts	A4	31,974	(31,974)	–
Contract liabilities	A4	–	38,801	38,801
Non-current liabilities				
Trade and other payables	A3	7,399	308	7,707
			2,484	
NET ASSETS		276,205	12	276,217
EQUITY				
Retained profits		243,087	8	243,095
Non-controlling interests		11,909	4	11,913
			12	
Total equity	A1, A3	276,205	12	276,217

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.2 Adoption of SFRS(I) *(continued)*

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I) *(continued)*

	Note	As at 31 December 2017 reported under SFRS S$'000	Effects of applying SFRS(I) 15 S$'000	As at 31 December 2017 reported under SFRS(I) S$'000	Effects of applying SFRS(I) 9 S$'000	As at 1 January 2018 reported under SFRS(I) S$'000
ASSETS						
Current assets						
Trade and other receivables	A4	107,712	(5,845)	101,867	–	101,867
Due from customers on construction contracts	A4	51,702	(51,702)	–	–	–
Amounts due from joint ventures	A4	69,220	(6,323)	62,897	–	62,897
Contract assets	A4	–	62,282	62,282	–	62,282
Other current assets	A4	–	5,209	5,209	–	5,209
Non-current assets						
Trade and other receivables	A4	46,839	(24,589)	22,250	–	22,250
Contract assets	A3, A4	–	25,431	25,431	–	25,431
			4,463		–	
LIABILITIES						
Current liabilities						
Trade and other payables	A2, A4	146,916	(24,162)	122,754	–	122,754
Due to customers on construction contracts	A4	13,331	(13,331)	–	–	–
Contract liabilities	A4	–	40,459	40,459	–	40,459
Non-current liabilities						
Trade and other payables	A3	17,064	358	17,422	–	17,422
			3,324		–	
NET ASSETS		304,591	1,139	305,730	–	305,730
EQUITY						
Retained profits		261,964	737	262,701	–	262,701
Non-controlling interests		21,483	402	21,885	–	21,885
			1,139		–	
Total equity	A1, A3	304,591	1,139	305,730	–	305,730

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.2 Adoption of SFRS(I) *(continued)*

(c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

For the financial year ended 31 December 2017	Note	Reported under SFRS S$'000	Effects of applying SFRS(I) 15 S$'000	Reported under SFRS(I) S$'000
Revenue	A1	369,428	34,388	403,816
Cost of sales	A1	(354,953)	(33,357)	(388,310)
Other gains – net	A3	10,854	96	10,950
Profit after income tax		24,883	1,127	26,010
Total comprehensive income		25,152	1,127	26,279

(d) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

(e) Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I)

The Company's opening balance sheet was prepared as at 1 January 2017, which was the Company's date of transition to SFRS(I). There were no material impact to the Company's balances on adoption of SFRS(I).

Impairment of financial assets

The Company has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade receivables recognised under SFRS(I) 15; and
- non-trade and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.11. Management is of the view that the impact on the above balances as at 1 January 2018 is immaterial.

<u>Explanatory notes to reconciliations:</u>

(A) Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2.2(a)(v), the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) 15 at 1 January 2018. The adoption of SFRS(I) 15 resulted in adjustments to the previously issued SFRS financial statements as explained below:

(A1) Measurement of progress of construction contracts

Previously under SFRS 11, revenue on construction contracts was recognised by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). The stage of completion was measured either using an output method by reference to the professional's survey or customer's certification of value of work done to date, or using an input method by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract ("cost-to-cost method").

Under SFRS(I) 15, the Group has assessed that an input measure using the cost-to-cost method will best depict the Group's performance in transferring control of services to customers for its existing construction contracts. This will result in the Group's adoption of the cost-to-cost method for measuring progress and recognising contract revenue under SFRS(I) 15. This resulted in an increase of S$34,388,000 in revenue and S$33,357,000 in cost of sales for the financial year ended 31 December 2017, and a corresponding decrease to total equity of S$378,000 as at 1 January 2017 under SFRS(I) 15.

(A2) Accounting for loss-making construction contracts

Previously under SFRS 11, when it was probable that total contract costs will exceed total contract revenue for construction contracts, the expected loss was recognised as an expense immediately on a contract by-contract basis, and was accounted for on the balance sheet in accordance with SFRS 11.

Under the SFRS(I) 15, there is no guidance on how to account for expected losses on loss-making contracts. As such, the Group will need to apply SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* to identify and account for onerous contracts.

The Group has assessed and concluded that these loss-making contracts are onerous and will be recognised and measured as a provision. Provision for onerous contracts amounting to S$852,000 (1 January 2017: S$1,199,000) was recognised as a result of this change.

2. Significant accounting policies *(continued)*

2.2 Adoption of SFRS(I) *(continued)*

Explanatory notes to reconciliations: *(continued)*

(A3) Accounting for non-current retention amounts

Previously under SFRS, the Group recognised non-current retention amounts initially based on their fair value, which was computed based on cash flows discounted at market borrowing rates.

Under SFRS(I) 15, the Group has assessed that there is no significant financing component present as the payment terms is an industry practice to protect the customers from the performing entities' failure to adequately complete some or all of its obligations under the contract.

As a consequence, the Group does not adjust any of the transaction prices for the time value of money. This resulted in a S$96,000 increase in profit before tax for the financial year ended 31 December 2017 and a S$390,000 increase in total equity as at 1 January 2017.

(A4) Presentation of contract assets and liabilities

The Group has also changed the presentation of certain amounts in the balance sheet as at 31 December 2017 on adopting SFRS(I) 15:

(i) Contract assets relating to construction contracts were previously presented as "due from customers from construction contracts", accrued billings on construction contracts within "trade and other receivables" and retention on construction contracts within "trade and other receivables" and "amounts due from joint ventures" of S$51,702,000, S$3,527,000 and S$33,230,000 (1 January 2017: S$35,067,000, S$3,045,000 and S$19,727,000) under SFRS.

(ii) Contract liabilities relating to construction contracts were previously presented as "due to customers on construction contracts", and advance billings on construction contracts and advances received on construction contracts within "trade payables" of S$13,331,000, S$2,474,000 and S$22,540,000 (1 January 2017: S$31,974,000, S$5,166,000 and S$684,000) under SFRS.

(iii) "Due from customers from construction contracts" amounting to S$5,209,000 (1 January 2017: S$nil) is reclassified to other assets as these relates to uninstalled materials for a specific contract which the customer has not obtained control of.

(B) Adoption of SFRS(I) 9

As disclosed in Note 2.2(a)(iv), the Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017.

At the same time, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.11.

(B1) Classification and measurement of financial assets

For financial assets held by the Group on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under SFRS(I) 9. Material reclassifications resulting from management's assessment are disclosed below.

		Financial assets			
	Note	**Amortised cost S$'000**	**FVPL S$'000**	**AFS S$'000**	**FVOCI S$'000**
Balance at 31 December 2017 – before adoption of SFRS(I) 9		307,730	37	3,690	–
Reclassify listed debt securities from AFS to FVOCI	(i)	–	–	(765)	765
Reclassify listed equity securities from AFS to FVOCI	(ii)	–	–	(2,925)	2,925
Reclassify unquoted short-term notes receivables from amortised cost to FVPL	(iii)	(56,671)	56,671	–	–
Balance at 1 January 2018 – after adoption of SFRS(I) 9		251,059	56,708	–	3,690

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.2 Adoption of SFRS(I) *(continued)*

(B1) Classification and measurement of financial assets *(continued)*

(i) Available-for-sale debt instruments reclassified as FVOCI

Listed corporate fixed rate notes amounting to S$765,000 as at 1 January 2018 previously classified as "available for sale" were reclassified as "FVOCI". The Group's business model on these assets is to collect contractual cash flows and sell these assets. The contractual cash flows of these investments consist solely of payments of principal and interest.

(ii) Equity investments reclassified from available-for-sale to FVOCI

The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as available-for-sale, in other comprehensive income. As a result, listed equity securities with a fair value of S$2,925,000 were classified from "financial assets, available-for-sale" to "financial assets, at FVOCI" on 1 January 2018.

(iii) Reclassification of financial assets from amortised cost to FVPL

Short-term notes receivables amounting to S$56,671,000 were reclassified from the "amortised cost" category to "FVPL" category on 1 January 2018. These are debt instruments that do not meet the criteria to be classified as amortised cost in accordance with SFRS(I) 9, because their cash flows do not represent solely payments of principal and interest.

(iv) Impairment of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade receivables and contract assets recognised under SFRS(I) 15;
- debt instruments measured at FVOCI; and
- non-trade and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.11 and Note 33(b). Management is of the view that the impact on the above balances as at 1 January 2018 is immaterial.

2.3 Revenue recognition

(a) Contract revenue

The Group provides engineering and construction services to customers through fixed-price contracts. Contract revenue is recognised when the Group's performance creates or enhance an asset that the customer controls as the asset is created or enhanced.

For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method"). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

In some circumstances such as in the early stages of a contract where the Group may not be able to reasonably measure its progress but expects to recover the contract costs incurred, contract revenue is recognised only to the extent of the contract costs incurred until such time when the Group can reasonably measure its progress.

Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The period between the transfer of the promised services and customer payment may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.3 Revenue recognition *(continued)*

(a) Contract revenue *(continued)*

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

(b) Sale of goods

Revenue from sale of goods is recognised at a point in time when the Group has delivered the products to the customer and the customer has accepted the products.

For sale of certain products from the Construction and Building Materials segment with no alternative use to the Group, the Group has assessed at contract inception that it does not have an enforceable right to payment for performance completed to date in relation to such goods.

For such goods, the customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

(c) Rendering of services

Revenue from services is recognised in the accounting period when services are rendered.

(d) Revenue from property development sales

Revenue from property development sales is recognised as disclosed in Note 2.8 "Development properties".

(e) Rental income

Rental income is recognised as disclosed in Note 2.12(b) "Leases - when the Group is the lessor".

(f) Dividend income

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

(g) Interest income

Interest income is recognised using the effective interest method.

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.4 Group accounting *(continued)*

(a) Subsidiaries *(continued)*

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

In an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.6 "Goodwill" for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.9 "Investments in subsidiaries, joint ventures and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.4 Group accounting *(continued)*

(c) Associated companies and joint ventures *(continued)*

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to Note 2.9 "Investments in subsidiaries, joint ventures and associated companies" for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

(d) Joint operations

The Group's joint operations are joint arrangements whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises, in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the assets to be purchased or an impairment loss.

The accounting policies of the assets, liabilities, revenue and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.5 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses except for certain buildings and leasehold premises, which are subsequently carried at revalued amount less accumulated depreciation and accumulated impairment losses.

The cost of an item 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. Cost also includes borrowing costs (refer to Note 2.20 on borrowing costs).

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they reverse a revaluation decrease of the same asset previously recognised in profit or loss. In this case, the increase are recognised in profit or loss. Decreases in carrying amounts are recognised in other comprehensive income to the extent of any credit balance existing in the equity in respect of that asset and reduces the amount accumulated in equity. All other decreases in carrying amounts are recognised in profit or loss.

The revaluation on certain freehold and leasehold properties was done in connection with the listing of the Company in 1993. The increase in carrying amount arising from the revaluation was taken to capital reserve. The Group does not have a policy of revaluing its property, plant and equipment periodically.

(b) Depreciation

Freehold land and assets under construction are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Buildings on freehold land	20 – 99 years
Leasehold land and buildings	20 – 92 years
Plant and machinery	2 – 20 years
Motor vehicles	3.5 – 10 years
Furniture, fittings, office and hotel equipment	1 – 10 years

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

(c) Subsequent expenditure

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

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within Note 6 “Other (losses)/gains – net”. Any amount in capital reserve relating to that item is transferred to retained profits directly.

2.6 Goodwill

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (a) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair values of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of joint venture and associated company represents the excess of the cost of the acquisition over the Group’s share of the fair value of the identifiable net assets acquired. Goodwill on associated company and joint venture is included in the carrying amount of the investments.

Gains and losses on disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.7 Investment properties

Investment properties include those portions of commercial buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that is held for long term capital appreciation or for a currently indeterminate use. Investment properties include 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 independent professional valuers on the highest and best use basis. Changes in fair values are recognised in profit or loss.

Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company expects the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in 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 Development properties

Development properties refer to properties developed for sale. Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete the development and selling expenses.

Revenue from sale of development properties is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer at a point in time or over time.

For development properties where the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset, such as when the property is accepted by the customer, or deemed as accepted according to the contract, or when title has passed to the customer.

For development properties where the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the stage of completion of the properties. The stage of completion is measured by reference to the professional quantity surveyor's certification of value of work done-to-date. Management has determined that a certification-based output method provides a faithful depiction of the Group's performance in transferring control of the development properties to the customers.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. Payment is typically due within two weeks. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. SFRS(I) 2 *Inventories*), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only 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.

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 and that have not been recognised as expenses.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, the Group adjusts the promised amount of consideration for the effect of a financing component, if significant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.8 Development properties *(continued)*

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

2.9 Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries (except for warrants in subsidiary, which are accounted for as financial assets at fair value through profit or loss), joint ventures and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.10 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Property, plant and equipment
Investments in subsidiaries, joint ventures and associated companies

Property, plant and equipment and investments in subsidiaries, joint ventures and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to Note 2.5 "property, plant and equipment" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.11 Financial assets

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

(a) 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 asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.11 Financial assets *(continued)*

(a) Classification *(continued)*

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy.

(ii) 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 presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", "amounts due from subsidiaries", "short-term notes receivables", "amounts due from joint ventures" and "cash and bank balances" on the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) 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. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) 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 immediately as expenses.

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets and financial assets at fair value through profit or loss are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve, presented within "other reserves".

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.11 Financial assets *(continued)*

(e) Impairment *(continued)*

(i) Loans and receivables (continued)

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.11(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the availableforsale financial assets is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified 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 previously recognised in profit or loss. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

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

(f) Classification and measurement

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 (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial asset not at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and bank balances, trade and other receivables, amounts due from joint ventures, subsidiaries and an associated company, and listed debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "Other (losses)/gains - net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

2. Significant accounting policies *(continued)*

2.11 Financial assets *(continued)*

(f) Classification and measurement *(continued)*

(i) Debt instruments (continued)

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in “Other (losses)/gains - net” and “Other income” respectively.

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in Note 6 “Other (losses)/gains - net”, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments for enhancement of return on capital and the Group considers this to be more relevant. Dividends from equity investments are recognised in profit or loss.

(g) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 33(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(h) 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.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income.

2.12 Leases

(a) When the Group is the lessee:

(i) Lessee - Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and finance leases respectively, at the inception of the leases based on the lower of the fair values of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee - Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.12 Leases *(continued)*

(b) *When the Group is the lessor:*

Leases of investment properties and property, plant and equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentive given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term. Income from leasing of equipment is recognised on its utilisation basis.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.13 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries and joint ventures. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries and joint ventures fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantees are initially recognised at their fair values plus transaction costs and subsequently measured at the higher of:

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

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently amortised to profit or loss over the period of the subsidiaries and joint ventures' borrowings, unless it was probable that the Company would reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees would be carried at the expected amount payable to the banks in the Company's balance sheet.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using either the first-in, first-out basis or the weighted average basis. The cost of finished goods and work-in-progress comprises 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 estimated costs of completion and applicable variable selling expenses.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when 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 affects neither accounting nor taxable profit or loss at the time of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.17 Income taxes *(continued)*

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, joint ventures and associated companies, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, 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.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where 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 under it.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) 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 on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) 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 balance sheet date.

2.20 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.21 Currency translation

(a) 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 the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operations is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within Note 6 "Other (losses)/gains - net".

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

(c) Translation of Group entities' financial statements

The results 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 presentation currency are translated into presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(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 currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.23 Cash and bank balances

For the purpose of presentation in the consolidated statement of cash flows, cash and bank balances include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and bank balances.

2.24 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies *(continued)*

2.24 Share capital and treasury shares *(continued)*

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

2.25 Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

(a) Estimation of total contract costs for construction contracts

The Group has significant ongoing construction contracts as at 31 December 2018 that are non-cancellable. For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts is recognised immediately.

Significant assumptions are used to estimate the total contract sum and the total contract costs which affect the accuracy of revenue recognition based on the percentage-of-completion and completeness of provision for onerous contracts recognised. In making these estimates, management has relied on past experience and the work of specialists.

If the estimated total contract sum decrease by 0.1% from management's estimates, the Group's profit before income tax will decrease by approximately S$1,777,000.

If the remaining estimated contract costs increase by 1% from management's estimates, the Group's profit before income tax will decrease by approximately S$1,348,000.

(b) Assessment on impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. In performing the impairment assessment of the carrying amount of goodwill (Note 24), the recoverable amount of the "Bio-Refinery and BioEnergy" cash-generating unit ("CGU") in which goodwill has been attributable to, is determined using value-in-use (VIU) calculations.

Significant judgements are used to estimate the gross margin, terminal growth rate and discount rate applied in computing the recoverable amounts of the CGU. In making these estimates, management has relied on past performance, its expectation of market developments in Malaysia, and the industry trends for the CGU. Specific estimates are disclosed in Note 24. Management is of the view that no impairment of the CGU was required as at 31 December 2018.

Management has performed a sensitivity analysis and noted that a reasonably possible change in the key assumptions will not result in an impairment.

(c) Valuation of investment properties

Investment properties are stated at fair value based on valuations performed by independent professional valuers. In determining fair value, the independent professional valuers have used valuation methods which involve certain estimates (Note 22).

The fair values are determined using the income method, cost method and direct comparison method. The income method involves the estimation of income and expenses, taking into account expected future changes in economic and social conditions, which may affect the value of the properties. The cost method involves the estimation of the current cost required to replace the property. The direct comparison method involves the comparison of recent sales transactions of similar properties. The most significant inputs to the valuation approaches would be monthly rental per square metre, cost per square metre and market value per square metre respectively. Management is of the view that the valuation methods and estimates are reflective of the current market conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. Revenue

(a) Disaggregation of revenue from contracts with customers

	Construction and Building Materials		Real Estate		Leisure & Hospitality		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	S$'000	S$'000	**$'000**	S$'000	**S$'000**	S$'000	**S$'000**	S$'000
Contract revenue	**328,241**	333,539	**-**	–	**-**	–	**328,241**	333,539
Revenue from sale of products	**66,001**	59,850	**-**	–	**-**	–	**66,001**	59,850
Revenue from property development								
– Point in time	**-**	–	**-**	1,430	**-**	–	**-**	1,430
Rental income from investment properties (Note 22)	**-**	–	**2,877**	2,642	**-**	–	**2,877**	2,642
Revenue from services rendered	**-**	–	**3,172**	3,091	**3,354**	3,264	**6,526**	6,355
	394,242	393,389	**6,049**	7,163	**3,354**	3,264	**403,645**	403,816

(b) Contract assets and liabilities

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Contract assets			
Current			
Construction contracts	**105,313**	61,171	44,181
Sales of products	**11,870**	1,111	269
	117,183	62,282	44,450
Non-current			
Construction contracts	**10,882**	25,431	15,885
	128,065	87,713	60,335
Contract liabilities			
Current			
Construction contracts	**4,989**	40,459	38,801

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. Revenue *(continued)*

(b) Contract assets and liabilities *(continued)*

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date on construction contracts. The increase in contract assets was mainly due to revenue being recognised during the financial year but which has not yet been billed to the customers.

Contract liabilities primarily relates to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for construction contracts. The decrease in contract liabilities was mainly due to revenue recognition upon satisfaction of performance obligations for which consideration has been received in advance.

(i) *Revenue recognised in relation to contract liabilities*

	Group 31 December 2018 S$'000	2017 S$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period – Construction contracts	**35,690**	27,558
Revenue recognised in current period from performance obligations satisfied in previous periods – Construction contracts	**20,122**	3,506

(ii) *Unsatisfied performance obligations*

	31 December 2018 S$'000	2017 S$'000	1 January 2017 S$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December			
- Construction contracts	**500,004**	-*	-*

* As permitted under the transitional provisions in the SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 December 2017 and 1 January 2017 is not disclosed.

Management expects that the aggregate amount of the transaction price allocated to unsatisfied performance obligations as of 31 December 2018 will be recognised as revenue as the Group continue to perform to complete the construction, which is expected to occur over the next few years up to 2025. The amount disclosed above does not include variable consideration which is subject to significant risk of reversal.

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed.

(c) Assets recognised from costs to fulfil contracts

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to costs to fulfil long-term construction contracts. This is presented within other current assets in the balance sheet.

	Group 31 December 2018 S$'000	2017 S$'000
Other current assets		
Asset recognised from costs incurred to fulfil a contract	**3,229**	5,209
Amortisation recognised as cost of sales during the period	**1,980**	–

Contract fulfilment cost relates to costs incurred for purchase of project-specific materials that will be used in a specific construction contract. These costs are amortised to the profit or loss as cost of sales on a basis consistent with the pattern of consumption of the materials.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5. Other income

	Group 2018 S$'000	Group 2017 S$'000
Interest income		
– Investment securities		
– measured at amortised cost	-	686
– measured at FVOCI/available-for-sale	91	207
– measured at fair value through profit or loss	2,932	–
– Amortisation of non-current other receivables [Note 14(vi)]	1,558	619
– Loans to joint ventures	920	1,707
– Bank deposits and others	508	113
	6,009	3,332
Dividend income	-	1
Compensation income	-	6,173
Other income	596	963
	6,605	10,469

In 2017, compensation income pertained to compensation from the government authority for early termination of land lease recognised by a subsidiary in China.

6. Other (losses)/gains – net

	Group 2018 S$'000	Group 2017 S$'000
Fair value loss on investment securities [Note 13(a)]	(2,902)	(3)
Fair value gain on investment properties (Note 22)	1,755	267
Gain on disposal of property, plant and equipment	810	70
Gain on disposal of a joint venture (Note 20)	-	11,563
Net foreign exchange gain/(loss)	40	(883)
Other losses	-	(64)
	(297)	10,950

7. Expenses by nature

	Group 2018 S$'000	Group 2017 S$'000
Write-back of allowance for impairment of trade receivables included in "distribution and marketing expenses" [Note 14(iv)]	(1,205)	(523)
Allowance/(write-back of allowance) for impairment of loans to joint ventures included in "other expenses" [Note 16(ii)]	526	(9,379)
Changes in inventories of raw material, work-in-progress and finished goods	2,391	(947)
Contractor and material costs included in "cost of sales"	245,173	254,112
Depreciation of property, plant and equipment (Note 23)	10,573	10,154
Impairment of property, plant and equipment [Note 23(vi)]	-	2,845
Employee compensation (Note 8)	68,430	66,783
Freight, shipping, transport and travelling expenses	1,327	3,056
Purchases of raw material, finished goods and consumables	50,947	56,351
Rental expenses	7,951	7,279
Repair and maintenance expenses	3,487	3,978
Utilities	1,484	1,944
Other expenses	12,333	11,103
	403,417	406,756

8. Employee compensation

	Group 2018 S$'000	Group 2017 S$'000
Wages and salaries	55,022	61,841
Employer's contribution to defined contribution plans including Central Provident Fund	3,656	3,340
Other staff benefits	9,752	1,602
	68,430	66,783

The compensation to key management personnel, including directors' remuneration, is separately disclosed in Note 34(b).

9. Finance expenses

	Group	
	2018	2017
	S$'000	S$'000
Interest expenses		
– Banking facilities	**4,341**	2,268
– Finance lease	**174**	194
– Notes payables	**3,581**	2,854
– Joint venture	**388**	775
– Amortisation of non-current payables [Note 25(iii)]	**271**	112
	8,755	6,203
Less: Interest capitalised in property, plant and equipment and development properties	**(412)**	(806)
	8,343	5,397

10. Income taxes

(a) Income tax expense

	Group	
	2018	2017
	S$'000	S$'000
Tax expense attributable to profit is made up of:		
– Current income tax [Note 10(b)]	**761**	864
– Deferred income tax [Note 10(c)]	**518**	(153)
	1,279	711
Under/(over) provision in prior financial years:		
– Current income tax [Note 10(b)]	**288**	320
– Deferred income tax [Note 10(c)]	**(574)**	(136)
	993	895

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2018	2017
	S$'000	S$'000
Profit before income tax	**10,243**	26,905
Share of profit of associated companies	**(312)**	(262)
Share of profit of joint ventures	**(11,738)**	(13,561)
Profit before income tax and share of profit of associated companies and joint ventures	**(1,807)**	13,082
Tax calculated at a tax rate of 17% (2017: 17%)	**(307)**	2,224
Effects of:		
Expenses not deductible for tax purposes	**688**	1,385
Income not subject to tax	**(308)**	(5,112)
Unrecognised deferred tax benefits	**1,389**	3,749
Tax incentives	**(75)**	(113)
Utilisation of previously unrecognised		
– Tax losses	**(268)**	(997)
– Capital allowances	**(171)**	(652)
Effect of different tax rates in other countries	**240**	200
(Over)/under provision in prior financial years	**(286)**	184
Others	**91**	27
Tax charge	**993**	895

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

10. Income taxes *(continued)*

(b) Movement in current income tax (receivables)/liabilities

	Group		Company	
	2018	2017	**2018**	2017
	S$'000	S$'000	**S$'000**	S$'000
Balance at 1 January	**1,485**	3,289	**65**	3
Currency translation differences	**6**	–	**-**	–
Income tax paid	**(2,932)**	(2,988)	**-**	(59)
Utilisation of group relief	**-**	–	**(197)**	–
Tax expense [Note 10(a)]	**761**	864	**82**	65
Under provision in prior financial years [Note 10(a)]	**288**	320	**132**	56
Balance at 31 December	**(392)**	1,485	**82**	65

The amounts of current income tax (receivables)/liabilities are presented in the balance sheet as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Income tax receivables	**773**	–	–
Current income tax liabilities	**(381)**	(1,485)	(3,289)
	392	(1,485)	(3,289)

(c) Deferred income tax

The movement in the net deferred income tax is as follows:

	Group	
	2018	2017
	S$'000	S$'000
Balance at 1 January	**8,261**	8,559
Currency translation differences	**(6)**	(9)
Tax expense/(credit) [Note 10(a)]	**518**	(153)
Over provision in prior financial years [Note 10(a)]	**(574)**	(136)
Balance at 31 December	**8,199**	8,261

(d) Movements in deferred income tax

The movements in the Group's deferred income tax liabilities and assets (prior to offsetting of balances within the same tax jurisdiction) during the financial year are as follows:

	Accelerated tax depreciation	Revaluation reserve	Fair value adjustment on investment properties	Income taxed on completion basis and others	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
Deferred income tax liabilities					
Balance at 1 January 2018	**2,600**	**189**	**6,135**	**-**	**8,924**
(Credited)/charged to profit or loss	**(841)**	**-**	**439**	**-**	**(402)**
Balance at 31 December 2018	**1,759**	**189**	**6,574**	**-**	**8,522**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Income taxes *(continued)*

(d) Movements in deferred income tax *(continued)*

	Accelerated tax depreciation	Revaluation reserve	Fair value adjustment on investment properties	Income taxed on completion basis and others	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
Deferred income tax liabilities					
Balance at 1 January 2017	2,536	189	6,135	89	8,949
Currency translation differences	2	–	–	(1)	1
Charged/(credited) to profit or loss	62	–	–	(88)	(26)
Balance at 31 December 2017	2,600	189	6,135	–	8,924

	Provisions
Group	**S$'000**
Deferred income tax assets	
Balance at 1 January 2018	**(663)**
Currency translation differences	**(6)**
Charged to profit or loss	**346**
Balance at 31 December 2018	**(323)**
Balance at 1 January 2017	(390)
Currency translation differences	(10)
Credited to profit or loss	(263)
Balance at 31 December 2017	(663)

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

The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Deferred income tax liabilities	**8,199**	8,261	8,559

(e) Unutilised tax losses and capital allowances

As at 31 December 2018, the Group has unutilised tax losses of approximately S$45,894,000 (31 December 2017: S$42,551,000, 1 January 2017: $33,324,000) and unabsorbed capital allowances of approximately S$1,003,000 (31 December 2017: S$3,772,000, 1 January 2017: S$1,972,000) which can, subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation, be carried forward and utilised against future taxable profits. The unutilised tax losses and capital allowance do not have expiry dates. The deferred tax benefits on the unutilised tax losses and capital allowances of subsidiaries have not been recognised in the financial statements because of the uncertainty of future utilisation.

(f) There is no tax charge relating to each component of other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Earnings per share

(a) Basic earnings per share

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

	Group	
	2018	2017
Net profit attributable to equity holders of the Company (S$'000)	**6,612**	20,559
Weighted average number of ordinary shares in issue for computation of basic earnings per share ('000)	**412,502**	413,141
Basic earnings per share (in cents)	**1.60**	4.98

(b) Diluted earnings per share

There is no dilution of earnings per share for the financial years ended 31 December 2018 and 2017. Warrants of the Group's subsidiary, Koh Brothers Eco Engineering Limited, are not included in the calculation of diluted earnings per share above because they are antidilutive for the financial years presented.

12. Cash and bank balances

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	S$'000	S$'000	S$'000	**S$'000**	S$'000	S$'000
Cash and bank balances	**32,471**	58,569	34,723	**822**	11,186	134
Fixed deposits	**207**	6,254	8,504	**-**	–	–
	32,678	64,823	43,227	**822**	11,186	134

(i) For the purpose of presenting the consolidated statement of cash flows, cash and bank balances comprise of the following:

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Cash and bank balances (as above)	**32,678**	64,823	43,227
Less: Restricted cash	**(200)**	(3,255)	(1,337)
Cash and bank balances per consolidated statement of cash flows	**32,478**	61,568	41,890

(ii) The carrying amounts of fixed deposits approximate their fair values, as the fixed deposits bear interest at variable rates, which can be re-priced within a period of up to 12 months.

(iii) Included in the fixed deposits and cash and bank balances of the Group is an amount of S$200,000 (31 December 2017: S$3,255,000, 1 January 2017: S$1,337,000) pledged to banks for credit facilities granted.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Investment securities

	Group			Company	
	31 December		1 January	31 December	
	2018	2017	2017	**2018**	2017
	S$'000	S$'000	S$'000	**S$'000**	S$'000
Financial assets, at fair value through profit or loss [Note 13(a)]	**4,000**	37	40	**3,913**	3,090
Available-for-sale financial assets [Note 13(b)]	**-**	3,690	7,529	**-**	–
Financial assets, at FVOCI [Note 13(c)]	**46,326**	–	–	**-**	–
Short-term notes receivables [Note 13(d)]	**-**	56,671	5,963	**-**	–
	50,326	60,398	13,532	**3,913**	3,090
Less: Current portion	**47,953**	57,473	13,532	**3,913**	3,090
Non-current portion	**2,373**	2,925	–	**-**	–

(a) Financial assets, at fair value through profit or loss

	Group		Company	
	2018	2017	**2018**	2017
	S$'000	S$'000	**S$'000**	S$'000
Balance at 1 January	**37**	40	**3,090**	–
Reclassification at 1 January 2018*	**56,671**	–	**-**	–
Net acquisition	**127**	–	**1,693**	1,603
Fair value (loss)/gain during the financial year (Note 6)	**(2,902)**	(3)	**(870)**	1,487
Reclassification upon conversion of notes into quoted equity securities [Note 13(c)]	**(49,933)**	–	**-**	–
Balance at 31 December	**4,000**	37	**3,913**	3,090

* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

Financial assets, at fair value through profit and loss comprise the following:

	Group			Company	
	31 December		1 January	31 December	
	2018	2017	2017	**2018**	2017
	S$'000	S$'000	S$'000	**S$'000**	S$'000
Current					
Quoted equity shares – Singapore	**-**	37	40	**-**	–
Quoted warrants of a subsidiary – Singapore	**-**	–	–	**3,913**	3,090
Unquoted short-term structured notes	**1,000**	–	–	**-**	–
Unquoted convertible notes - Singapore	**3,000**	–	–	**-**	–
	4,000	37	40	**3,913**	3,090

The instruments are all mandatorily measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

13. Investment securities *(continued)*

(b) Available-for-sale financial assets

	Group	
	2018	2017
	S$'000	S$'000
Balance at 1 January	**3,690**	7,529
Reclassification at 1 January 2018*	**(3,690)**	–
Additions	**-**	2,991
Disposal	**-**	(6,525)
Fair value loss recognised in other comprehensive income [Note 30(b)(i)]	**-**	(305)
Balance at 31 December	**-**	3,690
Less: Current portion	**-**	(765)
Non-current portion	**-**	2,925

* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

Available-for-sale financial assets are analysed as follows:

	Group
	2017
Listed securities	S$'000
– SGD corporate fixed rate notes of 4.00% to 5.85% per annum due between October 2021 to June 2022	765
– Equity securities - Singapore	2,925
	3,690

(c) Financial assets, at FVOCI

	Group
	2018
	S$'000
Balance at 1 January	**-**
Reclassification at 1 January 2018*	**3,690**
Additions	**1,000**
Reclassification upon conversion of notes into quoted equity securities [Note 13(a)]	**49,933**
Disposal	**(518)**
Fair value losses recognised in other comprehensive income [Note 30(b)(i)]	**(7,779)**
Balance at 31 December	**46,326**
Less: Current portion	**(43,953)**
Non-current portion	**2,373**

* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

Financial assets, at FVOCI are analysed as follows:

Listed securities	
– SGD corporate fixed rate notes of 4.00% to 6.35% per annum due between July 2021 to June 2022	**1,752**
– Equity securities - Singapore	**1,384**
– Equity securities - USA	**43,190**
	46,326

During the financial year ended 31 December 2018, the Group partially disposed several listed equity securities as the underlying investment was no longer aligned with the Group's long-term investment strategy. These instruments were disposed for S$469,000. The accumulated fair value loss on disposal amounted to S$68,000 (net of tax) and was reclassified from fair value reserve to retained profits.

13. Investment securities *(continued)*

(d) Short-term notes receivables

As at 31 December 2017, short-term notes receivables were unquoted structured notes denominated in Singapore Dollars, which borne coupon rate ranging from 5.91% to 6.82% (1 January 2017: 7.71% to 8.93%), and matured within a period of up to 3 months (1 January 2017: 1 month) from the balance sheet date.

14. Trade and other receivables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	S$'000	S$'000	S$'000	**S$'000**	S$'000	S$'000
Current						
Trade receivables						
Due from non-related parties	**70,943**	88,249	120,261	**-**	–	–
Due from non-controlling interests [Note 14(i)]	**1,183**	1,313	1,445	**-**	–	–
Due from a related party [Note 14(ii)]	**-**	260	163	**-**	–	–
Less: Allowance for impairment of trade receivables	**(4,741)**	(6,950)	(8,223)	**-**	–	–
Trade receivables – net	**67,385**	82,872	113,646	**-**	–	–
Other receivables						
Deposit	**3,636**	1,632	1,358	**6**	5	3
Prepayments	**222**	778	775	**-**	–	13
Due from a non-related party [Note 14(iii)]	**-**	4,006	–	**-**	–	–
Sundry debtors	**5,153**	12,743	17,784	**271**	1,058	–
Less: Allowance for impairment of other receivables	**(164)**	(164)	(231)	**-**	–	–
	76,232	101,867	133,332	**277**	1,063	16

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	S$'000	S$'000	S$'000	**S$'000**	S$'000	S$'000
Non-current						
Other receivables						
Prepayments [Note 14(v)]	**5,640**	–	–	**-**	–	–
Due from a non-related party [Note 14(vi) and Note 20]	**23,808**	22,250	–	**-**	–	–
	29,448	22,250	–	**-**	–	–

(i) The amount due from non-controlling interests is unsecured, interest-free and is repayable on demand.

(ii) In the previous financial year, the trade receivables due from a related party was related to amount due from a director of the Company.

(iii) The other receivables due from a non-related party was related to amounts due from a joint venture partner which were unsecured, borne interest rate ranging from 0.35% to 2.70% per annum and were fully repaid in 2018.

(iv) Write-back allowance for impairment of trade receivables of S$1,205,000 (2017: S$523,000) is recognised as reversal of expense and included in "distribution and marketing expenses".

(v) Non-current prepayments pertains to prepayments for certain property, plant and equipment which are not delivered on site as at year-end.

(vi) The non-current amount due from a non-related party are presented at amortised cost and computed based on cash flows discounted at market borrowing rate of 7% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. Amounts due from/(to) an associated company

The carrying amounts of trade balances due from/(to) an associated company approximate its fair values.

16. Amounts due from/(to) joint ventures

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Current assets			
Trade receivables from joint ventures	**1,718**	5,185	16,529
Loans to joint ventures	**40,099**	60,969	72,163
Less: Allowance for impairment of loans	**(3,783)**	(3,257)	(12,636)
	36,316	57,712	59,527
	38,034	62,897	76,056
Current liabilities			
Amount due to a joint venture (trade)	**(950)**	(775)	–
Amount due to a joint venture (non-trade)	**(15,507)**	(15,507)	(15,507)
	(16,457)	(16,282)	(15,507)

(i) The loans to the joint ventures are unsecured, bear interest rate ranging from 2.30% to 3.00% (31 December 2017: 0.40% to 3.00%, 1 January 2017: 2.30% to 2.50%) per annum and are repayable on demand, except for loans amounting to S$6,067,000, which are interest-free and repayable on demand.

(ii) Allowance for impairment of loan to joint ventures of S$526,000 (31 December 2017: write-back of allowance for impairment of S$9,379,000) is recognised as expense (31 December 2017: recognised as reversal of expense) and included in "other expenses".

(iii) The current non-trade amount due to a joint venture is unsecured, bears interest rate of 2.50% (31 December and 1 January 2017: 2.50%) per annum and is repayable on demand.

17. Inventories

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Raw materials	**3,909**	6,174	5,520
Work-in-progress	**-**	14	26
Finished goods	**3,042**	3,154	2,849
	6,951	9,342	8,395

The cost of inventories recognised as an expense and included in "cost of sales" amounted to S$53,338,000 (2017: S$55,404,000).

18. Development properties

	2018 S$'000	2017 S$'000	1 January 2017 S$'000
Development properties in progress	**127,578**	–	–
Completed development properties	**-**	–	1,189
	127,578	–	1,189

Details of the Group's major development properties in progress as at 31 December 2018 are as follows:

Property	**Tenure of land**	**Percentage of completion at 31.12.2018/ expected year of completion**	**Site area/ gross floor area (sq m)**	**Effective interest in property**
Site for residential development at Holland Road, Singapore	Freehold	0%/ First half of 2022	4,428/6,819	100%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. Investment in associated companies

	Group	
	2018	2017
	S$'000	S$'000
Balance at 1 January	**1,504**	1,347
Share of profits	**312**	262
Dividends received during the year	**(140)**	(105)
Balance at 31 December	**1,676**	1,504

Details of the associated companies are set out in Note 36. The associated companies have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also their principal place of business.

There are no associated companies as at 31 December 2018 and 2017 and as at 1 January 2017, which in the opinion of the directors, are individually material to the Group.

There are no contingent liabilities relating to the Group's interest in the associated companies.

20. Investment in joint ventures

Balance at 1 January	**90,923**	77,196
Share of profit	**11,738**	13,561
Dividend received during the year	**(11,000)**	(2,500)
Addition	**683**	2,677
Currency translation differences	**(65)**	(11)
Balance at 31 December	**92,279**	90,923

In 2017, the Group has disposed of its entire interest in a joint venture, Buildhome Pte. Ltd. which has S$nil carrying amount for a cash consideration of S$15,000,000 and a deferred consideration of S$5,800,000. As part of this transaction, the loans to joint venture (Note 16) were converted to S$18,000,000 promissory note [Note 14(vi)], which is due in 3 years and may be extended at the sole option of the Group for 2 further terms of 1 year each. The promissory note bears interest at 5% annually.

The Group also recognised certain liabilities (comprising mainly tax payable on the underlying properties of Buildhome Pte. Ltd.) in the future for expected gross payments of S$6,270,000 arising from the transaction [Note 25(iii)]. After the effects of discounting, the Group recognised a net gain on disposal of S$11,563,000 (Note 6).

Details of the joint ventures are set out in Note 36. The joint ventures have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

Summarised financial information of joint ventures

Set out below are the summarised financial information for material joint ventures. The information reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint ventures.

Material joint ventures have been aggregated by the businesses undertaken as they have similar risks and returns characteristics as follows:

- Property investment – Canberra Development Pte Ltd
- Property development – KBD Westwood Pte. Ltd., Phileap Pte. Ltd. and Daeryun Koh Brothers PFV Co. Ltd. (31 December 2017: KBD Westwood Pte. Ltd. and Phileap Pte. Ltd., 1 January 2017: KBD Westwood Pte. Ltd., Phileap Pte. Ltd. and Buildhome Pte. Ltd.)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Investment in joint ventures *(continued)*

Summarised statement of comprehensive income

	Property Investment		Property Development		Total	
	For the financial year ended 31 December		For the financial year ended 31 December		For the financial year ended 31 December	
	2018	2017	**2018**	2017	**2018**	2017
	S$'000	S$'000	**S$'000**	S$'000	**S$'000**	S$'000
Revenue	**24,443**	24,351	**152,206**	302,158	**176,649**	326,509
Expenses						
Include:						
– Interest expense	**(6,206)**	(4,969)	**(1,199)**	(1,284)	**(7,405)**	(6,253)
Profit before income tax	**14,381**	18,813	**5,418**	9,932	**19,799**	28,745
Income tax expense	**(1,276)**	(1,648)	**(971)**	(1,108)	**(2,247)**	(2,756)
Profit after tax and total comprehensive income	**13,105**	17,165	**4,447**	8,824	**17,552**	25,989
Dividends received from joint ventures	**3,000**	2,500	**8,000**	–	**11,000**	2,500

Summarised balance sheet

	Property Investment			Property Development			Total		
	As at 31 December		As at 1 January	As at 31 December		As at 1 January	As at 31 December		As at 1 January
	2018	2017	2017	**2018**	2017	2017	**2018**	2017	2017
	S$'000	S$'000	S$'000	**S$'000**	S$'000	S$'000	**S$'000**	S$'000	S$'000
Current assets	**40,742**	40,789	38,377	**207,761**	176,274	531,088	**248,503**	217,063	569,465
Include:									
– Cash and bank balances	**7,248**	8,097	6,159	**46,024**	4,647	8,467	**53,272**	12,744	14,626
Current liabilities	**(5,841)**	(7,215)	(9,002)	**(63,871)**	(85,663)	(309,891)	**(69,712)**	(92,878)	(318,893)
Include:									
– Financial liabilities (excluding trade and other payables)	**-**	–	–	**-**	–	(107,522)	**-**	–	(107,522)
Non-current assets	**360,039**	353,042	345,046	**678**	–	–	**360,717**	353,042	345,046
Non-current liabilities	**(221,277)**	(220,058)	(220,028)	**(152,416)**	(96,840)	(248,151)	**(373,693)**	(316,898)	(468,179)
Include:									
– Financial liabilities (excluding trade and other payables)	**(217,000)**	(217,000)	(217,000)	**(97,276)**	(44,200)	(195,494)	**(314,276)**	(261,200)	(412,494)
Net assets/(liabilities)	**173,663**	166,558	154,393	**(7,848)**	(6,229)	(26,954)	**165,815**	160,329	127,439

The information above reflects the amounts included in the financial statements of the joint ventures (and not the Group's share of those amounts).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Investment in joint ventures *(continued)*

Reconciliation of the summarised financial information

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

	Property Investment		**Property Development**		**Total**	
	As at 31 December		As at 31 December		As at 31 December	
	2018	2017	**2018**	2017	**2018**	2017
	S$'000	S$'000	**S$'000**	S$'000	**S$'000**	S$'000
Net asset/(liabilities) at beginning of the financial year	**166,558**	154,393	**(6,229)**	(26,954)	**160,329**	127,439
Reclassification from immaterial joint venture	**-**	–	**3,934**	–	**3,934**	–
Profit after tax and total comprehensive income	**13,105**	17,165	**4,447**	8,824	**17,552**	25,989
Dividend paid	**(6,000)**	(5,000)	**(10,000)**	–	**(16,000)**	(5,000)
Disposal of joint venture	**-**	–	**-**	11,901	**-**	11,901
Net asset/(liabilities) at end of the financial year	**173,663**	166,558	**(7,848)**	(6,229)	**165,815**	160,329
Interest in joint ventures	**86,831**	83,279	**977**	2,183	**87,808**	85,462
Impairment of loans to joint ventures (Note 16)	**-**	–	**3,783**	3,257	**3,783**	3,257
Carrying value	**86,831**	83,279	**4,760**	5,440	**91,591**	88,719
Add:						
Carrying value of individually immaterial joint ventures, in aggregate					**688**	2,204
Carrying value of Group's interest in joint ventures					**92,279**	90,923

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Investment in joint ventures *(continued)*

Information about immaterial joint ventures

The following table summarises, in aggregate, the Group's share of net profit/(loss) and other comprehensive income/(loss) of the individually immaterial joint ventures accounted for using the equity method:

	2018	2017
	S$'000	S$'000
Profit/(loss) after tax and total comprehensive income/(loss)	**5**	(462)

The immaterial joint ventures individually account for less than 2% of the Group's total assets or profit before tax.

21. Investment in subsidiaries and amounts due from/(to) subsidiaries

	Company	
	2018	2017
	S$'000	S$'000
Investment in subsidiaries		
Balance at 1 January		
– Quoted equity shares, at cost	**31,568**	22,548
– Unquoted equity shares, at cost	**68,069**	68,069
– Financial guarantee contracts	**14,480**	14,135
	114,117	104,752
Purchase of shares in a subsidiary	**122**	–
Subscription of right shares in a subsidiary	**17,792**	9,020
Increase in financial guarantee contracts	**330**	345
Balance at 31 December	**132,361**	114,117

	Company		
	31 December		1 January
	2018	2017	2017
Current	**S$'000**	S$'000	S$'000
Amount due from subsidiaries (trade)	**3,268**	4,135	1,770
Amount due from subsidiaries (non-trade) [Note 21(i)]	**62,357**	102,624	55,736
	65,625	106,759	57,506
Amount due to subsidiaries (trade)	**(1,356)**	(538)	–
Amount due to subsidiaries (non-trade) [Note 21(i)]	**(8,539)**	(5,323)	(25,693)
	(9,895)	(5,861)	(25,693)
Non-current			
Amount due to a subsidiary (non-trade)	**(19,011)**	(19,011)	–

(i) The current non-trade amounts due from/(to) subsidiaries are unsecured and interest-free, except for an amount of S$56,515,000 (31 December 2017: S$97,000,000, 1 January 2017: S$50,000,000) due from subsidiaries which bears interest rate at 5.16% per annum (31 December 2017: ranging from 5.00% to 5.16% per annum, 1 January 2017: at 5.00% per annum). The current amounts due from/(to) subsidiaries are repayable on demand and their fair values approximate their carrying amount.

(ii)

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Carrying value of non-controlling interests			
Koh Brothers Eco Engineering Limited and its subsidiaries	**23,610**	22,366	14,359
Other subsidiaries with immaterial non-controlling interests	**(313)**	(481)	(2,446)
	23,297	21,885	11,913

21. Investment in subsidiaries and amounts due from/(to) subsidiaries *(continued)*

Summarised financial information of subsidiaries with material non-controlling interests

Set out below is the summarised financial information for Koh Brothers Eco Engineering Limited and its subsidiaries which has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

	2018	2017
	S$'000	S$'000
Koh Brothers Eco Engineering Limited and its subsidiaries		
Summarised statement of comprehensive income		
Revenue	**328,815**	331,063
Profit before income tax	**7,021**	9,071
Income tax expense	**(1,081)**	(522)
Profit after tax	**5,940**	8,549
Other comprehensive (loss)/income	**(205)**	23
Total comprehensive income	**5,735**	8,572
Total comprehensive income allocated to non-controlling interests	**308**	545
Dividends paid to non-controlling interests	**(274)**	(477)

Summarised balance sheet

	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Current assets	**184,047**	157,152	152,602
Current liabilities	**(149,688)**	(141,475)	(145,354)
Total current net assets	**34,359**	15,677	7,248
Non-current assets	**66,050**	65,399	52,852
Non-current liabilities	**(6,934)**	(15,042)	(17,947)
Total non-current net assets	**59,116**	50,357	34,905
Net assets	**93,475**	66,034	42,153

Summarised cash flows

	2018	2017
	S$'000	S$'000
Net cash used in operating activities	**(46,128)**	(4,420)
Net cash (used in)/provided by in investing activities	**(11,979)**	2,620
Net cash provided by financing activities	**54,943**	6,647

Transactions with non-controlling interests

Change in ownership interest in subsidiaries due to stepped acquisition of remaining equity interest

During the financial year, the Company has subscribed to 433,000,000 rights shares in Koh Brothers Eco Engineering Limited ("KBE") amounting to S$17.8 million. In addition, the Company has purchased 2,386,600 shares in KBE from the market amounting to S$0.1 million. As result of these transactions which are considered deemed acquisitions of interest in an existing subsidiary, the Group increased its shareholding in KBE from 64.59% to 71.07%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Investment in subsidiaries and amounts due from/(to) subsidiaries *(continued)*

Transactions with non-controlling interests *(continued)*

Change in ownership interest in subsidiaries due to stepped acquisition of remaining equity interest *(continued)*

The effect of changes in the ownership interest of KBE on the equity attributable to owners of the Company is summarised as follows:

	Group
	2018
	S$'000
Carrying amount of non-controlling interests acquired in KBE	**4,145**
Transaction cost relating to restructuring recognised in equity	**(122)**
Difference recognised in parent's equity	**4,023**

In the previous financial year, the Group acquired the remaining 35% equity interest in Oiltek Nova Bioenergy Sdn. Bhd. ("ONSB") for a purchase consideration of MYR 1 (less than S$1) through its subsidiary Oiltek Sdn. Bhd., and the remaining 25% equity interest in G&W Global Pte. Ltd. (formerly known as USL-G&W Global Pte. Ltd.) ("GWGPL") through its subsidiary G&W Industrial Corporation Pte. Ltd. for a purchase consideration of S$1. The Group effectively owned 51.70% of ONSB and 100% of GWGPL.

The effect of changes in the ownership interest of both subsidiaries on reserves attributable to equity holders of the Company during the year was summarised as follows:

	ONSB	GWGPL	Total
	2017	2017	2017
Group	S$'000	S$'000	S$'000
Carrying amount of non-controlling interests acquired	36	601	637
Consideration paid to non-controlling interest	*	*	*
Amount recognised in equity holders' reserve	36	601	637

* Less than S$1,000

22. Investment properties

	Group	
	2018	2017
	S$'000	S$'000
Balance at 1 January	**90,973**	90,706
Addition	**855**	–
Fair value gain recognised in profit or loss (Note 6)	**1,755**	267
Currency translation difference	**(4)**	–
Balance at 31 December	**93,579**	90,973

The carrying amount of investment properties under construction that is accounted for at cost (Note 2.7) is S$851,000 (31 December and 1 January 2017: S$nil).

The following amounts are recognised in profit or loss:

	2018	2017
Rental income (Note 4)	**2,877**	2,642
Direct operating expenses arising from investment properties that generated rental income	**(1,855)**	(1,887)

(i) Investment properties are leased to third parties under operating leases [Note 32(b)].

(ii) Investment properties with carrying values totalling S$87,100,000 (31 December and 1 January 2017: S$87,100,000) are mortgaged to banks for credit facilities granted (Notes 26 and 28).

(iii) Details of the investment properties are set out in Note 37.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. Investment properties *(continued)*

Fair value hierarchy – Recurring fair value measurements

Description	Fair value measurements using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$'000	$'000	$'000
31 December 2018			
– Investment properties	**–**	**–**	**92,728**
31 December 2017			
– Investment properties	–	–	90,973
1 January 2017			
– Investment properties	–	–	90,706

Valuation technique and inputs used in Level 3 fair value measurements

The following table represents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy:

Description	Fair value as at 31 December 2018 ($'000)	Valuation Technique(s)	Unobservable inputs[1]	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	92,728 (31 December 2017: 90,973 1 January 2017: 90,706)	Income method	Monthly rental per square metre	S$90 to S$150 (31 December and 1 January 2017: S$3 to S$150) per square metre	The higher the rental value per square metre, the higher the fair value.
		Cost method	Cost per square metre	S$367 to S$454 per square metre	The higher the replacement cost per square metre, the higher the fair value
		Adjusted market comparison method	Market value per square metre	S$20,000 to S$30,000 (31 December and 1 January 2017: S$20,000 to S$30,000) per square metre	The higher the market value per square metre, the higher the fair value.

[1] There were no significant inter-relationships between unobservable inputs.

Valuation processes of the Group

The fair value of investment properties are determined annually by independent professional valuers at the end of every financial year based on the properties' highest and best use. They are carried at fair value at the balance sheet date.

At each financial year, management:

- provides all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation reports; and
- holds discussions with the independent valuers.

Changes in Level 3 fair values are analysed at each reporting date during management meetings. As part of this discussion, a report is presented to the Audit and Risk Committee that explains the reasons for the fair value movements.

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For the financial year ended 31 December 2018

23. Property, plant and equipment

Group	Freehold land S$'000	Buildings on freehold land S$'000	Leasehold land and buildings S$'000	Plant and machinery S$'000	Motor vehicles S$'000	Furniture, fittings, office and hotel equipment S$'000	Assets under construction S$'000	Total S$'000
Cost or valuation								
At 1 January 2018								
Cost	25,889	18,455	18,877	83,080	26,795	13,808	11,342	198,246
Independent valuation in 1993 [Note 23(iii)]	16,250	6,487	5,489	–	–	–	–	28,226
	42,139	24,942	24,366	83,080	26,795	13,808	11,342	226,472
Currency translation differences	(10)	(3)	33	(6)	(2)	(22)	–	(10)
Additions	–	32	–	17,639	1,091	714	347	19,823
Transfers	–	–	9,433	–	–	–	(9,433)	–
Disposals	–	–	(5,742)	(4,645)	(702)	(84)	–	(11,173)
Write off	–	–	–	(90)	(209)	(776)	–	(1,075)
At 31 December 2018	42,129	24,971	28,090	95,978	26,973	13,640	2,256	234,037
Represented by:								
Cost	25,879	18,484	22,601	95,978	26,973	13,640	2,256	205,811
Independent valuation in 1993 [Note 23(iii)]	16,250	6,487	5,489	–	–	–	–	28,226
	42,129	24,971	28,090	95,978	26,973	13,640	2,256	234,037
Accumulated depreciation and impairment losses								
At 1 January 2018	2,845	10,091	9,833	68,876	16,318	10,442	–	118,405
Currency translation differences	–	–	34	28	(3)	(18)	–	41
Disposals	–	–	(2,153)	(4,396)	(565)	(59)	–	(7,173)
Write off	–	–	–	(85)	(197)	(770)	–	(1,052)
Depreciation charge (Note 7)	–	189	1,195	5,597	2,760	832	–	10,573
At 31 December 2018	2,845	10,280	8,909	70,020	18,313	10,427	–	120,794
Net book value at 31 December 2018	**39,284**	**14,691**	**19,181**	**25,958**	**8,660**	**3,213**	**2,256**	**113,243**

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For the financial year ended 31 December 2018

23. Property, plant and equipment *(continued)*

Group	Freehold land S$'000	Buildings on freehold land S$'000	Leasehold land and buildings S$'000	Plant and machinery S$'000	Motor vehicles S$'000	Furniture, fittings, office and hotel equipment S$'000	Assets under construction S$'000	Total S$'000
Cost or valuation								
At 1 January 2017								
Cost	25,755	18,440	19,214	79,303	26,114	13,547	6,686	189,059
Independent valuation in 1993 [Note 23(iii)]	16,250	6,487	5,489	–	–	–	–	28,226
	42,005	24,927	24,703	79,303	26,114	13,547	6,686	217,285
Currency translation differences	134	15	16	89	(2)	(29)	–	223
Additions	–	–	–	5,470	1,420	412	4,656	11,958
Disposals	–	–	–	(254)	(679)	(43)	–	(976)
Write off	–	–	(353)	(1,528)	(58)	(79)	–	(2,018)
At 31 December 2017	42,139	24,942	24,366	83,080	26,795	13,808	11,342	226,472
Represented by:								
Cost	25,889	18,455	18,877	83,080	26,795	13,808	11,342	198,246
Independent valuation in 1993 [Note 23(iii)]	16,250	6,487	5,489	–	–	–	–	28,226
	42,139	24,942	24,366	83,080	26,795	13,808	11,342	226,472
Accumulated depreciation and impairment losses								
At 1 January 2017	–	9,842	9,318	64,748	14,197	10,301	–	108,406
Currency translation differences	–	61	(10)	(28)	(3)	(77)	–	(57)
Disposals	–	–	–	(254)	(650)	(38)	–	(942)
Write off	–	–	(353)	(1,519)	(52)	(77)	–	(2,001)
Depreciation charge (Note 7)	–	188	878	5,929	2,826	333	–	10,154
Impairment loss	2,845	–	–	–	–	–	–	2,845
At 31 December 2017	2,845	10,091	9,833	68,876	16,318	10,442	–	118,405
Net book value at 31 December 2017	39,294	14,851	14,533	14,204	10,477	3,366	11,342	108,067

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. Property, plant and equipment *(continued)*

(i) The carrying amounts of property, plant and equipment acquired under finance leases are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Plant and machinery	**5,590**	6,833	5,381
Motor vehicles	**2,272**	4,484	6,146
Office equipment	**4**	6	8
	7,866	11,323	11,535

(ii) Included within additions in the consolidated financial statements are property, plant and equipment acquired under finance leases amounting to S$2,310,000 (2017: S$4,709,000).

(iii) The valuation made in 1993, in connection with the listing of the Company, was performed by Messrs Knight Frank, Cheong Hock Chye & Baillieu (Property Consultants) Pte Ltd, a firm of independent valuers based on an open market existing use basis as at 31 December 1993.

(iv) If the revalued property, plant and equipment had been included in the financial statements at cost less accumulated depreciation, their net book values would be as follows:

Freehold land	**15,293**	15,293	15,293
Buildings on freehold land	**3,377**	3,421	3,465
Leasehold land and buildings	**147**	281	416

(v) At 31 December 2018, freehold land, buildings on freehold land and leasehold land and buildings with a carrying value of S$57,516,000 (31 December 2017: S$57,469,000, 1 January 2017: S$52,828,000) are mortgaged to banks for credit facilities granted (Notes 26 and 28).

(vi) In 2017, a freehold land was written down to its recoverable amount which was determined by reference to fair value less costs of disposal, based on valuation by an independent professional valuer. The main valuation input used was price per square metre. The fair value was classified within level 3 of the fair value hierarchy. The impairment loss of S$2,845,000 was recognised as an expense and included in "other expenses".

(vii) The Group's major properties included in property, plant and equipment are as follows:

Name and location	Description	Tenure
Koh Brothers Building 11 Lorong Pendek Singapore	Industrial building	Freehold
Oxford Hotel 218 Queen Street Singapore	Hotel	Freehold
65 Sungei Kadut Drive Singapore	Factory-cum-office building	35 years from 16 December 1990
50 Tuas Crescent Singapore	Factory-cum-office building	60 years from 16 July 1982
PTD 103250, Jalan Idaman 3/9, Taman Perindustrian Senai, Johor Malaysia	Factory-cum-office building	Freehold
1 Tuas South Street 6 Singapore	Industrial building	22.5 years from 2 May 2013
15 Genting Lane Singapore	Industrial land	Freehold
1 Jalan Bioteknologi 3 Kawasan Perindustrian SiLC, Nusajaya Johor, Malaysia	Industrial building	Freehold
Lot 6 Jalan Pasaran 23/5 Kawasan Miel, Shah Alam, Selangor Darul Ehsan, Malaysia	Factory-cum-office building	99 years from 15 August 1997

24. Goodwill

	Group	
	2018	2017
	S$'000	S$'000
Cost		
Balance at 1 January and 31 December	**5,078**	5,078

Impairment tests for goodwill

Goodwill arising from the Group's acquisition of Koh Brothers Eco Engineering Limited and its subsidiaries is allocated to the "Bio-Refinery and Bio-Energy" cashgenerating unit ("CGU").

The Group tests the CGU annually for impairment or more frequently if there are indicators that the goodwill might be impaired.

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a one-year period.

Key assumptions used for value-in-use calculations

	Group	
	2018	2017
Gross margin (1)	**20%**	22%
Terminal growth rate (2)	**2%**	2%
Discount rate (3)	**14%**	14%

(1) Budgeted gross margin

(2) Weighted average growth rate used to extrapolate cash flows beyond the budget period

(3) Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions were used for the analysis of the CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments. The sensitivity analysis of the recoverable amount of the CGU is set out in Note 3.1(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25. Trade and other payables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	S$'000	S$'000	S$'000	**S$'000**	S$'000	S$'000
Current						
Trade payables						
Due to non-related parties	**101,651**	85,078	84,148	**-**	–	–
Retention due to subcontractors on construction contracts	**13,607**	11,693	8,303	**-**	–	–
Other payables						
Accruals for operating expenses	**11,916**	19,408	18,853	**1,373**	2,418	136
Sundry payables	**959**	1,030	9,820	**-**	–	–
Deposits and advances received	**1,907**	1,779	2,525	**-**	–	–
Due to non-controlling interests [Note 25(i)]	**427**	1,583	1,733	**-**	–	–
Due to directors [Note 25(ii)]	**734**	684	511	**565**	565	472
Indirect taxes payable	**443**	647	1,673	**-**	–	6
Provision for onerous contracts [Note 25(iv)]	**340**	852	1,199	**-**	–	–
	131,984	122,754	128,765	**1,938**	2,983	614
Non-current						
Retention due to subcontractors on construction contracts	**4,170**	11,841	7,707	**-**	–	–
Due to non-related parties [Note 20 and Note 25(iii)]	**5,452**	5,581	–	**-**	–	–
	9,622	17,422	7,707	**-**	–	–

(i) The non-trade amounts due to non-controlling interests are unsecured, interest-free and are repayable on demand.

(ii) The amounts due to directors are unsecured, interest-free and are repayable on demand.

(iii) The non-current other payables due to non-related parties are presented at amortised cost and computed based on cash flows discounted at market borrowing rates of equivalent instrument of 5% per annum.

(iv) Provision for onerous contracts

	Group
	2018
	S$'000
Balance at 1 January	**852**
Provision utilised	**(512)**
Balance at 31 December	**340**

Provision for onerous contracts is in respect of remaining expected losses arising from noncancellable construction contracts where the expected total contract costs exceeds the total contract sum, and is expected to be utilised as these contracts progress towards completion.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. Short-term borrowings and finance leases

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Bills payable			
– Unsecured	**11,839**	–	1,980
Short-term bank loans			
– Secured [Note 26(ii)]	**23,742**	1,502	–
– Unsecured	**33,200**	8,800	20,796
	56,942	10,302	20,796
Term loans payable within one year (Note 28)			
– Secured	**1,861**	1,386	2,977
Finance lease payables within one year (Note 27)	**2,951**	2,931	2,471
	73,593	14,619	28,224

(i) The bills payable are denominated in Euro (1 January 2017: Singapore Dollar) and bear interest ranging from 1.2% to 2.25% (1 January 2017: 2.65%) per annum.

Weighted average effective interest rates per annum of short-term bank loans at the balance sheet date is 3.20% (31 December 2017: 2.59%, 1 January 2017: 2.42%) per annum.

(ii) As at 31 December 2017, the short-term bank loans are secured over a fixed deposit with the bank (Note 12).

27. Finance leases

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Minimum lease payments due:			
– Not later than one year	**3,062**	3,079	2,592
– Between one and five years	**2,443**	3,771	2,859
	5,505	6,850	5,451
Less: Future finance charges	**(212)**	(285)	(225)
Present value of finance lease liabilities	**5,293**	6,565	5,226

The Group leases certain plant and machinery and motor vehicles from non-related parties under finance leases.

The present value of finance lease liabilities is analysed as follows:

Current liabilities			
– Not later than one year (Note 26)	**2,951**	2,931	2,471
Non-current liabilities			
– Between one and five years	**2,342**	3,634	2,755
Present value of finance lease liabilities	**5,293**	6,565	5,226

The weighted average effective interest rate of finance leases at the balance sheet date is 2.73% (31 December 2017: 2.58%, 1 January 2017: 2.41%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Bank borrowings

	Due within one year			Due after one year		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
Group	**S$'000**	S$'000	S$'000	**S$'000**	S$'000	S$'000
Term loans (secured)	**1,861**	1,386	2,977	**176,130**	72,890	58,963
		(Note 26)				

Details of the term loans are as follows:

(i) Term loans of S$27,663,000 (31 December 2017: S$27,987,000, 1 January 2017: S$8,211,000) are secured by way of a first legal mortgage on a freehold property [Note 23(v)]. Term Loan I amounting to S$6,863,000 (31 December and 1 January 2017: S$7,187,000) is repayable in equal monthly instalment basis up to 30 June 2035 (31 December 2017: 30 June 2035, 1 January 2017: 31 December 2020). Term Loan II amounting to S$20,800,000 is interest servicing only for the first 2.5 years upon drawdown in June 2017 and will subsequently be converted into a 20 years term loan repayable in equal instalment thereafter.

(ii) Term loans of S$16,700,000 (31 December 2017: S$15,200,000, 1 January 2017: S$21,700,000) are secured by way of a first legal mortgage over the Group's investment property [Note 22(ii)], assignments 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 property. The loans are fully repayable by 24 January 2023 (31 December and 1 January 2017: 24 July 2019).

(iii) A term loan of S$24,800,000 (31 December and 1 January 2017: S$24,800,000) is secured by way of a first legal mortgage over the Group's investment property [Note 22(ii)], assignments 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 property. The loan is fully repayable on 24 January 2023 (31 December and 1 January 2017: 24 July 2019).

(iv) Term loans of S$3,513,000 (31 December 2017: S$3,818,000, 1 January 2017: S$4,117,000) are secured by way of first legal mortgage over the Group's investment properties [Note 22(ii)]. The loans are repayable for the first 24 instalments from the date of first partial disbursement of the loan and a term of 15 years up to 31 March 2030.

(v) Term loans of S$1,719,000 (31 December 2017: S$2,471,000, 1 January 2017: S$3,112,000) are secured by way of first legal mortgage on freehold land [Note 23(v)]. The loans are repayable in 60 monthly instalments commencing from January 2016.

(vi) A term loan of S$100,184,000 is secured by way of first legal mortgage over the Group's development property (Note 18). The term loan is fully repayable on 7 June 2022 or 6 months after the date of issuance of the Temporary Occupation Permit, whichever is earlier.

(vii) A term loan of S$3,412,000 is secured by way of first legal mortgage on freehold land [Note 23(v)]. It is repayable in 60 months instalments commencing from 5 December 2018.

(viii) The carrying amounts of the non-current term loans approximate their fair values, as the term loans bear interest at variable rates, which are re-priced within a period of up to six months. These term loans can be contractually re-priced at one, two, three or six monthly intervals.

(ix) The weighted average effective interest rate at the balance sheet date is 2.88% (31 December 2017: 2.55%, 1 January 2017: 2,39%) per annum.

29. Notes payables

The Company has established a S$250 million Multicurrency Medium Term Note programme, under which the Company may, from time to time, issue notes in series or tranches in Singapore Dollars or in other currencies, in various amounts and tenors and interest rates agreed between Company and the relevant dealer. The net proceeds arising from the issue of notes will be used for general corporate purposes, financing investments and general working capital of the Group.

The Company issued the first series of notes amounting to S$50,000,000 in July 2014. The notes borne a fixed rate of 4.80% per annum payable semi-annually in arrear and were due on 2 January 2018. These were fully repaid during the financial year.

The Company issued the second series of notes amounting to S$70,000,000 in October 2017. The notes bear a fixed rate of 5.10% per annum payable semi-annually in arrear and are due on 27 October 2022.

At the balance sheet date, the carrying amounts of the notes payables approximate its fair values.

NOTES TO THE FINANCIAL STATEMENTS

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30. Share capital, treasury shares and reserves

Group and Company	No. of ordinary shares: Issued share capital '000	No. of ordinary shares: Treasury shares '000	Amount: Share capital S$'000	Amount: Treasury shares S$'000
2018				
Balance at 1 January	**438,000**	**(25,315)**	**36,981**	**(7,910)**
Treasury shares purchased	**-**	**(226)**	**-**	**(73)**
Balance at 31 December	**438,000**	**(25,541)**	**36,981**	**(7,983)**
2017				
Balance at 1 January	438,000	(24,320)	36,981	(7,614)
Treasury shares purchased	–	(995)	–	(296)
Balance at 31 December	438,000	(25,315)	36,981	(7,910)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

(a) Treasury shares

The Company acquired 225,800 (2017: 995,000) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was S$73,000 (2017: S$296,000) and this was presented as a component within shareholders' equity.

(b) Other reserves

	Group 31 December 2018 S$'000	Group 31 December 2017 S$'000	Group 1 January 2017 S$'000
Composition			
Fair value reserve	**(8,485)**	(700)	(486)
Capital reserve	**1,689**	1,689	1,689
	(6,796)	989	1,203

Movements

	2018 S$'000	2017 S$'000
(i) Fair value reserve		
Balance at 1 January	**(700)**	(486)
Change in ownership interests in subsidiaries [Note 21(a)]	**(57)**	–
Transfer to retained profits upon disposal of equity investment in financial assets, at FVOCI	**68**	–
Fair value losses on financial assets, at FVOCI/ available-for-sale financial assets (Note 13)	**(7,779)**	(305)
Reclassified to profit or loss on disposal of available-for-sales financial assets	**-**	17
	(7,779)	(288)
Less: Non-controlling interests	**(17)**	74
Balance at 31 December	**(8,485)**	(700)
(ii) Capital reserve		
Balance at 1 January and at 31 December	**1,689**	1,689

As at 31 December 2018 and 2017 and 1 January 2017, capital reserve comprises goodwill in relation to acquisitions of subsidiaries prior to 1 January 2001.

Other reserves are not available for dividend distribution.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Share capital, treasury shares and reserves *(continued)*

(c) Retained profits

Retained profits of the Group are distributable except for accumulated retained profits of associated companies amounting to S$829,000 (31 December 2017: S$657,000, 1 January 2017: S$500,000). Retained profits of the Company are fully distributable.

(d) Currency translation reserve

	Group	
	2018	2017
	S$'000	S$'000
Balance at 1 January	**(8,916)**	(9,361)
Change in ownership interests in subsidiaries	**(142)**	4
Net currency translation differences of financial statements of foreign operations	**(261)**	557
Less: Non-controlling interests	**180**	(116)
Balance at 31 December	**(9,139)**	(8,916)

31. Dividend

	Company	
	2018	2017
	S$'000	S$'000
Special dividend paid in respect of the previous financial year ended of 0.40 cent (2017: nil cent) per share	**1,650**	–
Final dividend paid in respect of the previous financial year ended of 0.60 cent (2017: 0.35 cent) per share	**2,475**	1,446

At the forthcoming Annual General Meeting, a final cash dividend of 0.40 cent per share amounting to a total of S$1,650,000 will be recommended. These financial statements do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2019.

32. Commitments

(a) Operating lease commitments – where a group company is a lessee

The Group leases various lands and buildings from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Not later than one year	**4,791**	4,125	3,848
Between one and five years	**5,883**	5,618	4,753
Later than five years	**6,654**	7,521	8,639
Total	**17,328**	17,264	17,240

(b) Operating lease commitments – where a group company is a lessor

The Group leases out commercial space to non-related parties under noncancellable operating leases. The lessees are required to pay either absolute fixed annual increases to the lease payments or contingent rents computed based on their sales achieved during the lease period.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

Not later than one year	**506**	810	967
Between two and five years	**15**	313	952
	521	1,123	1,919

32. Commitments *(continued)*

(c) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group 2018 S$'000
Property, plant and equipment	**27,986**

The contracts are entered into with non-related parties.

33. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. Where possible, the Group seeks to match assets and liabilities of the same currency. Derivative financial instruments are only used where necessary to reduce exposure to fluctuation in foreign exchange rates and interest rates.

(a) Market risk

(i) Currency risk

The Group operates mainly in Asia with operations mainly in Singapore, Malaysia, Indonesia, South Korea and China. Entities in the Group transact predominantly in their respective functional currencies, except for balances between entities in the Group.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), United States Dollar ("USD"), Euro ("EUR") and Chinese Renminbi ("RMB"). The Group monitors the foreign currency exchange rate movements closely to ensure that its exposures are minimised. The Group has investments in foreign subsidiaries and is exposed to currency translation risk.

The Group's currency exposure is as follows:

Group	SGD S$'000	USD S$'000	EUR S$'000	Others S$'000	Total S$'000
At 31 December 2018					
Financial assets					
Cash and bank balances	19,405	7,659	64	5,550	32,678
Investment securities	7,136	43,190	–	–	50,326
Trade and other receivables	90,274	6,595	117	2,832	99,818
Amount due from associated companies	45	–	–	–	45
Amount due from joint ventures	34,362	–	–	3,672	38,034
Inter-company balances	52,685	–	–	1,296	53,981
	203,907	57,444	181	13,350	274,882
Financial liabilities					
Borrowings	(304,602)	–	(11,839)	(5,624)	(322,065)
Trade and other payables	(130,646)	(1,152)	(1,999)	(7,469)	(141,266)
Amounts due to joint ventures	(16,457)	–	–	–	(16,457)
Inter-company balances	(52,685)	–	–	(1,296)	(53,981)
	(504,390)	(1,152)	(13,838)	(14.389)	(533,769)
Net financial assets/(liabilities)	(300,483)	56,292	(13,657)	(1,039)	(258,887)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currency	303,632	–	–	15,681	319,313
Net currency exposure	**3,149**	**56,292**	**(13,657)**	**14,642**	**60,426**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. Financial risk management *(continued)*

(a) Market risk *(continued)*

(i) Currency risk (continued)

Group	SGD S$'000	USD S$'000	RMB S$'000	Others S$'000	Total S$'000
At 31 December 2017					
Financial assets					
Cash and bank balances	51,425	6,520	1,481	5,397	64,823
Investment securities	60,398	–	–	–	60,398
Trade and other receivables	101,884	5,441	6,353	9,661	123,339
Amount due from joint ventures	59,127	–	–	3,770	62,897
Inter-company balances	31,660	259	1,491	318	33,728
	304,494	12,220	9,325	19,146	345,185
Financial liabilities					
Borrowings	(194,171)	–	–	(3,972)	(198,143)
Trade and other payables	(121,851)	(1,217)	(5,525)	(10,731)	(139,324)
Amount due to associated companies	(456)	–	–	(52)	(508)
Amounts due to joint ventures	(16,282)	–	–	–	(16,282)
Inter-company balances	(31,660)	(259)	(1,491)	(318)	(33,728)
	(364,420)	(1,476)	(7,016)	(15,073)	(387,985)
Net financial assets/(liabilities)	(59,926)	10,744	2,309	4,073	(42,800)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currency	52,621	–	393	(1,687)	51,327
Net currency exposure	(7,305)	10,744	2,702	2,386	8,527

Group	SGD S$'000	USD S$'000	RMB S$'000	Others S$'000	Total S$'000
At 1 January 2017					
Financial assets					
Cash and bank balances	24,864	11,145	258	6,960	43,227
Investment securities	13,532	–	–	–	13,532
Trade and other receivables	123,167	2,673	2,274	4,443	132,557
Amount due from joint ventures	76,056	–	–	–	76,056
Inter-company balances	213,965	–	2,535	224	216,724
	451,584	13,818	5,067	11,627	482,096
Financial liabilities					
Borrowings	(134,954)	(1,043)	(834)	(3,111)	(139,942)
Trade and other payables	(118,447)	(936)	(6,252)	(9,638)	(135,273)
Amount due to associated companies	(469)	–	–	(16)	(485)
Amounts due to joint ventures	(15,507)	–	–	–	(15,507)
Inter-company balances	(213,965)	–	(2,535)	(224)	(216,724)
	(483,342)	(1,979)	(9,621)	(12,989)	(507,931)
Net financial assets/(liabilities)	(31,758)	11,839	(4,554)	(1,362)	(25,835)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currency	26,372	–	7,296	2,743	36,411
Net currency exposure	(5,386)	11,839	2,742	1,381	10,576

As at 31 December 2018 and 2017 and 1 January 2017, the Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies. All financial assets and financial liabilities are denominated in SGD.

33. Financial risk management *(continued)*

(a) Market risk *(continued)*

(i) Currency risk (continued)

If the USD, RMB and EUR changes against the SGD by 5% (31 December and 1 January 2017: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial assets and liabilities on profit after tax and other comprehensive income will be as follows:

	Increase/(decrease)					
	31 December 2018		31 December 2017		1 January 2017	
	Profit after tax	**Other comprehensive income**	Profit after tax	Other comprehensive income	Profit after tax	Other comprehensive income
	S$'000	**S$'000**	S$'000	S$'000	S$'000	S$'000
Group						
USD against SGD						
– Strengthened	**544**	**2,160**	446	–	491	–
– Weakened	**(544)**	**(2,160)**	(446)	–	(491)	–
RMB against SGD						
– Strengthened	**#**	**#**	112	(32)	114	(206)
– Weakened	**#**	**#**	(112)	32	(114)	206
EUR against SGD						
– Strengthened	**(567)**	**-**	*	*	*	*
– Weakened	**567**	**-**	*	*	*	*

The currency risk for RMB is insignificant as at 31 December 2018

* The currency risk for EUR was insignificant as at 31 December and 1 January 2017

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. Financial risk management *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to cash flow interest rate risks arises mainly from the Group's debt obligations. The Group manages its cash flow interest rate risks by adopting a preference for fixed rate instruments over variable-rate instruments.

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 1% (31 December and 1 January 2017: 1%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by S$2,048,000 (31 December 2017: S$702,000, 1 January 2017: S$680,000) as a result of higher/lower interest expense on these borrowings.

(iii) Price risk

The Group is exposed to equity and debt securities price risk arising from the quoted investments held by the Group which are classified either as financial assets, at fair value through profit or loss, available-for-sale financial assets or financial assets, at FVOCI. Some of these securities are listed in Singapore and the United States. The Group is not exposed to commodity price risk.

If prices for equity securities and debt securities listed in Singapore and United State change by 10% (31 December and 1 January 2017: 10%) with all other variables including tax rate being held constant, the profit after tax and other comprehensive income will be:

	Increase/(decrease)					
	31 December 2018		31 December 2017		1 January 2017	
	Profit after tax	**Other comprehensive income**	Profit after tax	Other comprehensive income	Profit after tax	Other comprehensive income
	S$'000	**S$'000**	S$'000	S$'000	S$'000	S$'000
Group						
Listed in Singapore						
– Increased by 10%	**-**	**314**	4	369	4	753
– Decreased by 10%	**-**	**(314)**	(4)	(369)	(4)	(753)
Listed in United States						
– Increase by 10%	**-**	**4,319**	–	–	–	–
– Decrease by 10%	**-**	**(4,319)**	–	–	–	–

The Company is not exposed to price risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. Financial risk management *(continued)*

(b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, where cash term, advance payments, bankers' guarantees and performance bonds are required for customers of lower credit standing; and
- High credit quality counterparties.

The Group's investments in quoted debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except for corporate guarantees as follows:

	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Group			
Corporate guarantees provided to banks on			
- Joint ventures' loan	**114,750**	153,807	332,563
Company			
Corporate guarantees provided to banks on			
– Subsidiaries' loan	**212,903**	72,198	66,482
- Joint ventures' loan	**114,750**	153,807	332,563

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
By geographical areas			
Singapore	**56,638**	70,069	104,652
China	**427**	1,196	1,411
Malaysia	**1,870**	4,652	3,342
Others	**8,450**	6,955	4,241
	67,385	82,872	113,646
By industry sectors			
Construction and Building Materials	**66,746**	82,162	91,514
Real Estate	**607**	657	22,059
Leisure & Hospitality	**32**	53	73
	67,385	82,872	113,646

The movement in credit loss allowance are as follows:

	Group
	2018
	S$'000
Trade receivables *	
Balance at 1 January under SFRS and SFRS(I) 9	**6,950**
Loss allowance recognised in profit or loss on:	
– Changes in credit risk	**153**
– Reversal of unutilised amounts	**(1,358)**
Currency translation difference	**(145)**
Allowance written off	**(859)**
Balance at 31 December	**4,741**

* Loss allowance measured at lifetime expected credit loss

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. Financial risk management *(continued)*

(b) Credit risk *(continued)*

The Group's contract assets and other receivables are subject to immaterial credit loss.

The Company's debt financial assets are subject to immaterial credit loss.

(i) Trade receivables and contract assets

In measuring the expected credit losses ("ECL"), trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate mainly 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.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers, and adjusts for forward-looking macroeconomic data. The Group has identified the gross domestic product ("GDP") growth of the countries in which it sells goods and services to be the most relevant factor, and accordingly adjust the historical loss rates based on expected changes in this factor.

The Group considers a financial asset as in default when the counterparty fail to make contractual payments for a prolonged period of time when they fall due, and the Group may also consider internal and external information, such as significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation. Financial assets are written off when there is no reasonable expectation of recovering the contractual cash flow, such as a debtor failing to engage in a repayment plan with the Group and it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Management has assessed and concluded that the expected credit loss rate for trade receivables past due less than 1 year approximates nil and is immaterial, while the expected credit loss rate for trade receivables past due more than 1 year approximates 50% to 100%, except for specific cases where management has assessed the amount is still fully recoverable.

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 as follows:

		←	Past due	→	
	Current	**1 to 6 months**	**7 months to 12 months**	**Over 12 months**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Group					
Construction and Building Materials					
Contract assets	128,065	–	–	–	128,065
Trade receivables	54,670	7,772	1,444	6,849	70,735
Loss allowance	–	–	–	4,035	4,035
Real Estate					
Trade receivables	35	49	4	1,271	1,359
Loss allowance	–	–	–	706	706
Leisure & Hospitality					
Trade receivables	32	–	–	–	32
Loss allowance	–	–	–	–	–

33. Financial risk management *(continued)*

(b) Credit risk *(continued)*

(ii) Financial guarantee contracts

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

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments.

The Group's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the provision matrix as follows:

Age analysis of trade receivables past due but not impaired

	Group	
	31 December 2017	1 January 2017
	S$'000	S$'000
Past due 0 to 3 months	11,803	11,642
Past due 3 to 6 months	2,106	3,791
Past due over 6 months	7,816	15,411
	21,725	30,845

Carrying amount of trade receivables individually determined to be impaired

Past due over 6 months	6,950	8,223
Less: Allowance for impairment	(6,950)	(8,223)
	–	–

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 December 2017 and 1 January 2017.

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For the financial year ended 31 December 2018

33. Financial risk management *(continued)*

(c) Liquidity risk

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000
Group				
At 31 December 2018				
Payables	**148,101**	**5,870**	**4,170**	**-**
Borrowings and finance leases	**79,847**	**8,126**	**153,652**	**37,105**
Notes payables	**2,924**	**3,570**	**76,545**	**-**
Financial guarantee contracts	**114,750**	**-**	**-**	**-**
At 31 December 2017				
Payables	138,692	–	18,110	–
Borrowings and finance leases	16,639	45,975	9,162	29,544
Notes payables	39,929	3,570	80,710	–
Financial guarantee contracts	153,807	–	–	–
At 1 January 2017				
Payables	143,558	651	7,056	–
Borrowings and finance leases	30,051	6,179	55,359	2,981
Notes payables	2,400	50,013	–	–
Financial guarantee contracts	332,563	–	–	–

	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000
Company				
At 31 December 2018				
Other payables	**1,938**	**-**	**-**	**-**
Amount due to subsidiaries	**9,895**	**19,011**	**-**	**-**
Notes payables	**2,924**	**3,570**	**76,545**	**-**
Financial guarantee contracts	**327,653**	**-**	**-**	**-**
At 31 December 2017				
Other payables	2,983	–	–	–
Amount due to subsidiaries	5,861	19,011	–	–
Notes payables	39,929	3,570	80,710	–
Financial guarantee contracts	226,005	–	–	–
At 1 January 2017				
Payables	614	–	–	–
Amount due to subsidiaries	25,693	–	–	–
Notes payables	2,400	50,013	–	–
Financial guarantee contracts	399,045	–	–	–

The Group and Company manage the liquidity risk by maintaining sufficient cash and marketable securities to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

33. Financial risk management *(continued)*

(d) Capital risk *(continued)*

The gearing ratio is calculated as net debt divided by shareholders' funds. Net debt is calculated as notes payables, borrowings and finance leases less cash and bank balances.

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Net debt	**289,387**	133,320	96,715
Shareholders' funds	**282,220**	283,845	264,304
Gearing ratio (times)	**1.03**	0.47	0.37

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

(e) Fair value measurements

The following paragraph presents the assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted price (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

See Note 22 for disclosure of the investment properties that are measured at fair value.

	Level 1	**Level 2**	**Level 3**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Group				
31 December 2018				
Assets				
Financial assets, at fair value through profit or loss	**-**	**1,000**	**3,000**	**4,000**
Financial assets, at FVOCI	**46,326**	**-**	**-**	**46,326**
31 December 2017				
Assets				
Financial assets, at fair value through profit or loss	37	–	–	37
Available-for-sale financial assets	3,690	–	–	3,690
1 January 2017				
Assets				
Financial assets, at fair value through profit or loss	40	–	–	40
Available-for-sale financial assets	7,529	–	–	7,529
Company				
31 December 2018				
Assets				
Financial assets, at fair value through profit or loss	**3,913**	**-**	**-**	**3,913**
31 December 2017				
Assets				
Financial assets, at fair value through profit or loss	3,090	–	–	3,090

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. Financial risk management *(continued)*

(e) Fair value measurements *(continued)*

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments with adjustment on the market price of linked listed equity securities and interest rate curve are used to estimate the fair value of unquoted short-term structured notes. These instruments are classified as Level 2.

For unquoted convertible notes, the fair value is determined using discounted cash flow analysis which involves the use of significant unobservable inputs. These instruments are classified as Level 3.

Valuation techniques and inputs used in Level 3 fair value measurements

Description	Fair value at 31 December 2018 (S$'000)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unquoted convertible notes	3,000	Risk adjusted discount rate	9% -10%	The higher the discount rate, the lower the fair value

(f) Financial instrument by category

The carrying amounts of financial assets measured at fair value (fair value through profit and loss, FVOCI and available-for-sale) are disclosed in Note 13.

The aggregate carrying amounts of loans and receivables and financial assets and financial liabilities at amortised cost are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Loan and receivables	**–**	307,730	257,803
Financial assets at amortised cost	**170,575**	–	–
Financial liabilities at amortised cost	**479,788**	354,257	291,207

	Company		
	31 December		1 January
	2018	2017	2017
	S$'000	S$'000	S$'000
Loan and receivables	**–**	119,008	57,643
Financial assets at amortised cost	**66,724**	–	–
Financial liabilities at amortised cost	**100,844**	134,855	76,307

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group has significant transactions with related parties on terms agreed between the parties concerned as shown below:

(a) Sales and purchases of goods and services

	Group	
	2018	2017
	S$'000	S$'000
(i) Progressive billing to build residential properties for a joint venture	**128**	19,512
(ii) Progressive billing to build a residential property for a key management personnel	**-**	1,147
(iii) Rental income from a key management personnel	**-**	22
(iv) Purchase of goods from an associated company	**701**	2,379
(v) Construction works performed by a related party	**2,938**	–

Related party comprises Company which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2018 and 2017 and 1 January 2017, arising from sale/purchase of goods and services, are disclosed in Notes 14, 15, 16, 21 and 25.

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	2018	2017
Salaries and other short-term employee benefits	**7,670**	8,412
Post-employment benefits		
– contribution to Central Provident Fund	**279**	282
	7,949	8,694

Included in the above was total directors' fees to directors of the Company amounting to S$496,000 (2017: S$ 505,000).

35. Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Chief Executive Officer and Executive Directors.

The Exco considers the business from a business segment perspective. Management manages and monitors the business in three main business segments which are Construction and Building Materials, Real Estate and Leisure & Hospitality. The Exco assesses the performance of these business segments based on sales, segment results, segment assets and segment liabilities.

1. Construction and Building Materials – This business segment undertakes construction activities for "Engineering and Construction", "Bio-Refinery and Bio-Energy" segments and sales of building materials. Management has aggregated the above businesses under Construction and Building Materials as they have similar economic growth prospects.

2. Real Estate – This business segment involves real estate development and rental of properties.

3. Leisure & Hospitality – This business segment involves hotel and leisure operations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. Segment information *(continued)*

The segment information and the reconciliations of segment results to profit before tax and segment assets and liabilities to total assets and liabilities are as follows:

Group (S$'000)	Real Estate	Leisure & Hospitality	Construction and Building Materials	Others	Total
2018					
Sales					
– External	6,049	3,354	394,242	–	**403,645**
– Inter-segment	445	2	692	2,949	**4,088**
	6,494	3,356	394,934	2,949	**407,733**
Elimination					**(4,088)**
					403,645
Results					
Segment results	1,602	(475)	(154)	(446)	**527**
Interest income (Note 5)					**6,009**
Finance expenses (Note 9)					**(8,343)**
Share of profit of associated companies	–	–	312	–	**312**
Share of profit of joint ventures	11,738	–	–	–	**11,738**
Profit before income tax					**10,243**
Other information					
Capital expenditure	1,639	145	18,894	–	**20,678**
Depreciation	187	482	9,904	–	**10,573**

Group (S$'000)	Real Estate	Leisure & Hospitality	Construction and Building Materials	Others	Elimination	Total
Segment assets	315,789	40,951	316,343	6,949	(26,079)	**653,953**
Associated companies	–	–	1,676	–	–	**1,676**
Joint ventures	92,279	–	–	–	–	**92,279**
Unallocated assets:						
Income tax receivables						**773**
Short-term bank deposits						**207**
Investment securities						**50,326**
Consolidated total assets						**799,214**
Segment liabilities	27,671	627	155,754	1,782	(22,782)	**163,052**
Unallocated liabilities:						
Current income tax liabilities						**381**
Deferred income tax liabilities						**8,199**
Borrowings and finance leases						**322,065**
Consolidated total liabilities						**493,697**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. Segment information *(continued)*

Group (S$'000)	Real Estate	Leisure & Hospitality	Construction and Building Materials	Others	Total
2017					
Sales					
– External	7,163	3,264	393,389	–	403,816
– Inter-segment	299	–	11,059	3,012	14,370
	7,462	3,264	404,448	3,012	418,186
Elimination					(14,370)
					403,816
Results					
Segment results	6,236	(636)	(2,138)	185	3,647
Net investment gain	11,563	–	1	(64)	11,500
Interest income (Note 5)					3,332
Finance expenses (Note 9)					(5,397)
Share of profit of associated companies	–	–	262	–	262
Share of profit of joint ventures	13,561	–	–	–	13,561
Profit before income tax					26,905
Other information					
Capital expenditure	972	87	10,899	–	11,958
Depreciation	187	494	9,473	–	10,154
Impairment of property, plant and equipment	2,845	–	–	–	2,845

Group (S$'000)	Real Estate	Leisure & Hospitality	Construction and Building Materials	Others	Elimination	Total
Segment assets	225,214	41,228	301,541	11,853	(27,871)	551,965
Associated companies	–	–	1,504	–	–	1,504
Joint ventures	90,923	–	–	–	–	90,923
Unallocated assets:						
Short-term bank deposits						6,254
Investment securities						60,398
Consolidated total assets						711,044
Segment liabilities	29,571	675	192,895	3,014	(28,730)	197,425
Unallocated liabilities:						
Current income tax liabilities						1,485
Deferred income tax liabilities						8,261
Borrowings and finance leases						198,143
Consolidated total liabilities						405,314

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. Segment information *(continued)*

The measurement of segment sales, results, assets and liabilities are as follows:

(i) Inter-segment transactions are determined on an arm's length basis. The sales from external parties reported to the Exco are measured in a manner consistent with that in the statement of comprehensive income.

(ii) The Exco assesses the performance of the operating segments based on a measure of segment results. This measurement excludes the income or expenses that are not expected to recur regularly in every period. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash performance of the Group.

(a) The amounts provided to the Exco with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than income tax receivables, short-term bank deposits, and investment securities.

(b) The amounts provided to the Exco with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segments. All liabilities are allocated to the reportable segments other than current income tax liabilities, deferred income tax liabilities, borrowings and finance leases.

Geographical information

The Group's three business segments operate in four main geographical areas: Singapore, Malaysia, Indonesia and others.

The following table presents sales and non-current assets information for the main geographical areas for the financial years ended 31 December 2018 and 2017.

	Sales	
	2018	2017
	S$'000	S$'000
Group		
Singapore	**375,320**	382,002
Malaysia	**8,976**	9,061
Indonesia	**5,872**	2,288
Others	**13,477**	10,465
	403,645	403,816

	Non-current assets	
	2018	2017
	S$'000	S$'000
Group		
Singapore	**327,082**	328,364
Malaysia	**12,363**	12,359
Others	**9,113**	6,428
	348,558	347,151

Information about major customers

Revenue of approximately 73% (2017: 63%) are derived mainly from four (2017: two) major customers from contract revenue. These revenue are attributable to the Construction and Building Materials segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. Significant Group companies

The Group's significant subsidiaries, joint ventures, joint operation entities and associated companies at 31 December 2018 and 2017 and 1 January 2017 are as follows:

Name of company	Country of incorporation and business	Principal activities	Effective holding by the Group 31 December 2018	31 December 2017	1 January 2017
SUBSIDIARIES					
Held by the Company:					
Construction Consortium Pte. Ltd.[a]	Singapore	Investment holding	**100%**	100%	100%
Koh Brothers Development Pte Ltd[a]	Singapore	Property development and management services	**100%**	100%	100%
Koh Brothers Eco Engineering Limited[a]	Singapore	Construction project management and investment holding	**71.07%**	64.59%	64.59%
Koh Brothers Holdings Pte Ltd[a]	Singapore	Investment holding and property investment	**100%**	100%	100%
Koh Brothers International Pte. Ltd.[a]	Singapore	Investment holding	**100%**	100%	–
Koh Brothers Investment Pte Ltd[a]	Singapore	Hotel investment	**100%**	100%	100%
Oxford Hotel Pte Ltd[a]	Singapore	Hotel management	**100%**	100%	100%
Held by Subsidiaries:					
Beijing G & W Cement Products Co., Ltd[b]	China	Manufacture of building materials	**55%**	55%	55%
Changi Properties Pte Ltd[a]	Singapore	Property development and management services	**100%**	100%	100%
G & W Industrial Corporation Pte Ltd[a]	Singapore	Investment holding	**100%**	100%	100%
G & W Industries Pte Ltd[a]	Singapore	Manufacture of cement	**100%**	100%	100%
G & W Precast Pte Ltd[a]	Singapore	Manufacture of precast products	**100%**	100%	100%
G & W Ready-Mix Pte Ltd[a]	Singapore	Manufacture of building materials and rental of construction equipment	**100%**	100%	100%
KBD Flora Pte. Ltd.[a]	Singapore	Project development and management services	**100%**	100%	100%
KBD Kosdale Pte. Ltd.[a]	Singapore	Property investment	**100%**	100%	100%
KBD Holland Pte. Ltd.[a]	Singapore	Property Development	**100%**	-	-
KBD Ventures Pte Ltd[a]	Singapore	Project and travel management services	**100%**	100%	100%
Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd.[a]	Singapore	Building and civil engineering contracting	**71.07%**	64.59%	64.59%
Koh Eco Engineering Pte. Ltd.[a]	Singapore	Engineering and construction	**71.07%**	64.59%	64.59%
Kosland Pte. Ltd.[a]	Singapore	Property investment	**100%**	100%	100%
Oiltek Nova Bioenergy Sdn. Bhd.[c]	Malaysia	Specialist engineers and commission agent	**56.86%**	51.70%	33.61%
Oiltek Sdn. Bhd.[c]	Malaysia	Specialist engineers and commission agent	**56.86%**	51.70%	51.70%
Oiltek (S) Pte. Ltd.[a]	Singapore	Construction and project management	**71.07%**	64.59%	64.59%
PT. Koh Brothers Indonesia[e]	Indonesia	Property investment and development	**100%**	100%	100%
WSB Pte. Ltd.[a]	Singapore	Engineering and management services	**71.07%**	64.59%	64.59%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. Significant Group companies *(continued)*

Name of company	Country of incorporation and business	Principal activities	Effective holding by the Group 31 December 2018	31 December 2017	1 January 2017
JOINT VENTURE COMPANIES					
Held by Subsidiaries:					
Buildhome Pte. Ltd. [d]	Singapore	Property development	**-**	–	50%
Canberra Development Pte. Ltd. [d]	Singapore	Property investment	**50%**	50%	50%
Phileap Pte. Ltd. [d]	Singapore	Property development	**25%**	25%	25%
KBD Westwood Pte. Ltd. [a,*]	Singapore	Property development	**80%**	80%	80%
Daeryun Koh Brothers PFV Co., Ltd. [i]	South Korea	Property development	**45%**	45%	–
Atlantic Star Pte. Ltd. [e]	Singapore	Property management	**50%**	50%	–
FEC Skypark Pte. Ltd. [a]	Singapore	Property development	**20%**	–	–
Global KB Venture Sdn. Bhd. [j]	Malaysia	Property development	**25%**	–	–
JOINT OPERATION ENTITIES					
Held by Subsidiary:					
Soletanche Bachy – Koh Brothers Joint Venture [a, #]	Singapore	Construction	**45%**	45%	45%
Samsung – Koh Brothers Joint Venture [g, #]	Singapore	Construction	**30%**	30%	30%
POKB JV [a, #]	Singapore	Construction	**35%**	35%	–
ASSOCIATED COMPANIES					
Held by Subsidiaries:					
Hi Con (S) Pte. Ltd. [a]	Singapore	Manufacture of chemicals	**35%**	35%	35%
Tricaftan Environmental Technology Pte. Ltd. [f]	Singapore	Construction and project management	**40%**	40%	40%
SDK Consortium [h]	Singapore	Construction	**20%**	–	–

a Audited by PricewaterhouseCoopers LLP, Singapore.
b Audited by PricewaterhouseCoopers LLP, Singapore for the purpose of preparing the consolidated financial statements of the Group.
c Audited by PricewaterhouseCoopers PLT, Malaysia.
d Audited by Ernst & Young LLP, Singapore.
e Audited by Riyanto, SE, Ak, Registered Public Accountants.
f Audited by Reanda Adept Public Accounting Corporation, Singapore.
g Audited by RSM Chio Lim LLP, Singapore.
h Audited by Deloitte & Touche LLP, Singapore.
i Audited by Seonjin Accounting Corporation, South Korea
j Audited by Chong Yew & Co. (Malaysia).
k In accordance with Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit and Risk Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries, joint venture companies and associated companies would not compromise the standard and effectiveness of the audit of the Group.
* KBD Westwood Pte. Ltd. is regarded as a joint venture (Note 20) in accordance with SFRS(1) 11 Joint Arrangements based on the contractual term of agreement between the shareholders.
# These entities are regarded as joint operations in accordance with SFRS(I) 11 Joint Arrangements as the joint venture agreements for these entities require unanimous consent from all parties despite the Group having less than 50% ownership interest, and the partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. Therefore these entities are classified as joint operations and the Group recognise its direct right to the jointly held assets, liabilities, revenues and expenses as described in Note 2.4(d).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. Investment properties

	Property	Tenure of land	Site area/ strata/gross floor area (sq ft)
(i)	The First City Complex comprising commercial units, office units and service apartments at Pulau Batam, Indonesia	Right of use for 20 years from October 2018	200,456 186,066
(ii)	11 shop units at Alocassia Apartments at 383 Bukit Timah Road, Singapore	Freehold	44,863* 22,895
(iii)	45 apartment units at Alocassia Apartments at 383 Bukit Timah Road, Singapore	Freehold	44,863* 35,166
(iv)	2 residential units at Lincoln Suites at 1 Khiang Guan Avenue, Singapore	Freehold	3,456

* The 11 shop units and 45 apartment units are located within the same building.

38. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

- SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)

  SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

  As at 31 December 2018, the Group has non-cancellable operating lease commitments of $17,328,000 [Note 32(a)].

  The Group is currently assessing the extent to which the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and the impact on the Group's profit and classification of cash flows.

  The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

39. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Koh Brothers Group Limited on 21 March 2019.

STATISTICS OF SHAREHOLDINGS

As at 12 March 2019

Issued and paid-up capital	:	S$36,981,331.12
Number of issued shares	:	438,000,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Number of subsidiary holdings held	:	Nil
Treasury shares	:	25,540,900

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	5	0.06	174	0.00
100 - 1,000	110	1.22	84,385	0.02
1,001 - 10,000	6,932	76.89	31,740,226	7.70
10,001 - 1,000,000	1,944	21.56	89,791,890	21.77
1,000,001 and above	24	0.27	290,842,425	70.51
Total	**9,015**	**100.00**	**412,459,100**	**100.00**

TOP 20 SHAREHOLDERS

No.	Name of shareholders	No. of shares Held	%
1	HSBC (Singapore) Nominees Pte Ltd	60,000,000	14.55
2	Koh Keng Hiong	55,260,100	13.40
3	Koh Teak Huat	32,213,088	7.81
4	Koh Keng Siang	29,622,535	7.18
5	Quek Chee Nee	25,896,814	6.28
6	Koh Kheng How	16,205,800	3.93
7	Morph Investments Ltd	15,073,000	3.65
8	Koh Tiat Meng	8,908,654	2.16
9	Phillip Securities Pte Ltd	5,995,900	1.45
10	Citibank Nominees Singapore Pte Ltd	5,863,100	1.42
11	DBS Nominees Pte Ltd	5,199,100	1.26
12	OCBC Securities Private Ltd	4,474,184	1.08
13	Loh Wing Wah	4,113,000	1.00
14	United Overseas Bank Nominees Pte Ltd	3,292,100	0.80
15	Tan Thian Hwee	2,576,600	0.62
16	CGS-CIMB Securities (Singapore) Pte Ltd	2,559,050	0.62
17	Koh Tiak Chye	2,422,600	0.59
18	Tan Noi Soon	2,400,000	0.58
19	OCBC Nominees Singapore Pte Ltd	2,129,100	0.52
20	UOB Kay Hian Pte Ltd	1,548,600	0.38
Total:		**285,753,325**	**69.28**

STATISTICS OF SHAREHOLDINGS

As at 12 March 2019

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	Number of Shares	%	Number of Shares	%
Koh Teak Huat	32,213,088	7.81	325,000[(1)]	0.08
Koh Keng Siang	29,822,535	7.23	60,020,000[(2)(4)]	14.55
Koh Keng Hiong	55,260,100	13.40	10,000[(3)]	0.00
Quek Chee Nee	25,896,814	6.28	Nil	Nil
Phua Siew Gaik	20,000	0.00	60,000,000[(4)]	14.55
Rachel Koh Han Ling	Nil	Nil	60,000,000[(4)]	14.55
Benjamin Koh Yong Jun	Nil	Nil	60,000,000[(4)]	14.55
Nicholas Koh Yong Wei	Nil	Nil	60,000,000[(4)]	14.55
Kohs Investments Limited[(5)]	60,000,000	14.55	Nil	Nil
HSBC Trustee (Singapore) Limited	Nil	Nil	60,000,000[(5)]	14.55
HSBC International Trustee Limited	Nil	Nil	60,000,000[(5)]	14.55
HSBC International Trustee (Holdings) Pte. Limited	Nil	Nil	60,000,000[(5)]	14.55
The Hongkong and Shanghai Banking Corporation Limited	Nil	Nil	60,000,000[(5)]	14.55
HSBC Asia Holdings Limited	Nil	Nil	60,000,000[(5)]	14.55
HSBC Holdings plc	Nil	Nil	60,000,000[(5)]	14.55

Notes:

(1) Mr Koh Teak Huat is deemed interested in the Shares held by his spouse, Mdm Quek Siew Lang.

(2) Mr Koh Keng Siang is deemed interested in (i) 60,000,000 Shares held by Kohs Investments Limited, and (ii) 20,000 Shares held by his spouse, Mdm Phua Siew Gaik.

(3) Mr Koh Keng Hiong is deemed interested in 10,000 Shares held by his spouse, Mdm Erliana Sutadi.

(4) The deemed interest arises from the 60,000,000 Shares held by Kohs Investments Limited, which is wholly owned by The Kohs Trust set up pursuant to the Trust Deed dated 11 January 2017 (the "Trust"). The Trust is a discretionary trust of which the present eligible beneficiaries are Mr Koh Keng Siang, his wife (Madam Phua Siew Gaik), their children (Rachel Koh Han Ling, Benjamin Koh Yong Jun and Nicholas Koh Yong Wei), and their remoter issue. Pursuant to Section 4 of the SFA, the beneficiaries of the Trust are deemed to have an interest in the 60,000,000 Shares held by Kohs Investments Limited.

(5) Kohs Investments Limited is wholly owned by a trust for which HSBC Trustee (Singapore) Limited acts as trustee. HSBC Trustee (Singapore) Limited is wholly owned by HSBC International Trustee Limited, which is, in turn, wholly owned by HSBC International Trustee (Holdings) Pte. Limited, which is, in turn, wholly owned by The Hongkong and Shanghai Banking Corporation Limited, which is, in turn, wholly owned by HSBC Asia Holdings Limited, which is, in turn, wholly owned by HSBC Holdings plc.

(6) The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as at 12 March 2019 (excluding 25,540,900 treasury shares).

SHAREHOLDINGS HELD BY PUBLIC

Based on the information available to the Company as at 12 March 2019, approximately 43.8% of the issued ordinary shares of the Company is held by the public and, therefore the Company complied with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
Date of appointment	2 February 1994	2 February 1994	30 July 1994	9 May 2016	1 January 2019
Date of last re-appointment	20 April 2017	20 April 2017	20 April 2017	20 April 2017	Nil
Age	83	70	70	66	66
Country of principal residence	Singapore	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment / re-appointment (including, where applicable, rationale, selection criteria and the search and nomination process)	Mr Koh Tiat Meng has more than 45 years of experience in construction industry. He was the driving force in charting the strategic expansion of Koh Brothers Group Limited ("KBGL") Group's businesses in Construction, Building Materials, Real Estate and Leisure & Hospitality as well as spearheading its activities into China, Malaysia, Indonesia and Vietnam. His inside perspectives on all aspects of the Company will be beneficial to Board deliberations.	Mr Koh Teak Huat has more than 40 years of experience in construction industry, with in-depth expertise in managing drainage, excavation and reclamation projects. His inside perspectives on all aspects of the Company will be beneficial to Board deliberations.	Mr Lai Mun Onn is a lawyer by profession, and brings with him a wealth of expertise on legal matters. His experience will continue to enhance board deliberations.	Mr Lee Sok Khian John has extensive experience in management, corporate, accounting and finance functions in various industries. He has continued to discharge his duties well and continued to positively contribute to the Company.	Mr Low Yee Khim possesses the wealth of experience in financial matters, having been involved in the management of Singapore listed companies for more than 30 years. His extensive work experiences will enhance Board deliberations.
Where appointment is executive, and if so, the area of responsibility	Executive Executive Chairman	Executive Executive Deputy Chairman	Non-executive	Executive Overseeing the Finance, Legal and Corporate functions of KBGL and its subsidiaries.	Non-executive

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Executive Chairman • Chairman of Executive Committee	• Executive Deputy Chairman • Member of Executive Committee	• Independent Director • Chairman of Remuneration Committee • Member of Audit & Risk Committee • Member of Nominating Committee • Member of Share Purchase Committee	Executive Director	Independent Director
Professional qualifications	NIL	Certificate of successful completion of the course of studying Hydraulic Excavator Operation issued by the Building Construction Authority.	• Bachelor of Law with Honours (Barrister-at-Law, Lincoln's Inn) from University of London • Called to the Bar on 11 August 1982	• Fellow of Institute of Singapore Chartered Accountants and the Association of Chartered Certified Accountants. • Associate of the Chartered Institute of Management Accountants. • Associate of the Chartered Secretaries Institute of Singapore.	Fellow of the Institute of Singapore Chartered Accountant
Working experience and occupation(s) during the past 10 years	Founder of KBGL and has more than 45 years of experience in construction industry. Charting the strategic expansion of KBGL Group's businesses in Construction, Building Materials, Real Estate and Leisure & Hospitality as well as spearheading its activities into China, Malaysia, Indonesia and Vietnam. 1994 to Present Executive Chairman of KBGL.	Main contributor to the growth of KBGL Group's core businesses and has more than 40 years of experience in construction industry with in-depth expertise in managing drainage, excavation and reclamation projects. 1994 to Present Executive Deputy Chairman of KBGL.	1985 to Present Managing Partner of Lai Mun Onn & Co.	September 2017 to Present Executive Director of KBGL. January 2017 to August 2017 Executive Director of Hatten Land Limited. May 2016 to January 2017 Executive Director of Hatten International Pte Ltd. December 2008 to May 2016 Chief Financial Officer/ Company Secretary of KBGL.	March 2007 to February 2016 Chief Operating Officer of Heeton Holdings Limited. October 2005 to February 2016 Executive Director of Heeton Holdings Limited.

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
Shareholding interest in the listed issuer and its subsidiaries	• 8,908,654 direct interest in the ordinary shares of KBGL. • 3,950,000 direct interest in the ordinary shares of Koh Brothers Eco Engineering Limited ("KBEEL").	• 32,213,088 direct interest and 325,000 deemed interest in ordinary shares of KBGL. • 6,764,746 direct interest and 32,500 deemed interest in ordinary shares of KBEEL.	• 100,000 direct interest in ordinary shares of KBGL. • 14,000 direct interest in ordinary shares of KBEEL.	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or any of its principal subsidiaries	• Brother of Koh Teak Huat, who is the Executive Deputy Chairman and Substantial Shareholder of KBGL. • Spouse of Quek Chee Nee, who is the Non-Executive Director and Substantial Shareholder of KBGL. • Father of Koh Keng Siang, who is the Managing Director, Group Chief Executive Officer and Substantial Shareholder of KBGL and the Non-Executive and Non-Independent Chairman of KBEEL. • Father of Koh Keng Hiong, who is the Executive Director, Deputy Chief Executive Officer and Substantial Shareholder of KBGL.	• Brother of Koh Tiat Meng, who is the Executive Chairman of KBGL. • Brother-in-law of Quek Chee Nee, who is the Non-Executive Director and Substantial Shareholder of KBGL. • Uncle of Koh Keng Siang, who is the Managing Director, Group Chief Executive Officer and Substantial Shareholder of KBGL and the Non-Executive and Non-Independent Chairman of KBEEL. • Uncle of Koh Keng Hiong, who is the Executive Director, Deputy Chief Executive Officer and Substantial Shareholder of KBGL. • Uncle of Koh Keng Seng, who is the Director of KBCE. • Uncle of Tay Juak Chiang, who is the Senior Manager, Steel division.	Nil	Nil	Nil

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or any of its principal subsidiaries *(continued)*	• Uncle of Koh Keng Seng, who is the Director of Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. ("KBCE"). • Uncle of Tay Juak Chiang, who is the Senior Manager, Steel division. • Father-in-law of Phua Siew Gaik, who is the Senior Group Human Resources and Administration Manager and Substantial Shareholder of KBGL. • Father-in-law of Erliana Sutadi, who is the Office Manager, Oxford Hotel. • Grandfather of Rachel Koh Han Ling, who is a Substantial Shareholder of KBGL. • Grandfather of Benjamin Koh Yong Jun, who is a Substantial Shareholder of KBGL. • Grandfather of Nicholas Koh Yong Wei, who is a Substantial Shareholder of KBGL.	• Uncle-in-law of Phua Siew Gaik, who is the Senior Group Human Resources and Administrative Manager and Substantial Shareholder of KBGL. • Uncle-in-law of Erliana Sutadi, who is the Office Manager, Oxford Hotel. • Grand-uncle of Rachel Koh Han Ling, who is a Substantial Shareholder of KBGL. • Grand-uncle of Benjamin Koh Yong Jun, who is a Substantial Shareholder of KBGL. • Grand-uncle of Nicholas Koh Yong Wei, who is a Substantial Shareholder of KBGL.	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil	Nil
Whether the undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes	Yes

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
Other principal commitments including directorships	Past (for the last 5 years) • Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. • KS Security Services Pte. Ltd. • Meng Wah High Technology Pte Ltd • KTM Water Resources Management Pte. Ltd. Present • Canberra Development Pte Ltd • Construction Consortium Pte. Ltd. • KBD Ventures Pte. Ltd. • Koh Brothers Development Pte Ltd • Koh Brothers Holdings Pte Ltd • Koh Brothers Investment Pte Ltd	Past (for the last 5 years) • Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. • MS Tech Trading Pte. Ltd. • Tung Xin Investment Pte. Ltd. Present • Canberra Development Pte Ltd • Changi Properties Pte. Ltd. • Construction Consortium Pte. Ltd. • G & W Concrete Products Pte Ltd • G & W Industrial Corporation Pte Ltd • G & W Industries Pte Ltd • G & W Precast Pte Ltd • G & W Ready-Mix Pte Ltd • Koh Brothers Development Pte Ltd • Koh Brothers Holdings Pte Ltd • Koh Brothers Investment Pte Ltd • Megacity Investment Pte Ltd • Brothers (China) Pte. Ltd. • Brothers (Holdings) Limited • Brothers (Overseas) Pte. Ltd. • Brothers Realty Pte. Ltd. • Lucieville Pte. Ltd. • Mallow Pte. Ltd. • MS Precision Pte. Ltd. • Nececity Pte. Ltd. • T. H. Koh Investments Pte. Ltd. • Value Land Pte. Ltd.	Past (for the last 5 years) • Super Group Ltd. Present • Lai Mun Onn & Co • Fuji Offset Plates Manufacturing Ltd	Past (for the last 5 years) • Hatten Land Limited • Nagasvaraja Pte. Ltd. Present • Koh Brothers Eco Engineering Limited	Past (for the last 5 years) • Buildhome Pte. Ltd. • Canberra Development Pte Ltd • Heeton Estate Pte Ltd • Heeton Holdings Limited • Heeton Homes Pte. Ltd. • Heeton Land Pte. Ltd. • Heeton Management Pte Ltd • Heeton Properties Pte Ltd • Heeton Realty Pte. Ltd. • Heeton Residence Pte. Ltd. • Unique Development Pte. Ltd. • Heeton Venture (Asia) Pte. Ltd. • Heeton Venture (China) Pte. Ltd. • Heeton Venture (Overseas) Pte Ltd • Kim Leong Development Pte Ltd • Residenza Pte. Ltd. • Heeton Capital Pte. Ltd. • Unique Realty Pte. Ltd. • Unique Capital Pte. Ltd. • Unique Rezi Pte. Ltd. • MHP Pte. Ltd. • Unique Consortium Pte. Ltd. • Unique Resi Estate Pte. Ltd. • Phileap Pte. Ltd. • Unique Residence Pte Ltd. • Venture (UK) Pte. Ltd. • Heeton Invesco Pte. Ltd. • Prospere Development Pte. Ltd. • Mountbatten Edge Pte. Ltd. • Great Development Pte. Ltd. • Heeton Corporation Pte. Ltd. • Prospere Holdings Pte. Ltd. • Adam Street Pte. Ltd. • Wickham Invesco Pte. Ltd. • Panareno Sdn Bhd • Dalvey Estate Co., Ltd • Dalvey Holdings Co., Ltd • Dalvey Homes Co., Ltd • Dalvey Park Co., Ltd • Dalvey Residence Co., Ltd

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
Other principal commitments including directorships *(continued)*					Past (for the last 5 years) • G.E.T. Realty Co., Ltd • Dalvey Place Co., Ltd • Dalvey Hospitality Co., Ltd • Econolodge Co., Ltd • Barracuda Group Company Limited • General Wealth Holdings Limited • Chatteris Developments Limited • Aceworks Limited • Hoxton Investments Limited • Fortitude Valley (Hotels) Pty Ltd • Wickham 186 Pty Ltd • Woodley Hotel (Kensington) Limited • Chatteris Kensington Limited • Adam Street Limited
(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	No	No	No

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
(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	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No	No

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
(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	No	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	No	No	No

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
(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	No	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	No	No	No

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
(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	No	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	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:					
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No	No

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?					

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

	KOH TIAT MENG	KOH TEAK HUAT	LAI MUN ONN	LEE SOK KHIAN JOHN	LOW YEE KHIM
(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	No	No	No

NOTICE OF ANNUAL GENERAL MEETING

KOH BROTHERS GROUP LIMITED
(Unique Entity Number: 199400775D)
(Incorporated in Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Koh Brothers Group Limited (the "**Company**") will be held at Dunearn Ballroom 1, Raffles Town Club, 1 Plymouth Avenue, Singapore 297753 on Wednesday, 17 April 2019 at 2.00 pm for the following purposes:

ORDINARY BUSINESS

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

2. To declare a final dividend of 0.40 cent per share for the year ended 31 December 2018. **(Resolution 2)**

3. To re-elect the following Directors, each of whom will retire by rotation pursuant to Regulation 110 of the Company's Constitution and who, being eligible, will offer themselves for re-election:

   (a) Koh Tiat Meng **(Resolution 3)**

   (b) Koh Teak Huat **(Resolution 4)**

   (c) Lai Mun Onn **(Resolution 5)**

   (d) Lee Sok Khian John **(Resolution 6)**

4. To re-elect Low Yee Khim who will retire pursuant to Regulation 114 of the Company's Constitution and who, being eligible, will offer himself for re-election. **(Resolution 7)**

5. To note the retirement of Ling Teck Luke, being a Director who has retired.
   (Please refer to Note 1)

6. To approve the sum of S$496,000 as Directors' fees for the year ended 31 December 2018. (FY2017: S$505,000) **(Resolution 8)**

7. To re-appoint PricewaterhouseCoopers LLP as the auditor of the Company and to authorise the Directors to fix its remuneration. **(Resolution 9)**

SPECIAL BUSINESS

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

8. **Proposed Renewal of Share Issue Mandate** **(Resolution 10)**

   That authority be and is hereby given to the Directors of the Company to:

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

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued during the continuance of this authority or thereafter, 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

   (b) (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:

NOTICE OF ANNUAL GENERAL MEETING

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (2) below);

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

(i) new shares arising from the conversion or exercise of any convertible securities or from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

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

(3) in this Resolution, "subsidiary holdings" shall have the meaning ascribed to it in the listing rules of the SGX-ST; and

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

9. **Proposed Adoption of Share Purchase Mandate** **(Resolution 11)**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act (Chapter 50 of Singapore) ("**Companies Act**"), as may be amended or modified from time to time, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

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

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

NOTICE OF ANNUAL GENERAL MEETING

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

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate in paragraph (a) of this Resolution may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(iii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;

(c) in this Resolution:

"**subsidiary holdings**" shall have the meaning ascribed to it in the listing rules of the SGX-ST;

"**Prescribed Limit**" means 10% of the total number of issued Shares of the Company (excluding subsidiary holdings and any Shares which are held as treasury shares) as at the date of the passing of this Resolution; and

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

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

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price (as hereinafter defined),

where:

"**Average Closing Price**" means the average of the Closing Market Prices of the Shares over the last five Market Days (as hereinafter defined) on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer (as hereinafter defined) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

"**Closing Market Price**" means the last dealt price for a Share transacted through the SGX-ST's trading system as shown in any publication of the SGX-ST or other sources;

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

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

NOTICE OF ANNUAL GENERAL MEETING

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

By Order of the Board

Chua Hanyang, Isaac
Company Secretary

2 April 2019

Explanatory Notes:

Note 1 : To note the retirement of Ling Teck Luke as a Director of the Company. He has ceased as the Chairman of the Nominating Committee, and as member of the Audit and Risk Committee, Remuneration Committee, and Share Purchase Committee.

Ordinary Resolution 5 : Lai Mun Onn will, upon re-appointment as a director of the Company, remain as an Independent Director of the Company and will be the Chairman of the Remuneration Committee, and a member of the Audit and Risk Committee, Nominating Committee and Share Purchase Committee. He is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Ordinary Resolution 7 : Low Yee Khim will, upon re-appointment as a director of the Company, remain as an Independent Director of the Company. He is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Ordinary Resolution 10 : This Resolution is to empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting to issue further shares and Instruments in the Company, including a bonus or rights issue. The maximum number of shares of which the Directors may issue under this Resolution shall not exceed the quantum set out in the Resolution.

Ordinary Resolution 11 : This Resolution is to adopt the Share Purchase Mandate. Please refer to the Appendix to this Notice of Annual General Meeting for more details.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than 2 proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than 1 proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than 2 proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

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

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

4. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 (Attn: The Company Secretary) not less than 72 hours before the time appointed for holding the meeting and at any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (and/or its agents or service providers) for the purpose of the processing and administration and analysis by the Company (and/or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes, and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (and/or its agents or service providers) 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 (and/or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (and/or its agents or service providers) of the personal data of the 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.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS HEREBY GIVEN THAT the Register of Members and Share Transfer Books of Koh Brothers Group Limited (the "**Company**") will be closed on 17 May 2019 for the purposes of determining shareholders' entitlements to the proposed final dividend.

Duly completed transfers of shares received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road #02-00, Singapore 068898 up to 5.00 pm on 16 May 2019 will be registered to determine shareholders' entitlements to the proposed dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with ordinary shares of the Company as at 5.00 pm on 16 May 2019 will be entitled to the proposed dividend.

The proposed dividend, if approved by members at the Annual General Meeting of the Company, will be paid on 28 May 2019.

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KOH BROTHERS GROUP LIMITED

(Unique Entity Number: 199400775D)
(Incorporated in Singapore)

PROXY FORM

I/We ____ (Name)

________________ (NRIC/Passport/Co Reg No.) of ____________________

____ (Address)

being a member/members of Koh Brothers Group Limited (the "**Company**") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of shareholdings (%)

and/or (delete as appropriate)

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the 25th Annual General Meeting (the "**Meeting**") of the Company to be held on Wednesday, 17 April 2019 at Dunearn Ballroom 1, Raffles Town Club, 1 Plymouth Avenue, Singapore 297753 at 2.00 p.m. and at any adjournment thereof.

(Voting will be conducted by poll. Please indicate with a "√" in the spaces whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of the Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Meeting and at any adjournment thereof.)

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than 2 proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF investors who have used their CPF/SRS monies to buy shares in **KOH BROTHERS GROUP LIMITED**, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 2 April 2019.

No.	Resolution	For	Against
Ordinary Business			
1	To receive and adopt the Directors' Statement, Audited Financial Statements and Auditors' Report for the financial year ended 31 December 2018 **(Resolution 1)**		
2	To declare a final dividend of 0.40 cent per share for the year ended 31 December 2018 **(Resolution 2)**		
3	To re-elect Koh Tiat Meng as a Director **(Resolution 3)**		
4	To re-elect Koh Teak Huat as a Director **(Resolution 4)**		
5	To re-elect Lai Mun Onn as a Director **(Resolution 5)**		
6	To re-elect Lee Sok Khian John as a Director **(Resolution 6)**		
7	To re-elect Low Yee Khim as a Director **(Resolution 7)**		
8	To note the retirement of Ling Teck Luke as a Director		
9	To approve Directors' fees **(Resolution 8)**		
10	To re-appoint PricewaterhouseCoopers LLP as the auditor and to authorise the Directors to fix their remuneration **(Resolution 9)**		
Special Business			
11	To approve the proposed renewal of the Share Issue Mandate **(Resolution 10)**		
12	To approve the proposed adoption of the Share Purchase Mandate **(Resolution 11)**		

Total number of shares held

________________________________ Signature(s) or Common Seal of Member(s)

________________ Date

(Please read notes overleaf before completing this form.)

Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than 2 proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than 2 proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

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

4. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 (Attn: The Company Secretary) not less than 72 hours before the time appointed for holding the Annual General Meeting.

5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

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

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

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KOH BROS

Building Cities Building Dreams

Koh Brothers Group Limited
(Unique Entity Number: 199400775D)
(Incorporated in Singapore)

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