LIBRA GROUP LIMITED

稳中求进

NEW VIGOUR, RENEWED MOMENTUM

ANNUAL REPORT 2018

CONTENTS

Corporate Profile
PAGE 01

Corporate Structure
PAGE 02

Five Year Financial Highlights
PAGE 04

Three Year Financial Highlights
PAGE 05

Corporate Milestones
PAGE 06

Chairman's Message
PAGE 08

Board of Directors
PAGE 14

Management Team
PAGE 16

Financial Review
PAGE 18

Operations Review
PAGE 20

Investor Relations
PAGE 22

Status Update on Sustainability Reporting
PAGE 24

Financial Contents
PAGE 25

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

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

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CORPORATE PROFILE

Libra Group Limited ("Libra" or the "Company", and together with its subsidiaries the "Group") is a Singapore-based integrated building solutions company with core businesses in: (i) mechanical and electrical engineering ("M&E") services, (ii) sales and manufacturing of air-conditioning and mechanical ventilation ducts ("ACMV") and trading of ACMV-related products; and (iii) building and construction solutions.

Founded in 1997 and listed on the Catalist Board of the Singapore Exchange in 2011, Libra is an established market leader in integrated M&E solutions and customised ACMV ducts. It provides design, manufacturing, supply and installation services for various systems; including ACMV, fire alarms and fire protection, electrical, sanitary and plumbing, as well as speciality utilities.

Libra is one of the largest manufacturers of customised ACMV ducts in Singapore with strong brand equity for ACMV-related products; such as LibraSeal, LibraAire, Libra Flex, Libra Aluminum Foil Tape and Libra Gasket Tape brands.

Libra has built a strong track record in the industry with its focus on quality, safety and sustainability. Its past projects include iconic Singaporean landmarks such as Marina Bay Sands and the Sports Hub, as well as various commercial, industrial and residential projects.

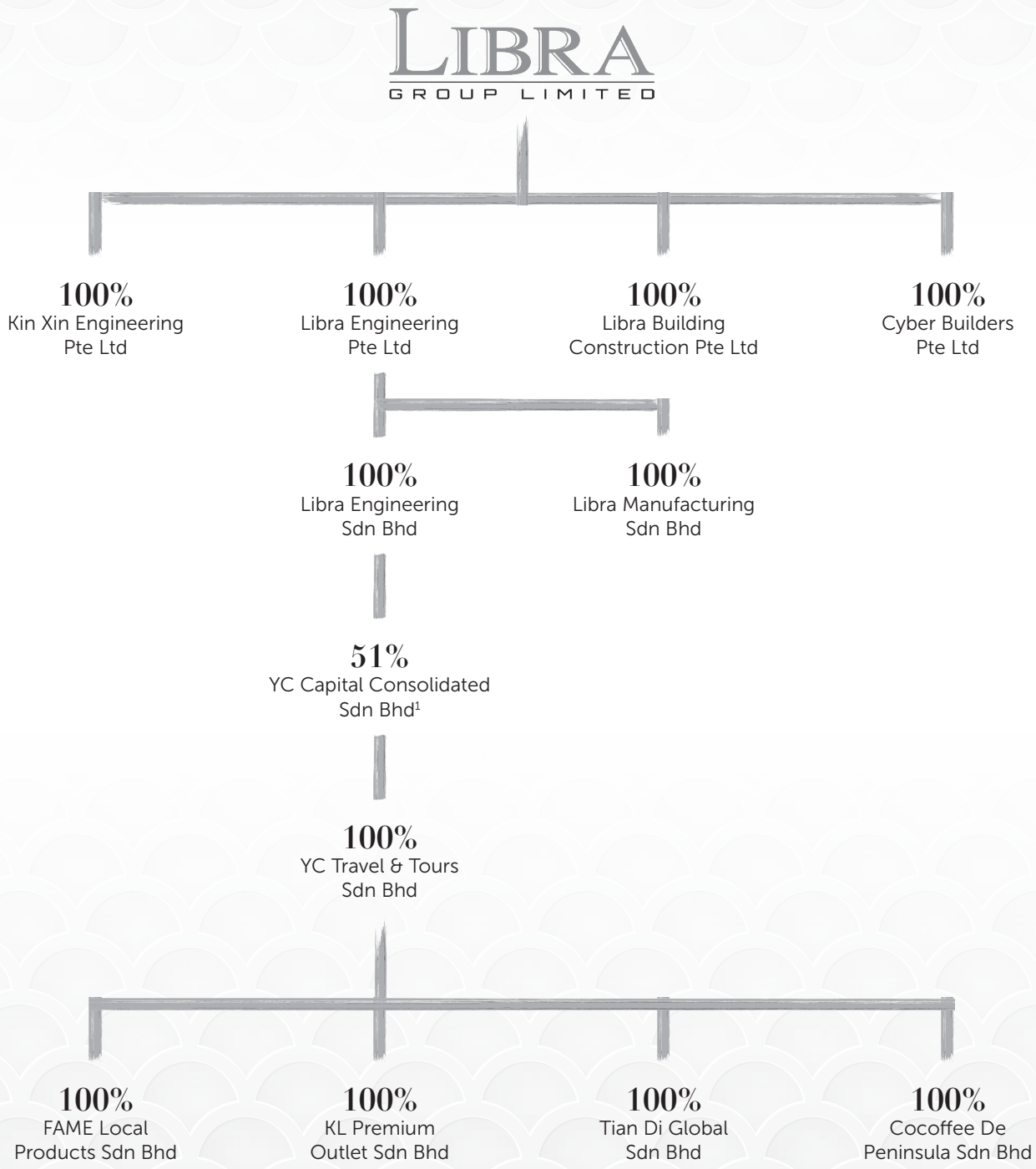
Leveraging on its core competencies, Libra has broadened its range of services and solutions through its building and construction arm, as well as taking on higher-value contracts and obtaining a higher BCA grading.

On 28 March 2018, Libra completed the acquisition of a 51% stake in YC Capital Consolidated Sdn Bhd ("YCC" and together with its subsidiaries, the "YC Group") a tourism and retail related business in Malaysia.

On 15 April 2019, the Company entered into a Memorandum of Understanding ("MOU") in relation to the proposed disposal of the Group's 51% interest in the issued and paid-up shares of the YC Group.

Libra will selectively explore diversification into other sectors, as well as geographical expansion, to drive further growth.

CORPORATE STRUCTURE



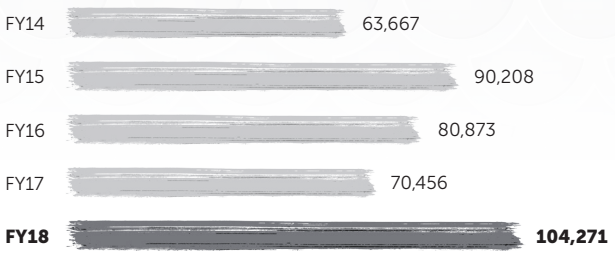
1 *YC Capital Consolidated Sdn Bhd was acquired on 28 March 2018 and on 15 April 2019, the Company entered into Memorandum of Understanding in relation to the proposed disposal of 51% issued and paid-up share capital of YC Capital Consolidation Sdn Bhd ("YCC" and together with its subsidiaries, the "YC Group").*

SOLID FOUNDATIONS,

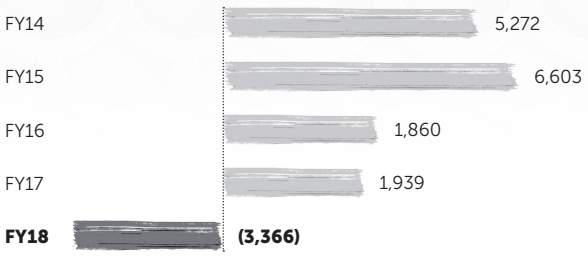
SUSTAINED GROWTH

FIVE YEAR FINANCIAL HIGHLIGHTS

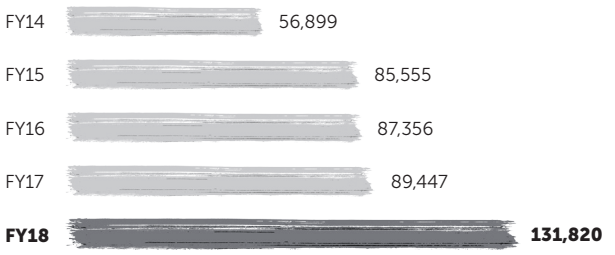
REVENUE
(S$'000)



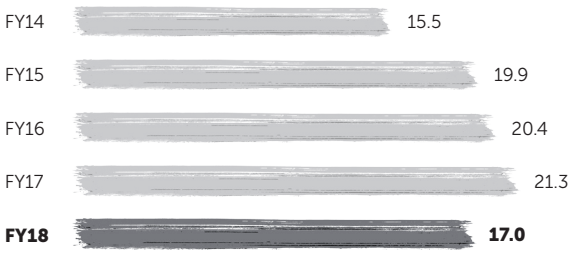
(LOSS)/PROFIT BEFORE TAX
(S$'000)



TOTAL ASSESTS
(S$'000)

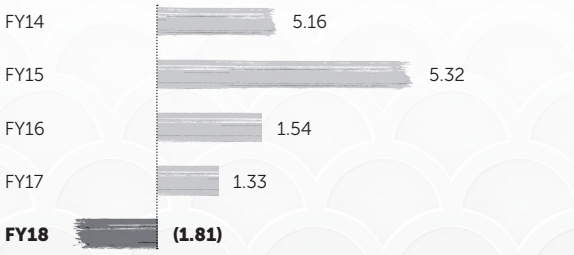


NET TANGIBLE ASSETS PER SHARE
(CENTS)



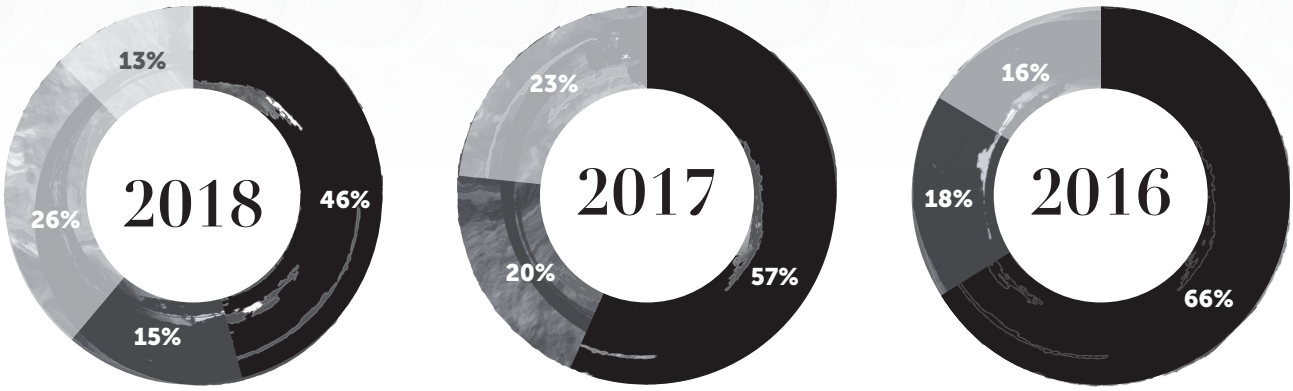
GROSS PROFIT
(S$'000)

(LOSS)/EARNINGS PER SHARE (BASIC)
(CENTS)



THREE YEAR FINANCIAL HIGHLIGHTS

REVENUE BY SEGMENT



M&E	47,802	M&E	39,954	M&E	53,497
Manufacturing	16,007	Manufacturing	14,029	Manufacturing	14,262
B&C	27,380	B&C	16,473	B&C	13,114
Travel & Tour Service Business	13,083				

	2018	2017	2016
Management Efficiency Ratios			
Return on Asset	**-3.31**	1.76	2.06
Return on Equity	**-11.94**	6.08	7.43
Leverage Ratios			
Debt to Net (Loss)/Profit	**-12.82**	26.45	23.3
Net Debt to Equity	**1.47**	1.45	1.59
Debt to Asset	**0.42**	0.47	0.48

CORPORATE MILESTONES

1997

Incorporation of Kin Xin Engineering Pte Ltd ("Kin Xin Engineering")

Staff strength: 5

1998

Kin Xin Engineering clinched ACMV insulation projects

2000

Awarded contracts

2003

To supply and install ACMV ductwork and refrigerant copper pipes

2005

Strengthening of management team and expansion of scope of services to include supply and installation of ACMV systems

Incorporation of Libra Engineering Pte Ltd ("Libra Engineering") to undertake ACMV duct manufacturing

2007

Awarded first contract to supply and install electrical and fire alarm systems, using insulated ducts manufactured by Libra Engineering

2008

Awarded more contracts to supply and install ACMV, electrical and fire alarm systems

Staff strength of nearly 200

2009

Libra Engineering started trading ACMV-related accessories

Secured M&E projects for facilities at a large scale integrated resort

2010

Secured projects as a nominated sub-contractor

Successfully acquired L5 grading in the ACMV works category and also in the integrated building services category

2011

Listed on the Catalist Board of the Singapore Exchange

2014

Libra Group expanded into building and construction solutions through a new acquisition; Libra Building Construction Pte Ltd formerly known as Ai-Build Pte Ltd

Awarded a S$9.9 million M&E contract for ACMV works at Ministry of National Development

Acquired new factory at 53 Loyang Drive

Raised S$3 million of gross proceeds via private placement

2015

Acquired 100% stake in Cyber Builders Pte Ltd, which subsequently obtained an upgrade from Building and Construction Authority ("BCA") C1 category to B1 category to tender projects up to S$40 million

Kin Xin Engineering successfully obtained an upgrade in its BCA grading to L6 category for ACMV and integrated building services categories

Acquired new factory building with workers' dormitory at Sungei Kadut Loop

2016

Kin Xin Engineering successfully obtained an upgrade in its BCA grading to L6 category from L5 category for electrical engineering (workhead ME05) in February 2016

Successfully entered the luxury Good Class Bungalow segment (e.g. Sentosa Cove) for the building and construction segment

Successfully made its first foray into stainless steel ACMV duct business, which caters for the hospital and cleanroom segments

2017

Awarded S$35.9 million sub-contracts for the supply, installation, construction, completion and maintenance of architectural works for Lentor and Stevens stations

2018

Incorporation of new subsidiary, Libra Manufacturing Sdn Bhd, which is located at Johor Bahru, Malaysia

Libra Group moves into the new premises at 53 Loyang Drive

CHAIRMAN'S MESSAGE

2018 has been an exciting but challenging year for the Group as we have successfully executed our diversification strategy into new geographical market into Malaysia as the first step to execute our vision to expand as a regional player in Southeast Asia.

Dear Shareholders,

NEW VIGOUR, RENEWED MOMENTUM

On behalf of the Board, I would like to report on the business and financial performance of the Group in the financial year ended 31 December 2018 ("FY2018"). In particular, I would like to highlight the new vigour perpetuating the Group, with renewed momentum for the Group's long-term growth generated by our first overseas expansion.

YEAR IN REVIEW

2018 has been an exciting but challenging year for the Group as we have successfully executed our diversification strategy into new geographical market into Malaysia as the first step to execute our vision to expand as a regional player in Southeast Asia.

Our three core businesses in building and construction have grown from strength to strength over the past year. We are pleased to have centralised our business operations in Singapore in our new headquarters building located in 53 Loyang Drive. The new headquarter houses all employees of Libra Group and its subsidiaries, Cyber Builders and Libra Building Construction, under one roof.

At the same time, our Manufacturing business had set up a new subsidiary, Libra Manufacturing Sdn Bhd, in Johor Bahru, Malaysia in March 2018 to expand our market presence for the manufacturing of air-conditioning and mechanical ventilation ducts. The Group is also in the process of relocating some of the key manufacturing operations to Malaysia as part of its efforts to optimise cost. The Malaysia plant became fully operational since September 2018.

FINANCIAL HIGHLIGHTS

We are pleased to report an increase in the Group's revenue by 48% or S$33.8 million, from S$70.5 million in financial year ended 31 December 2017 ("FY2017") to S$104.3 million in FY2018.

It is noteworthy to highlight that our core businesses in building and construction has maintained a stellar performance over the past year. All three business segments, Mechanical & Engineering segment, Building & Construction Solutions segment and Manufacturing segment, have achieved marked improvement in topline revenue.

The Mechanical & Engineering segment has reflected a steady growth of 19.5% or S$7.8 million, from S$40.0 million in FY2017 to S$47.8 million in FY2018. Similarly, the Building & Construction Solutions segment, has reflected a steady growth of 66.1% or S$10.9 million, from S$16.5 million in FY2017 to S$27.4 million in FY2018. Likewise, the Manufacturing segment, has reflected a steady growth of 14.3% or S$2.0 million, from S$14.0 million in FY2017 to S$16.0 million in FY2018.

Nevertheless, the Group is in the loss position of loss before tax of S$3.4 million in FY2018, as compared to profit before tax of S$1.9 million in FY2017, mainly due to:

1) the provision for impairment of trade and other receivables of S$3.0 million which S$0.6 million arose from travel and tour service business. On 15 April 2019, the Company entered into a Memorandum of Understanding ("MOU") in relation to the proposed disposal of the Group's 51% interest in the issued and paid-up shares of the YC Group.
2) the impairment of contracts assets by S$1.1 million which S$0.6 million arose subsequent to the adoption of SFRS(I) 9.

The Libra Group is growing on a steady pace with a S$180 million orderbook for our three building and construction business units as of 31 December 2018.

FINANCIAL POSITION

The Group's financial position continues to be healthy. Net assets stood at S$36.5 million as at 31 December 2018, as compared to S$25.9 million as at 31 December 2017. Net tangible asset value per share stood at 17.0 Singapore cents as at 31 December 2018.

Cash and bank balances and pledged deposits stood at S$2.3 million as at 31 December 2018. Our loss per share stood at negative 1.81 Singapore cents for FY2018.

Market capitalisation was approximately S$27.3 million based on the closing share price of 0.128 Singapore cents as at 31 December 2018.

CHAIRMAN'S MESSAGE

NEW GROWTH STRATEGY

We are optimistic that the three core business segments will sustain their growth momentum. The Group believes that its growth strategy as a one-stop building and construction solutions provider for Southeast Asia will enable it to remain relevant for the customers in Singapore and beyond. This can be reflected in a strong orderbook and project pipelines for the new year ahead.

NURTURING HUMAN CAPITAL

Our people is the heart of our transformation. To succeed, we will nurture our people and grow our talent pool. We believe in preparing for the future. In the year under review, we have strengthened our management team to gear up for greater organisation growth. We strive to provide a working environment that fosters creativity and innovation that attracts talents to grow with the Group, while grooming existing staff and management to take on bigger roles within the organisation.

BOARD OF DIRECTORS AND KEY MANAGEMENT

At this juncture, I would like to update shareholders on the several changes to our Board of Directors and key management in FY2018.

Mr Xu Rui Bing relinquished his role as Executive Director on 30 April 2018. I would like to extend my appreciation to him for his invaluable contribution. I would also like to welcome Mr Chu Siow Leong as the new incoming Executive Director.

BUSINESS OUTLOOK

The Group will increasingly look for growth opportunities abroad to diversify its geographical base and strengthen revenue streams given that its core businesses are closely linked to Singapore's building and construction industry which remains challenging. The latest round of government measures to cool the Singapore property market as announced on 5 July 2018 and the recent budget announcement on 18 February 2019, has further raised the need for the Group to venture overseas.

According to the Building and Construction Authority (BCA) of Singapore dated 14 January 2019, it projected the total construction demand (i.e. the value of construction contracts to be awarded) in 2019 to range between S$27 billion and S$32 billion, comparable to the S$30.5 billion (preliminary estimate) awarded in 2018.

The projected outlook is due to sustained public sector construction demand, which is expected to reach between S$16.5 billion and S$19.5 billion in 2019, contributing to about 60% of the projected demand for this year. Public construction demand is expected to be boosted by major infrastructure projects and a pipeline of major industrial building projects.

The private sector construction demand is expected to remain steady 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.

NOTE OF APPRECIATION

On behalf of the Board, I would like to express my deepest appreciation to all stakeholders who have been instrumental in the Group's success over the past years – customers, business associates, management team, staff and shareholders. Having the right team has been the key to the success of our business.

Geared up for sustainable growth, the Group is ready for new opportunities and challenges which the future holds. We will grow from strength to strength in building our market leadership in the construction industry to meet the urbanisation needs of Singapore and beyond.

We will continue to adapt and make sound decisions that will allow the Company to grow sustainably.

MR CHU SAU BEN
Executive Chairman, Executive Director & Chief Executive Officer
Libra Group Limited

主席献辭

尊敬的各位股东：

稳中求进
我谨代表董事会报告天秤集团在2018年12月31日财政年度（“2018财年”）的业务和业绩。我们在2018年实施多元化的转型过程中遭遇了前所未有的挑战，集团的业绩受到了短期的冲击。然而，我们的焦点坚定转移到集团长期发展，多元化开拓海外市场是天秤集团以后的一个发展方向，是为集团的未来铺好基础。

财年回顾
2018年对于天秤集团来说是充满挑战的一年。在这一年中我们成功积极开拓马来西亚的新市场。这标志着我们以新加坡为龙头，向东南亚延伸的发展远景。

我们在建筑和施工方面的三大核心业务在过去一年中不断壮大。53 Loyang Drive新总部落成成为集团的一个新的里程碑，新大厦为天秤集团旗下Cyber Builders 和 Libra Building Construction 的所有员 工提供一站式工作空间。

与此同时，我们的制造业务在2018年3月在马来西亚柔佛新山成立了新的子公司Libra Manufacturing Sdn Bhd，以扩大我们在空调和机械通风管道制造方面的市场地位。作为优化成本的一部分，本集团已把部分制造业务迁往马来西亚。自2018年9月起，马来西亚工厂已成功投入运营。

回顾2018财年，集团收入增加48%或3,381万新元，从2017财年的7,050万新元增加到2018财年的1.043亿新元。但值得注意的是，建筑和施工的业务在过去一年飞速增长，维持了2017年的增长趋势。所有三个部门，机械和工程，建筑和施工和制造部门，都实现了收入的增长。

集团的机械和工程部门业绩继续保持稳定，从2017财年的3,990万新元增加到2018财年的4,780万新元，增加了19.5%达790万新元。同时，建筑与施工部门也呈现了66.1%的高速增长达1,091万新元，从2017财年的1,647万新元到2018财年的2,738万新元。而制造业部门也从2017财年的1,403万新元增加到2018财年的1,601万新元，增长14.3%达198万新元。

本集团于2018财年税前亏损为337万新元，低于2017财年的税前利润194万新元。其主要原因如下：

1）提取坏账及减值准备金三百万新元其中六十万来自于毓诚集团。在2019年4月19号公司签署了一份谅解备忘录关于出售毓诚集团51%股份。
2）提取工程减值减值准备金一百一十万新元其中六十万来自于首次采用新的会计准则SFRS（I）9。

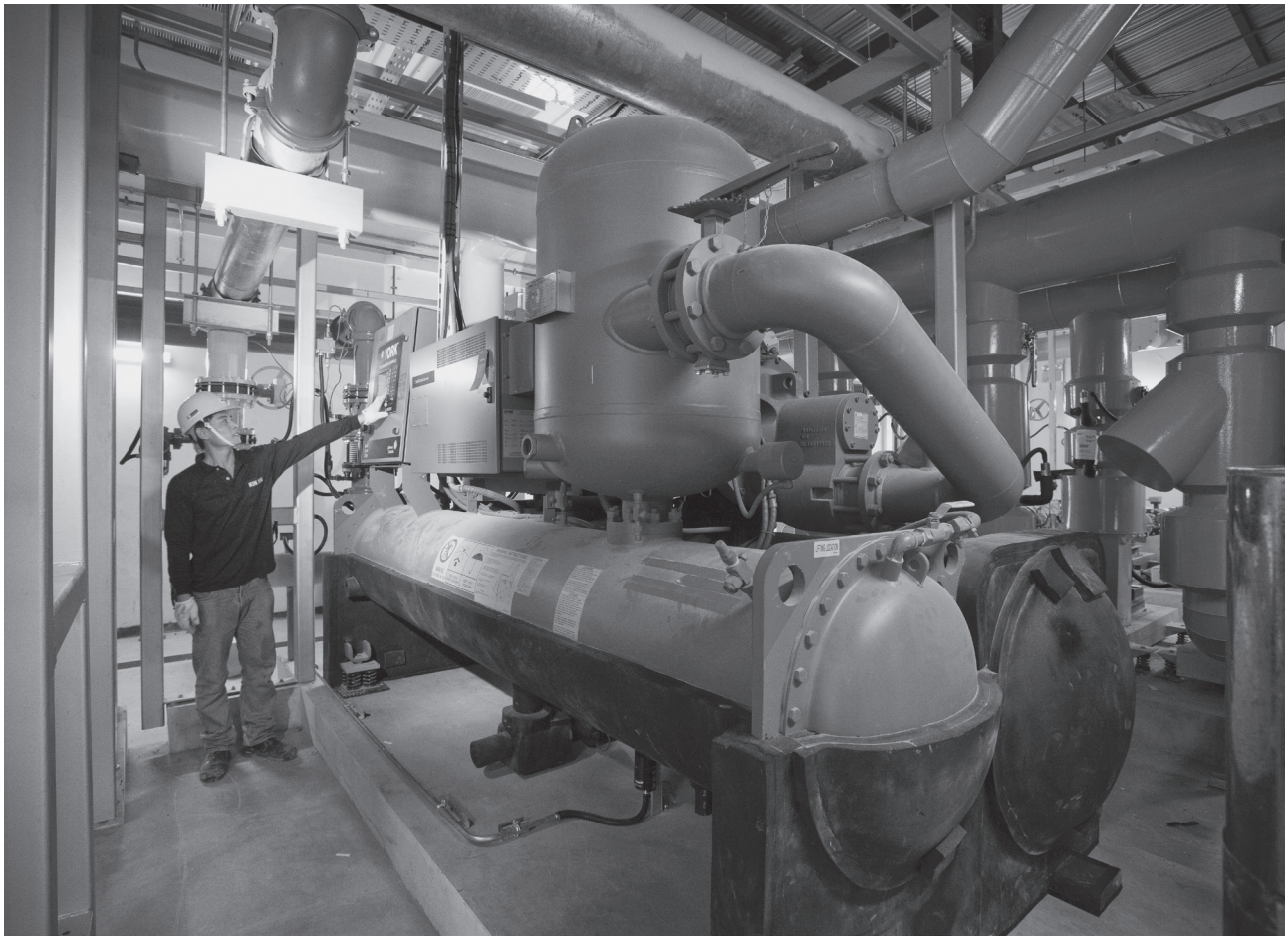
集团已启动了稳健成长的动力，又成功争取了新币180百万元的工程订单截至31日12月2018年。

财务状况
集团的财务状况还保持健康。截至2018年12月31日，净资产为3,649万新元，而截至2017年12月31日则为2,587万新元。截至2018年12月31日，每股净资产值为17.0新加坡分。

根据截至2018年12月31日的0.128新加坡元的收盘价，市值约为2,730万新元。

新增长战略
我们乐观地认为，三大核心业务将继续保持其增长势头。本集团相信作为东南亚全方位的建筑及建筑供应商，我们长期与我们的客户保持良好的关系与互动。而且本集团未来一年订单强劲，这

主席献辭



将会为我们在下一个年度获得好的业绩打下来良好的基础。

营造人力资本
我们的员工是我们转型的核心。因此我们将加强培养我们的员工，引进人才以便壮大我们自己的人才库。我们将致力于提供一个促进创造力和创新的工作环境，吸引人才与集团共同成长，同时培养现有员工和管理层，以便在组织内担任更大的角色。

董事会和主要管理层
在这个时刻，我想向股东介绍我们在2018财年对董事会的几项变更。徐瑞冰先生于2018年4月30日卸任其　执行董事的职务。我要谨此感谢他对集团的宝贵贡献。同时，我也想要欢迎朱少良先生接任新任执行董事。

业务展望
鉴于其核心业务与新加坡的建筑业密切相关，本集团将越来越多地寻求海外发展的机会以实现以新加坡为基地和多元化的收入来源。2018年7月5日，新加坡政府宣布了最新一轮房地产市场降温措施，以及最近2019年2月18日发布新的财政预算，进一步确定了集团在海外发展的必要性。

根据新加坡建设局（BCA）于2019年1月14日的预测，预计2019年建筑总需求（即建筑合同的价值）将达到270亿新元至320亿新元，对比2018年的305亿新元。

预计前景是由于公共部门建设需求持续增长，预计2019年将达到165亿新元至195亿新元，占今年预计需求的约60%。预计公共建筑需求将受到主要基础设施项目和主要工业建筑项目的推动。

预计2019年私营部门建筑需求将稳定地保持在105亿新元至125亿新元之间，这得益于包括2018下半年之前完成的集体出售项目以及新工业发展的项目。

我谨代表董事会向全体股东、客户、业务伙伴、银行和供应商一如继往的支持表示衷心感谢，同时也要感谢管理团队和全体员工的的辛劳与奉献，你们是我们的磐石。组建合适的团队是我们发展的关键，本集团已做好准备应付未来的机遇和挑战。我们将不断壮大，巩固我们在建筑行业的领先地位，以满足新加坡及其周边城市的需求。我们将继续调整并做出合理的决策，使公司可持续发展。

朱振铭
主席兼执行总裁
天秤集团有限公司

DIVERSE REACH,

INCREASED POTENTIAL

BOARD OF DIRECTORS

CHU SAU BEN
Executive Chairman, Executive Director and Chief Executive Officer

Mr Chu was appointed to the Board on 20 October 2010 and last re-elected on 28 April 2017.

Mr Chu is the founder of the Group and is responsible for the management and operations of the Group.

Mr Chu has vast and extensive experience in the ACMV business, having started out at the age of 18. Largely due to his drive and foresight, Mr Chu was able to expand the business of Kin Xin Engineering into the supply and installation of ACMV ductwork, chilled water pipes and refrigerant copper pipes. Under his leadership, the Group grew in scale and size to first become a substantial integrated building solutions business and, more recently become a diversified Group with businesses in the Tourism and the Food & Beverage sectors.

Mr Chu was the winner of the Asia Pacific Entrepreneurship Awards 2015 (Outstanding Category) and was conferred the Top 10 Most Inspiring Entrepreneur Award, 2015.

CHU SIOW LEONG
Executive Director

Mr Chu was appointed to the Board on 31 May 2018. He brings with him more than 20 years of experience in sales, manufacturing and business management.

Mr Chu first joined the Group in September 2014 as a Business Manager of Libra Engineering Pte Ltd, where he managed production and deployment, and was subsequently promoted to General Manager in July 2017. As General Manager, he is responsible for multiple aspects of the business, including corporate strategy, governance and compliance, brand management and financial planning. Aside from revamping Libra Engineering's sales structure to boost top-line growth, he played an instrumental role in implementing company-wide digital initiatives such as a new customer resource management platform.

Under Mr Chu's leadership, Libra Engineering has diversified its offerings to become a one-stop ACMV ducts solutions provider in Singapore with a varied portfolio of innovative high-margin products.

Prior to joining the Group, Mr Chu had accumulated diverse operational and technical experience in the food and beverage and engineering sectors.

KONG CHEE KEONG
Lead Independent Director

Mr Kong was appointed to the Board as an Independent Director on 24 April 2013 and re-designated as Lead Independent Director on 12 December 2017 and last re-elected on 30 April 2018. Mr Kong currently chairs the Audit Committee and is a member of the Remuneration Committee and of the Nominating Committee.

Mr Kong is a Chartered Accountant with more than 25 years of experience in corporate strategy development, private equity investment and financial accounting. He previously worked with Ernst & Young LLP and the private equity arm of ING Barings, and as CFO of several companies including SGX-ST listed Top Global Limited.

He is now the Managing Director of a boutique corporate advisory company serving both private and public listed companies in sectors such as healthcare and renewable energy.

He manages the development of a portfolio of renewable energy assets and is a joint venture partner of Engie, a Euro Stoxx 50 component French multinational electric utility conglomerate.

GN JONG YUH GWENDOLYN
Independent Director

Ms Gn was appointed to the Board as an Independent Director of the Company on 12 December 2017 and last re-elected on 30 April 2018. Ms Gn chairs the Remuneration Committee and is a member of the Nomination Committee and Audit Committee.

Ms Gn has more than 20 years of experience as a Corporate Lawyer, specialising in corporate finance and capital markets in Singapore and the Asian region. Ms Gn is currently an Equity Partner in Shook Lin & Bok LLP where she actively advises both Main Board and Catalist listed companies, SMEs, MNCs and financial institutions on areas of fund raising, IPOs, RTOs, dual listings, mergers and acquisitions, corporate structuring and corporate governance.

Ms Gn graduated with LLB Hons (Second Upper) from the National University of Singapore in 1994 and was called to the Singapore bar as an Advocate and Solicitor in 1995. Ms Gn was a winner of the International Law Office and Lexology Client Choice Award in Singapore for Capital Markets and has been recognised as a leading capital markets and corporate finance lawyer in Asialaw Leading Lawyers. Ms Gn is also an independent director of SGX-ST MainBoard-listed UMS Holdings Limited and Darco Water Technologies Ltd.

SOON AI KWANG
Independent Director

Mr Soon was appointed to the Board as an Independent Director on 18 September 2015 and last re-elected on 29 April 2016. Mr Soon chairs the Nominating Committee and is a member of the Remuneration Committee and Audit Committee.

Mr Soon has over 36 years of experience in the building industry and was formerly the Principal of T.Y.Lin International Pte Ltd, an engineering design and project management consultancy company. Mr Soon was also Senior Principal Engineer of JTC Corporation, serving as Departmental Head, Infrastructure Planning & Facilities Management, at the Agency for Science Technology and Research (A*STAR). Mr Soon has also held various senior management positions at Singapore companies with various postings to China. Prior to that, he was a senior lecturer at Nanyang Technological University for 15 years.

Mr Soon holds a Bachelor of Mechanical Engineering and a Master of Science, from the current National University of Singapore and University of Surrey, United Kingdom respectively. He has been a registered Professional Engineer since 1981.

MANAGEMENT TEAM

DENG RONG
Managing Director, Mechanical and Electrical Engineering Division

Mr Deng was promoted to his current position in August 2014.

His current responsibilities include planning, strategising, overseeing project management and guidance for all technical solutions of M&E Engineering Division.

Mr Deng joined our subsidiary, Kin Xin Engineering Pte Ltd as General Manager on 10 May 2013. He has more than 20 years of experience in the building construction field especially in M&E services, including system design, site installation and project management.

Prior to joining the Group, Mr Deng was the deputy managing director at Great Resources M&E Contractor Pte Ltd. Mr Deng was previously based in China, where he had managed projects at the Singapore-Suzhou Industrial Park, Singapore-Wuxi Industrial Park wafer factory and a five-star hotel under the Sheraton Group at Nanning. He was also formerly a lecturer at Shanghai Mechanical Institution for 7 years.

Mr Deng holds a Bachelor's degree in Mechanical Engineering from Tong Ji University, Shanghai.

JOSEPH ANG CHOON CHENG
Executive Chairman,
Building and Construction Division
Chief Investment Officer Libra Group

Mr Ang joined our subsidiary, Cyber Builders Pte Ltd as Executive Chairman on 3 July 2017.

Mr Ang oversees the overall operations of the Company, including the expansion of its business units.

In addition to his duties as Executive Chairman of Cyber Builders Pte Ltd, Mr Ang also oversees new business developments and investments of the Group.

He has more than 20 years of experience in the engineering and building construction field.

Prior to joining the Group, Mr Ang was the Chief Operating Officer of Natural Cool Holdings Limited, Managing Director of Natural Cool Airconditioning & Engineering, Director of S-Team Engineering and Construction Pte Ltd, Vice President of SMB Electric Pte Ltd, as well as the Director of Soundtex Switchgear Pte Ltd.

WILLIAM KONG
Managing Director
Building and Construction Division

Mr Kong founded Cyber Builders Pte Ltd in 2000 and was appointed as the Managing Director of Libra Building Construction Pte Ltd and Cyber Builders Pte Ltd in September 2015.

Mr Kong oversees the daily operations of Libra's building and construction solutions segment.

Mr Kong has over 25 years of experience in the building and construction industry, from foundation piling works, design and construction of commercial buildings such as the Railway Terminal CIQ at Woodlands, industrial buildings, residential properties and public projects. Mr Kong held various positions from Project Engineer, Project Manager to Senior Manager with BCA A2 graded construction and piling firms. His experience includes setting up of a pre-casting yard and a ready-mixed concrete supply plant from initial layout planning, land reclamation, infrastructure planning and installation, facilities planning, procurement and installation of the facilities, warehouse and offices at Batam, Indonesia. He is also the Company's internal assessor for all safety standard work procedures and green projects.

Mr Kong holds a Diploma in Civil Engineering from Singapore Polytechnic, an Honours Degree from University of Glasgow in Civil Engineering and a Specialist Diploma in Construction Productivity. Mr Kong is also a Certified External Assessor for ISO Certification and a Senior Member of the Institute of Engineers Singapore.

DU YIJUN
Director, General Manager, Building and Construction Division

Mr Du was promoted to his current position in July 2017.

Mr Du is responsible for the day-to-day operations, process implementation, projects management, purchasing cost control, project tendering and human resource planning.

Mr Du has close to 20 years of experience in civil and structural engineering. Prior to joining the Group, Mr Du was a Senior Project Manager (Chief Representative) at China Construction (South Pacific) Development Co. Pte Ltd from 2006 to 2014, where he led projects, including Floridian condominium and eCo condominium. From 2005 to 2006, Mr Du was a Technical Manager at Englim-Ho Lee Joint Venture, which was awarded the Circle Line Stage 3 contract.

Mr Du is a Chartered Engineer, UK (C.Eng) and a Corporate Member of Institution of Structural Engineer, UK (MIStructE) since 2003. He is also a Corporate Member of Institution of Engineers, Singapore (M.IES) since 2000. Mr Du holds a Bachelor of Civil Engineering from Tong Ji University, Shanghai, a Master's of Civil Engineering (Major in Geotechnical) from National University of Singapore and a Master's of International Construction Management from Nanyang Technological University, Singapore.

JIN CHANGSHENG
Tender Manager, Mechanical and Electrical Engineering Division

Mr Jin was promoted to his current position in July 2015.

Mr Jin is responsible for identifying all potential leads for prospective business, sourcing new contracts and tenders, as well as performing tender analysis and evaluation.

Mr Jin joined Kin Xin Engineering Pte Ltd as Project Engineer in 2005, where he was responsible for worksite co-ordination, liaising with suppliers, contractors and consultants, conducting inspection and testing, and preparing variation orders and progress claims. In 2010, Mr Jin was promoted to Assistant Contracts Manager, where he was responsible for sourcing of new contracts and tenders as well as performing tender analysis and evaluation.

Mr Jin started his career in 1998 with Shenyang No. 1 Tools Machine Co. (China) as an Assistant Design Engineer where he assisted in the design of tools machine. He joined Comfort Management Pte Ltd in 2000 where he worked as an assistant service engineer and was responsible for the preparation of operation and maintenance schedules, as well as the operation, maintenance, trouble shooting and servicing of commercial and centralised air-conditioning systems, including cooling towers.

Mr Jin holds a Bachelor's Degree in Engineering from Shenyang University, China.

FINANCIAL REVIEW

INCOME STATEMENT

During 2018 under review, the Group posted a total revenue increase by 48% or S$33.8 million from S$70.5 million in FY2017 to S$104.3 million in FY2018.

This increase was mainly attributable to: 1) higher revenue from the M&E segment of S$7.8 million or 19.5% from S$40.0 million in FY2017 to S$47.8 million in FY2018, primarily due to increase in work done; 2) higher revenue from the manufacturing segment of S$2.0 million or 14.3% from S$14.0 million in FY2017 to S$16.0 million in FY2018, primarily due to increased sales volume and increased re-sale of coils in FY2018; 3) increase in revenue from the building and construction solutions segment of S$10.9 million or 66.1% from S$16.5 million in FY2017 to S$27.4 million in FY2018 as a result of increasing project realisation with higher order intake secured; and 4) revenue contribution from the travel and tour services business of $13.1 million following the completion of the acquisition of YC Group in March 2018.

The Group's cost of sales increased by S$32.3 million or 55.7%, from S$58.0 million in FY2017 to S$90.3 million in FY2018. The increase was attributable to 1) higher sub-contractor costs in line with the increase in revenue; and 2) consolidation of costs of travel and tour services business following the completion of the acquisition of YC Group in March 2018.

The Group's gross profit increased by S$1.5 million or 12% from S$12.5 million in FY2017 to S$14.0 million in FY2018, mainly due to 1) an increase of S$3.4 million from the building and construction solutions segment arising from improved project execution and productivity; 2) gross profit contribution from the travel and tour services business of S$2.3 million following the completion of the acquisition of YC Group in March 2018; and offset by 3) a decline of S$3.6 million or 46.3% in gross profit from the M&E segment due to more competitively priced projects.

During the year under review, other income increased by S$1.1 million or 42.3% from S$2.4 million in FY2017 to S$3.3 million in FY2018, mainly attributable to the commencement of receipt of rental income from 53 Loyang Drive property which obtained its Temporary Occupation Permit ("TOP") in January 2018.

Administrative expenses and impairment losses on financial assets increased by S$7.4 million or 62.7% from S$11.8 million in FY2017 to S$18.7 million in FY2018. This was mainly due to 1) the consolidation of expenses of the travel and tour services business following the completion of the acquisition of YC Group in March 2018; 2) depreciation increased by S$0.6 million or 31.6% relating to 53 Loyang Drive property which obtained its TOP in January 2018; 3) higher salaries and wages due to an increase in headcount for employees and workers as part of the Group's growth and expansion plans as well as salary adjustments; 4) the increase in impairment of contracts assets, trade and other receivables by S$3.7 million.

Finance costs increased by S$0.7 million or 58.3% from S$1.2 million in FY2017 to S$1.9 million in FY2018, mainly due to 1) the increase in term loan interest relates to the property at 53 Loyang property whereby the interest was capitalised during the construction stage in previous years; and 2) the increase in trade financing and bank overdraft utilised by the Group in FY2018, which is in line with the increase in the Group's project activities.

The Group's loss before tax of S$3.4 million in FY2018, as compared to profit before tax of S$1.9 million in FY2017 is mainly due to 1) the provision for impairment of trade and other receivables of S$3.0 million which S$0.6 million arising from travel and tour service business due to the reassessment of the recoverability of the receivables of YC Group by the new management team of YC Group following the departure of the previous management; and 2) the impairment of contracts assets, by S$1.1 million which S$0.6 million arose subsequent to the adoption of SFRS(I) 9.

FINANCIAL POSITION

NON-CURRENT ASSETS

Non-current assets increase by S$8.4 million or 21.5% from S$39.0 million as at 31 December 2017 to S$47.4 million as at 31 December 2018. The increase is mainly due to 1) the inclusion of S$0.6 million of property, plant and machinery arising from the consolidation of YC Group; 2) an estimated goodwill of S$9.6 million which arose from the acquisition of YC Group; and 3) S$0.9 million in purchase of property, plant and machinery during the year, partially offset by 4) S$2.4 million depreciation charged in the review year and repayment received for non-current loan receivable of S$0.3 million during the year.

CURRENT ASSETS

As at 31 December 2018, current assets stood at S$84.4 million. This is an increase of S$33.9 million as compared to S$50.5 million as at 31 December 2017 due to the following:

a) increase in contract asset of S$10.0 million as a result of increased project execution towards the end of the year closing;

b) an asset held for sales of S$8.5 million which relates to the Investment Property of YC Group. In accordance with the post-completion covenants of the Sales and Purchase Agreement ("SPA"), the property is to be disposed of within 12 months from the completion date of the acquisition of YC Group;
c) increase in inventories of S$3.4 million or 126.7% mainly attributable to 1) bulk purchase of coils used in the production for the manufacturing segment which is in line with increased sales and manufacturing activities during the year; and 2) inventories held by the travel and tour service segment;
d) increase in trade and other receivables of S$13.6 million or 108.4% mainly attributable to the travel and tour service segment and the building and construction solutions segment in line with the revenue increase during the year; and
e) increase in prepaid operating expenses of S$0.2 million during the year.

Partially offset by

(f) decrease in cash and cash equivalents of S$1.8 million.

CURRENT LIABILITIES

As at 31 December 2018, current liabilities stood at S$76.3 million, which represents an increase of S$23.4 million as compared to S$52.9 million as at 31 December 2017. This increase is mainly due to:

a) increase in trade and other payables of S$13.2 million or 82.5% in line with the increase in trade and other payables arising from the consolidation of the travel and tour service segment;
b) increase in other liabilities of S$2.6 million or 52% mainly due to the higher accrued operating expenses;
c) increase in tax payable of S$1.6 million arising from the consolidation of the travel and tour service segment; and
d) increase in loan and borrowings of S$7.8 million or 20% mainly attributable to 1) mortgage loan of S$7.8 million in connection with the Asset Held for Sale of YC Group; 2) increase in bank overdraft of S$6.8 million; and 3) increase in the utilisation trade facilities in line with increase in revenue.

Partially offset by

e) the refinancing of the S$7.3 million construction loan to term, non-current loan;
f) decrease in contract liabilities of S$0.3 million or 94.9% mainly due to lower advance collections from customers for the building and construction segments.

NON-CURRENT LIABILITIES

As at 31 December 2018, non-current liabilities increased by S$8.3 million to S$19.0 million from S$10.7 million as at 31 December 2017, mainly due to the refinancing of the S$7.3 million construction loan to short term, non-current loan which is secured by the property, plant and equipment at 53 Loyang Drive.

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Equity attributable to owners of the Company amounted to S$34.7 million as at 31 December 2018, which reflects an increase of S$8.8 million or 34.0% as compared to S$25.9 million as at 31 December 2017, mainly arising from 1) S$3.5 million net loss for the current financial year; and 2) S$12.0 million arising from the issuance and allotment of 93,750,000 new ordinary shares in the capital of the Company issued to Chu Sau Ben (Executive Chairman, Executive Director and Chief Executive Officer) as consideration for the acquisition of YC Group.

CASH FLOW

In FY2018, the net cash flow used in operating activities amounted to S$7.8 million, mainly due to operating cash flows before working capital changes of S$5.6 million, adjusted for net working capital outflows of S$11.3 million, as well as interest paid of S$1.9 million. The net working capital outflow is mainly due to the increase in contract assets of S$11.3 million, increase in inventories of S$2.5 million, increase in trade and other receivables of S$8.9 million, decrease in contract liabilities of S$0.3 million, and partially offset by increase in trade and other payables of S$9.2 million, and the increase in other liabilities of S$2.1 million.

Net cash flows from investing activities of S$0.6 million in FY2018 is mainly attributable to net cash inflow from acquisition of subsidiaries, net of cash acquired of S$0.9 million and proceeds from disposal of property, plant and equipment of S$0.6 million and partially offset by purchase of property, plant and equipment of S$0.9 million.

Net cash flow used in financing activities amounted to S$1.5 million in FY2018 mainly due to proceeds from loans and borrowing of S$20.7 million which is mainly attributable to the utilisation of bank overdraft, term loan drawdown and trust receipts for project financing, and partially offset by repayment of loans and borrowings S$22.2 million.

As at 31 December 2018, the Group's cash and cash equivalents stood at negative S$4.5 million.

OPERATIONS REVIEW

MECHANICAL AND ELECTRICAL ENGINEERING (M&E) SERVICES

The M&E services segment remains the Group's largest revenue contributor, generating S$47.8 million in FY2018, or 45.8% of the Group's topline. In comparison, the M&E segment contributed revenue of S$40.0 million in FY2017. The increase of 19.5% represents the higher volume of ongoing engineering projects amidst a slowdown in the construction sector.

The Group believes its diversification into additional M&E solutions will enable it to remain relevant for customers who increasingly prefer a one-stop solutions provider. Its expanded suite of offerings includes the design and installation for various systems; such as ACMV, fire alarms and fire protection, electrical, sanitary and plumbing, as well as specialty utilities.

Since early 2015, Kin Xin Engineering Pte Ltd ("Kin Xin Engineering"), a wholly-owned subsidiary of Libra, has built up an extensive project base after attaining a Building and Construction Authority ("BCA") grading of L6, which allows it to tender for public projects of any value.

Some notable projects secured by the Group in FY2018 include:

1. Nexus International School project – a S$5 million contract the supply and installation of ACMV services;
2. Daintree Residence – a S$4 million contract for the supply and installation of fire protection services and electrical services for 12 residential building blocks;
3. 21 Adam road for Trinity Christian Centre project – a S$5 million contract the supply and installation of electrical services, ACMV and engineering smoking control system services;
4. Tre Ver Residence Project – a S$7 million contract for the supply and installation electrical services for 9 residential building blocks;
5. Housing and Development Board's multi-storey carparks (batch 10) – a S$5 million contract for mechanical and electrical cyclical improvement works.

The Group will continue to ensure operational excellence in order to complete and deliver projects in a timely manner. Its current portfolio includes JTC Buroh Lane, Bidadari C6&C7, Bidadari C8&C9, and The Clan Hotel.

The M&E segment will remain as one of Libra's core businesses. The Group will continue to tender for new projects while maintaining high standards and competitive prices.

BUILDING AND CONSTRUCTION SOLUTIONS

As the second largest revenue contributor, revenue from the building and construction solutions segment increased by 66.1% to S$27.4 million in FY2018 – representing 26.3% of the Group's total revenue – from S$16.5 million in FY2017 against the backdrop of a tougher operating environment.

The Group continues to build on the market presence and track record of its wholly-owned subsidiary, Cyber Builders Pte Ltd ("Cyber Builders"), which has achieved a Building and Construction Authority ("BCA") rating of B1, enabling it to tender for public

sector projects worth up to S$40 million.

Since 2015, Cyber Builders has widened its offerings to include largescale private projects such as good class bungalows. It has also gained traction in the public sector, specifically for specialist sub-contract projects such as structural steel and architectural related works, through contracts for the Mass Rapid Transit ("MRT") and Land Transport Authority ("LTA"). In FY2018, Cyber Builders to secured contract wins totalling approximately S$57 million, a significant improvement from S$54 million in FY2017.

Some notable projects secured by Cyber Builders in FY2018 include:

1. 5 Still Road – a S$18 million contract for one block of 5-storey residential flat development with attic (60 units) with carpark at 1st storey and communal/ancillary facilities;
2. Vimalakirti Buddhist Centre – a S$9 million contract for additions/ alteration to an existing 3-storey front main prayer hall building and reconstruction of an existing 6-storey rear building to a 8 storey building with a basement columbarium of an existing Chinese Temple.

The Group is well-positioned to enlarge its market share by leveraging its strong credentials. According to the Building and Construction Authority (BCA) of Singapore dated 14 January 2019, they projected the total construction demand (i.e. the value of construction contracts to be awarded) in 2019 to range between S$27 billion and S$32 billion, comparable to the S$30.5 billion (preliminary estimate) awarded in 2018.

The projected outlook is due to sustained public sector construction demand, which is expected to reach between S$16.5 billion and S$19.5 billion in 2019, contributing to about 60% of the projected demand for this year. Public construction demand is expected to be boosted by major infrastructure projects and a pipeline of major industrial building projects.

The private sector construction demand is expected to remain steady 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.

MANUFACTURING

Revenue from the manufacturing segment increased by 14.3% to S$16.0 million in FY2018 – representing 15.4% of the Group's total revenue – from S$14.0 million in FY2017. In view of the challenges in the manufacturing sector, the Group has taken significant steps to lower operational costs while expanding its product line and geographical reach.

To further strengthen its product development capabilities, Libra Engineering Pte Ltd ("Libra Engineering"), a wholly-owned subsidiary of Libra, recently invested in new machinery that will enable it to manufacturer new products such as duct silencers and oval spiral ducts. Over the years, the Group has combined its strong brand equity for ACMV ducts with its mature manufacturing capabilities to establish a portfolio of higher- margin product.

At the same time, our Manufacturing business had set up a new subsidiary, Libra Manufacturing Sdn Bhd, in Johor Bahru, Malaysia in March 2018 to expand our market presence for the manufacturing of ACMV ducts. The Group is also in the process of relocating some of the key manufacturing operations to Malaysia as part of its efforts to optimise cost. The Malaysia plant became fully operational since September FY2018.

INVESTOR RELATIONS

LIBRA RECOGNISES THE IMPORTANCE OF INVESTOR RELATIONS AS A STRATEGIC MANAGEMENT RESPONSIBILITY AS WE SEEK TO COMMUNICATE AND ENGAGE EFFECTIVELY WITH OUR STAKEHOLDERS.

INVESTOR RELATIONS POLICY

Libra Group Limited ("Libra" and together with its subsidiaries "Group") is committed to provide timely and consistent disclosures of financial results and significant corporate activities to its shareholders, investors, the financial community and the investing public.

Our investor relations policy ensures fair and open communications with all our stakeholders. We ensure that relevant and material information are disclosed in a clear, concise and consistent manner in accordance with the Listing Manual Section B: Rules of Catalist of Singapore Exchange Securities Trading Limited ("SGX-ST") ("Catalist Rules"), and the Securities and Futures Act.

All announcements are released via SGXNet including financial results, distribution of notices, press releases, presentations, announcements on acquisitions and other major developments.

Price sensitive information to shareholders is publicly released on an immediate basis where required under the Catalist Rules. All shareholders will receive the annual report, which will also be made available on the SGXNet.

We maintain our corporate website vigilantly and update regularly to ensure investors are kept abreast with the latest developments of our Company.

We have continuously improved on the presentation and contents of the annual reports so as to provide readers a better understanding of the Group.

DIVIDEND POLICY

We do not have a formal dividend policy. The form, frequency and amount of any proposed dividend will take into consideration of the Group's operating results, financial position, committed capital requirements and any other relevant consideration the Board of Directors may deem appropriate in the best interest of the Company.

STAKEHOLDERS ENGAGEMENT

In keeping with the proactive investor and media relations approach, Libra engages financial analysts, existing and potential investors, and shareholders through multiple channels. Key executives are present at such engagements to keep stakeholders informed of the Group's financial performance and to discuss its business strategies and outlook.

The Annual General Meeting is another platform for the management to communicate with shareholders.

The management has also been profiled by the media and the Company has been featured by various print and online media.

We have also appointed a professional investor relations firm to advise and guide us. For more details, please contact Jean Yang of Verve Consultancy Pte Ltd.

EFFECTIVE STRATEGIES,

ENHANCED VALUE

STATUS UPDATE ON SUSTAINABILITY REPORTING

We have started our journey for sustainability reporting ("SR") by establishing a formal policy as guided by the Global Reporting Initiative ("GRI") Standards: Core option, covering key areas of SR including the composition of the SR Committee reporting structure and responsibilities, reporting processes, materiality assessment and performance tracking. We are in the process of compiling and preparing our inaugural sustainability report which we shall publish on a standalone basis by 31 May 2019.

The sustainability report FY2018 will be issued separately.

FINANCIAL CONTENTS

Corporate Governance Report
PAGE 26

Directors' Statement
PAGE 62

Independent Auditor's Report
PAGE 66

Consolidated Statement of Comprehensive Income
PAGE 69

Balance Sheets
PAGE 70

Statements of Changes In Equity
PAGE 72

Consolidated Cash Flow Statement
PAGE 75

Notes To The Financial Statements
PAGE 76

Shareholders' Information
PAGE 164

Notice of Annual General Meeting
PAGE 166

Proxy Form

CORPORATE GOVERNANCE REPORT

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE ISSUED ON 2 MAY 2012 AND THE CATALIST RULES

The Board of Directors (the "**Board**") of Libra Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining high standards of corporate governance and places an emphasis on its corporate governance processes and systems with a goal to having greater transparency, better accountability to shareholders, and in order to maximise long-term shareholder value.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2018 ("**FY2018**"), with specific reference made to certain rules of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), the principles of the Code of Corporate Governance issued on 2 May 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code?	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.
	If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2018.
BOARD MATTERS		
The Board's Conduct of Affairs		
1.1	What is the role of the Board?	As at the date of this annual report, the Board has five (5) members and comprises the following:

Table 1.1 – Composition of the Board

Name of Director	Designation
Chu Sau Ben	Executive Chairman, Executive Director and Chief Executive Officer ("**CEO**")
Chu Siow Leong	Executive Director
Kong Chee Keong	Lead Independent Director
Soon Ai Kwang	Independent Director
Gn Jong Yuh Gwendolyn	Independent Director

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Rule and/or Guideline</th><th>Description of Catalist Rule, Code and/or Guide</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>The Board is entrusted to lead and oversee the Company, and each member of the Board has the fundamental obligation to objectively discharge his or her duties and responsibilities at all times as fiduciaries in the interests of the Company. In addition to its fiduciary and statutory duties, the Board's principle functions are to:

• provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
• establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
• review key management personnel's performance;
• set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
• identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
• consider sustainability issues, including environmental and social factors, as part of its strategic formulation;
• approve major investment funding and major increase/decrease in a subsidiary company's capital;
• approve the nomination of Directors to the Board; and
• oversee the business conduct of the Company and assume responsibility for the Group's corporate governance practices.</td></tr>
<tr><td>1.3
11.4
Rule 406(3)(e)</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td>The Board has delegated certain responsibilities to the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nominating Committee (the "NC") (collectively, the "Board Committees"). The compositions of the Board Committees are as follows:

<table>
<tr><th colspan="4">Table 1.3 – Composition of the Board Committees</th></tr>
<tr><th></th><th>AC(1)</th><th>NC(2)</th><th>RC(3)</th></tr>
<tr><td>Chairman</td><td>Kong Chee Keong</td><td>Soon Ai Kwang</td><td>Gn Jong Yuh Gwendolyn</td></tr>
<tr><td>Member</td><td>Soon Ai Kwang</td><td>Kong Chee Keong</td><td>Kong Chee Keong</td></tr>
<tr><td>Member</td><td>Gn Jong Yuh Gwendolyn</td><td>Gn Jong Yuh Gwendolyn</td><td>Soon Ai Kwang</td></tr>
</table>
Notes:
(1) The AC comprises three (3) members, all of whom, including the AC Chairman, are Independent Directors.
(2) The NC comprises three (3) members, all of whom, including the NC Chairman, are Independent Directors. The Lead Independent Director is a member of the NC.
(3) The RC comprises three (3) members, all of whom, including the RC Chairman, are Independent Directors.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
		The Company had also formed the Risk Committee in November 2012 to assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies. Mr Chu Sau Ben, Mr Kong Chee Keong, Mr Soon Ai Kwang and Ms Gn Jong Yuh Gwendolyn serve as members of the Risk Committee. All members of the AC are members of the Risk Committee to foster sharing of information and knowledge. The previous Senior Financial Controller had the role of Chief Risk Officer ("**CRO**") up to 31 May 2018 (her date of cessation as Senior Financial Controller of the Company). Following the cessation of the Senior Financial Controller on 31 May 2018, the Company appointed Chu Siow Leong (then the general manager of Libra Engineering Pte Ltd, appointed as Executive Director from 31 May 2018) to take on the role of CRO.
1.4	Have the Board and Board Committees met in the last financial year?	The Board meets regularly, with at least two (2) scheduled meetings within each financial year, to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Directors are provided with complete, adequate information in a timely manner, including half-yearly management reports and all relevant information on material events and transactions, to enable them to be fully cognisant of the decisions and actions of the Group's management. Detailed Board papers are prepared for each Board meeting. The Board papers include sufficient information from the management on financial, business and corporate issues and are normally circulated in advance of each Board meeting. This enables the Directors to request for and obtain further explanations, where necessary, in order to be adequately briefed before each Board meeting. *Ad-hoc* meetings are convened as and when deemed necessary. In FY2018, the number of Board and Board Committee meetings held and the attendance of each Director are shown below.

Table 1.4 – Board and Board Committee meetings in FY2018

	Board		AC		NC		RC	
Name of Director	Number of Meetings Held*	Number of Meetings Attended	Number of Meetings Held*	Number of Meetings Attended	Number of Meetings Held*	Number of Meetings Attended	Number of Meetings Held*	Number of Meetings Attended
Chu Sau Ben(1)	2	2	4^	4	1^	1	1^	1
Chu Siow Leong(1)	1	0	2^	0	–	N.A.	–	N.A.
Kong Chee Keong	2	2	4	4	1	1	1	1
Soon Ai Kwang	2	2	4	4	1	1	1	1
Gwendolyn Gn Jong Yuh	2	2	4	4	1	1	1	1
Xu Ruibing(2)	1	1	1^	1	1^	1	1^	1

* Number of meetings held during his / her appointment as a Director of the Company

^ By invitation

Notes:

(1) Mr Chu Siow Leong was appointed as an Executive Director of the Company with effect from 31 May 2018. Mr Chu Siow Leong and Mr Chu Sau Ben, the Executive Chairman, Executive Director and Chief Executive Officer of the Company, are brothers.

(2) Mr Xu Ruibing retired as an Executive Director of the Company with effect from 30 April 2018.

The Company's Constitution (the "**Constitution**") allows for meetings to be held through tele-conferencing, video-conferencing, audio visual or other electronic means of communication.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
1.5	What are the types of material transactions which require approval from the Board?	Matters reserved for the Board's decision, and matters and material transactions that require the Board's approval include, *inter alia*, the following: • corporate strategy and business plans; • material acquisitions and disposals of assets; • corporate or financial restructuring; • share issuance and dividends; • appointment, termination and compensation of Executive Directors; • annual purchasing budgets, financial results announcements, annual reports and audited financial statements; and • interested person transactions.
1.6 1.7 Rule 406(3)(a)	(a) Are new Directors given formal training? If not, please explain why.	Upon appointment of each new Director, the Company provides a formal letter to the Director, setting out the Director's duties and obligations. All newly appointed Directors will undergo an informal orientation programme where the Director would be briefed on the Group's business operations, strategic directions and policies, corporate functions and corporate governance practices, as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. In addition to the above, the company has arrangements in place for newly appointed Directors with no prior experience as a director of a listed company on the SGX-ST to undergo training in the roles and responsibilities of a director of a listed company on the SGX-ST, prescribed by SGX-ST. If the NC is of the view that training is not required because the Director has other relevant experience, the basis of the NC's assessment will be disclosed.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on and contribute to the Board. All Directors have access to training on relevant new laws, regulations and changing commercial risks, from time to time, at the expense of the Company. Briefings, updates and trainings for the Directors in FY2018 include: • The external auditors ("**EA**") had briefed the AC on changes or amendments to accounting standards; • The Company Secretary had briefed the Board on the continuing obligations under the Catalist Rules as well as periodic updates on the Catalist Rules from time to time, where necessary; and • Directors have attended the "Listed Company Directors" programme conducted by the Singapore Institute of Directors as and when relevant and necessary.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	In view that the Chairman of the Board (the "**Chairman**") and the chief executive officer (the "**CEO**") is the same person, and the Chairman is part of the management team and is not an Independent Director, Guideline 2.2 of the Code is met as the Independent Directors make up more than half of the Board. Mr Kong Chee Keong has also been appointed as the Lead Independent Director of the Company and makes himself available to shareholders at the Company's general meetings and through the Company by way of an appointment which can be made at the registered office of the Company at 21 Ubi Road 1 #02-02, Singapore 408724.
2.3 4.3 Rule 406(3)(d)(i) and (ii)	Has the independence of the Independent Directors been reviewed in the last financial year?	The Board takes into account the existence of relationships or circumstances (if any), including those identified by the Catalist Rules and the Code, that are relevant in its determination as to whether a Director is independent. In addition, the NC reviews the individual Directors' declaration in their assessment of independence. During the year, the NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.	There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Not applicable.
2.4	Has any Independent Director served on the Board for more than nine (9) years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	There are no Independent Directors who has served beyond nine (9) years since the date of his/her first appointment.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
2.5	The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. What are the steps taken by the Board to progressively renew the composition of the Board?	The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's businesses and the requirements of the business, the Board, with the concurrence of the NC, considers that its current size and the existing composition of the Board and Board Committees is appropriate for the Group's current businesses and to facilitate effective decision making. The Board is of the opinion that it would be most effective to draw on the wealth of experience from the longer serving Directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when it deems necessary. To meet the changing challenges in the industry which the Group operates, such reviews, which include considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies, would be done on an annual basis to ensure that the Board dynamics remain optimal.
2.6	(a) What is the Board's policy with regard to diversity in identifying Director nominees?	The Board's policy in identifying Director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	The current composition of the Board provides a diversity of gender, skills, experience, and knowledge to the Company as follows: ***Table 2.6 – Balance and diversity of the Board*** **Core competencies** – Accounting or finance: Number of Directors 1, Proportion of Board 1/5 – Business management: 5, 5/5 – Legal or corporate governance: 2, 2/5 – Relevant industry knowledge or experience: 3, 3/5 – Strategic planning experience: 5, 5/5 – Customer based experience or knowledge: 3, 3/5
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: • Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and • Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
2.7 2.8	What are Non-Executive Directors responsible for? Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The role of the Non-Executive Directors include: • Constructively challenging and helping to develop proposals on strategy; and • Reviewing the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance. The Non-Executive directors have met twice in the absence of key management personnel in FY2018.
Chairman and Chief Executive Officer		
3.1 3.2 3.3 Rule 1204(10A)	Are the duties between Chairman and CEO segregated?	Mr Chu Sau Ben assumes the roles of the Executive Chairman and CEO. The Company believes that a single leadership structure will facilitate the decision making process in relation to business opportunities and operational matters. The Board is of the opinion that there would be no need to separate the two (2) roles after taking into consideration the following: • Size and capabilities of the Board; • Size and operations of the Group; and • Sufficient safeguards and checks in place to ensure that the process of decision making by the Board is independent and based on collective decisions, without any individual or group of individuals exercising any considerable power and influence. The Executive Chairman and CEO's duties include: • leading the Board to ensure its effectiveness on all aspects of its role; • setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues; • promoting a culture of openness and debate at the Board; • ensuring complete, accurate, timely and clear information flow to Directors; • ensuring effective shareholder communication; • encouraging constructive relations between the Board and key management personnel; • facilitating effective contribution of Non-Executive Directors; • encouraging constructive relations between the Executive Directors and Non-Executive Directors; • promoting high standards of corporate governance; and • overseeing all key aspects of the Group's operations, including the tendering process of projects and is responsible for identifying and securing new projects for the Group. In accordance with Guideline 3.3 of the Code, as Mr Chu Sau Ben assumes the roles of the Executive Chairman and CEO, a Lead Independent Director, Mr Kong Chee Keong, has been appointed.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
3.4	Have the Independent Directors met in the absence of key management personnel?	The Independent Directors have met twice with the EA and the internal auditors ("**IA**") in the absence of key management personnel in FY2018. The Lead Independent Director provides feedback to the Executive Chairman after such meetings.
Board Membership		
4.1 4.2	What are the duties of the NC?	The NC comprises three (3) members, all of whom, including the NC Chairman, are Independent Directors. The Lead Independent Director is a member of the NC. The NC is guided by a set of written terms of reference which clearly sets out its authority and duties. Certain key terms of reference that guide the NC include: (a) reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment of a Director; (b) recommending to the Board in respect of its review of Board succession plans for Directors, training and professional development programs for the Board and the process for evaluation of the performance of the Board, its Board Committees and Directors; (c) establishing and reviewing the terms of reference for the NC; (d) re-nominating Directors for re-election in accordance with the Company's Constitution at each AGM; (e) determining annually, and as and when circumstances require, the independence of Directors, and providing its views to the Board for the Board's consideration; (f) deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director, taking into consideration the number of his/her listed company board representations and other principal commitments; (g) deciding the assessment process and implementing a set of objective performance criteria for evaluation of the Board's performance; and (h) evaluating the Board's effectiveness as a whole and each Director's contribution to its effectiveness in accordance with the assessment process and performance criteria adopted.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its Directors? What are the reasons for this number?	The Board does not prescribe a maximum number of listed company board representations that each Director may hold.
	(b) If a maximum has not been determined, what are the reasons?	The NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contributions, after taking into account his/her other listed company board directorships and other principal commitments. The NC also believes that it is for each Director to assess his/her own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The NC does not wish to omit from consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.
	(c) What are the specific considerations in deciding on the capacity of Directors?	The considerations in assessing the capacity of Directors include: • Expected and/or competing time commitments of Directors, including whether such commitments are full-time or part-time employments; • Size and composition of the Board; • Nature and scope of the Group's operations and size; • Relevant industry knowledge and experience; • Relevant corporate, professional and management experience; and • Capacity, complexity and expectations of the other listed company board representations and principal commitments held.
	(d) Have the Directors adequately discharged their duties?	The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into account the multiple listed company board representations and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have discharged their duties adequately in FY2018.
4.5	Are there alternate Directors?	The Company does not have any alternate Directors. Alternate Directors will be appointed as and when the Board deems necessary. Circumstances which warrant such appointments may include health, age related concerns as well as management succession plans.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Rule and/or Guideline</th><th>Description of Catalist Rule, Code and/or Guide</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.6
Rule 720(4)</td><td>Please describe the Board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) re-electing incumbent Directors.</td><td>
<table>
<tr><th colspan="3">Table 4.6(a) – Process for the selection and appointment of new Directors</th></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience and knowledge to complement and strengthen the Board and increase its diversity.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants, where necessary.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Appointment of Director</td><td>The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table>
<table>
<tr><th colspan="3">Table 4.6(b) – Process for re-electing incumbent Directors</th></tr>
<tr><td>1.</td><td>Assessment of Director</td><td>The NC would assess the performance of the Director in accordance with the performance criteria set by the Board.

The NC would also consider the current needs, expertise and composition of the Board.</td></tr>
<tr><td>2.</td><td>Re-appointment of Director</td><td>Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval.</td></tr>
</table>
Under the Company's Constitution, at each AGM, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) are required to retire from office by rotation. Pursuant to Rule 720(4) of the Catalist Rules, all Directors are required to submit themselves for re-nomination and re-appointment at least once every three (3) years.

Mr Chu Sau Ben and Mr Soon Ai Kwang will retire by rotation at the forthcoming AGM in accordance with Regulation 89 of the Company's Constitution. Both Mr Chu Sau Ben and Mr Soon Ai Kwang have consented to offer themselves for re-election.

Mr Chu Sau Ben will, upon re-appointment as a Director of the Company, remain as the Executive Chairman, Executive Director and CEO of the Company. Mr Soon Ai Kwang will, upon re-appointment as a Director of the Company, remain as an Independent Director, the NC Chairman, and a member of the AC and RC. Mr Soon Ai Kwang will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
		Mr Chu Siow Leong will cease to hold office at the forthcoming AGM in accordance with Regulation 88 of the Company's Constitution. The NC has recommended to the Board that Mr Chu Siow Leong be nominated for re-election at the forthcoming AGM. Mr Chu Siow Leong will, upon re-appointment as a Director of the Company, remain as an Executive Director.
4.7	Please provide Directors' key information.	The key information of the Directors, including their appointment dates and present and past three (3) years' directorships in other listed companies, are set out in the following table and in the "Board of Directors" section of this annual report:

Table 4.7 – Board Directors

Name of Director	Appointment	Date of initial appointment	Date of last re-election	Directorships in other listed companies	
				Current	Past three (3) years
Chu Sau Ben	Executive Chairman, Executive Director and CEO	20 October 2010	28 April 2017	–	–
Chu Siow Leong	Executive Director	31 May 2018	N.A.	–	–
Kong Chee Keong	Lead Independent Director	24 April 2013	30 April 2018	JEP Holdings Ltd.	–
Soon Ai Kwang	Independent Director	18 September 2015	29 April 2016	–	–
Gwendolyn Gn Jong Yuh	Independent Director	12 December 2017	30 April 2018	UMS Holdings Limited Darco Water Technologies Limited	–

Board Performance		
5.1 5.2 5.3	What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board?	Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board. The evaluations are designed to assess the Board's effectiveness to enable the NC Chairman and the Board to identify the areas of improvement or enhancement which can be made to the Board:

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Rule and/or Guideline</th><th>Description of Catalist Rule, Code and/or Guide</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><th colspan="3">Table 5 – Performance criteria in evaluating effectiveness of the Board</th></tr>
<tr><th>Performance criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Size and composition
2. Access to information
3. Board processes
4. Board accountability
5. Risk management
6. Succession planning
7. Overall effectiveness</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence (if applicable)
5. Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Performance of the Company's share price over one (1) year period vis-à-vis the FTSE Straits Times Index and a benchmark of the Company's industry peers
2. Return on equity
3. Earnings per share
4. Net tangible assets per share
5. Operating cash flow</td><td>1. Attendance at Board and Board Committee meetings</td></tr>
</table>
The NC would review the performance criteria on a periodic basis to ensure that the performance criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long-term shareholders value, thereafter propose amendments, if any, to the Board for approval.
</td></tr>
<tr><td></td><td>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</td><td>The review of the performance of Board and Board Committees is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election.

For FY2018, the review process was as follows:

1. All Directors, collectively as a whole, completed a Board evaluation questionnaire on the effectiveness of the Board, the Board Committees and the individual Directors based on performance criteria disclosed in Table 5 above;
2. The Company Secretary collated and submitted the Board evaluation questionnaire results to the NC Chairman in the form of a report; and
3. The NC discussed the report and concluded the performance results during the NC meeting.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
		All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance. No external facilitator was used in the evaluation process.
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives.
Access to Information		
6.1 6.2 10.3	What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company?	It is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. This responsibility extends to the half-year and full-year financial results announcements, other price-sensitive public reports and reports to regulators (if required).
	How frequently is the information provided?	The management strives to provide the Board with key information that is complete, adequate and timely. The types of information which are provided by the management to the Independent Directors are set out in the table below: ***Table 6 – Types of information provided by key management personnel to Independent Directors*** **1. Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary) — Regularly and/or when necessary** **2. Updates to the Group's operations and the markets in which the Group operates in — Every meeting** **3. Budgets and/or forecasts (with variance analysis), and management accounts (with financial ratios analysis) — Half-yearly** **4. Reports on on-going or planned corporate actions — Regularly and/or when necessary** **5. Enterprise risk framework and internal auditor's ("IA") report(s) — Half-yearly** **6. Research report(s) — Regularly and/or when necessary** **7. Shareholding statistics — Yearly** **8. EA's report — Half-yearly** **9 Interim financial statements — Half-yearly** The Company is of the view that management accounts submitted on a half-yearly basis is more practicable for the Company's scale. The management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings, and will continuously strive to provide timely and complete information to the Board.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
		Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.
6.3 6.4	What is the role of the Company Secretary?	All Directors have separate and independent access to the Joint Company Secretaries. The role of the Joint Company Secretaries, the appointment and removal of which is a matter for the Board as a whole, is as follows: • Advising the Board on all governance matters, and ensuring that Board procedures are followed and that application rules and regulations are complied with; • Assists the Chairman to ensure good information flows within the Board and its Board Committees and key management personnel; • Training, designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information; • Attends and prepares minutes for all Board and Board Committee meetings; • As the secretary to all the Board Committees, the Joint Company Secretaries assist to ensure coordination and liaison between the Board, the Board Committees and between the management and Non-Executive Directors; and • Assists the Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings. All Board and Board Committee meetings held in FY2018 were attended by either of the Joint Company Secretaries.
6.5	The Board should have a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, and at the Company's expense.	The management will, upon direction by the Board or any Director, assist the Directors, either individually or as a group, to obtain independent professional advice in furtherance of their duties at the Company's expense.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1 7.2 7.4	What is the role of the RC?	The RC comprises three (3) members, all of whom, including the RC Chairman, are Independent Directors.
		The RC is guided by a set of written terms of reference which clearly sets out its authority and duties. Certain key terms of reference that guide the RC include: (a) Review and recommend to the Board a general framework of remuneration for Directors and key management personnel, and review and recommend to the Board the specific remuneration packages for each Executive Director and key management personnel; (b) Review and recommend to the Board the service contracts of Executive Directors and key management personnel and ensure that such services contracts will be able to attract, retain and motivate Executive Directors and key management personnel; (c) Review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's service contracts, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and (d) Perform an annual review of the remuneration of employees related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC also administers the Libra Performance Share Plan.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2018.
Disclosure on Remuneration		
9	What is the Company's remuneration policy?	The Company's remuneration policy, which covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, benefits-in-kind, bonuses, options, share-based incentives and awards, is one that seeks to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Executive Directors and key management personnel to achieve the Company's business vision and create sustainable value for its stakeholders. The remuneration policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and that total compensation is benchmarked against relevant and comparative compensation in the market.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Rule and/or Guideline</th><th>Description of Catalist Rule, Code and/or Guide</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>8.4</td><td>Are "claw-back" provisions provided for in the service agreements of Executive Directors and key management personnel?</td><td>The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.</td></tr>
<tr><td>9.1
9.2</td><td>Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/ fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>Because of the competitive pressures in the industry and the talent market, the Board has on review decided to disclose the remuneration of the Directors and the CEO, in bands of S$250,000 with a breakdown of the components in percentage. Information on the remuneration of the Directors for FY2018 is set out in Table 9.2 below.

The bands and breakdown for the remuneration of the Directors for FY2018 is as follows:

<table>
<tr><th colspan="6">Table 9.2 – Remuneration of the Directors</th></tr>
<tr><th></th><th>Salary %</th><th>Variable bonus %</th><th>Director's fees %</th><th>Benefits(1) %</th><th>Total %</th></tr>
<tr><td>Between S$750,000 to S$1,000,000</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Chu Sau Ben(2)(4)</td><td>80</td><td>19</td><td>–</td><td>1</td><td>100</td></tr>
<tr><td>Between S$250,000 to S$500,000</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Xu Ruibing(3)</td><td>33</td><td>58</td><td>–</td><td>9</td><td>100</td></tr>
<tr><td>Below S$250,000</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Chu Siow Leong(4)</td><td>93</td><td>–</td><td>–</td><td>7</td><td>100</td></tr>
<tr><td>Kong Chee Keong</td><td>–</td><td>–</td><td>100</td><td>–</td><td>100</td></tr>
<tr><td>Soon Ai Kwang</td><td>–</td><td>–</td><td>100</td><td>–</td><td>100</td></tr>
<tr><td>Gn Jong Yuh Gwendolyn</td><td>–</td><td>–</td><td>100</td><td>–</td><td>100</td></tr>
</table>
Notes:
(1) Benefits comprise of CPF and Annual Leave encashment.
(2) Mr Chu Sau Ben is the Executive Chairman, Executive Director and CEO of the Company.
(3) Mr Xu Ruibing retired as an Executive Director of the Company with effect from 30 April 2018.
(4) Mr Chu Siow Leong was appointed as an Executive Director of the Company with effect from 31 May 2018. Mr Chu Siow Leong and Mr Chu Sau Ben, the Executive Chairman, Executive Director and Chief Executive Officer of the Company, are brothers.

The Executive Chairman and CEO, and Executive Directors are entitled to Company-maintained cars for business use as stipulated in the Company's car policy and approved by the RC and the Board.

There were no termination, retirement and post-employment benefits granted to the Executive Chairman and CEO, Executive Directors and all key management personnel for FY2018.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Rule and/or Guideline</th><th>Description of Catalist Rule, Code and/or Guide</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>9.3</td><td>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The band and breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2018 was as follows:

Table 9.3 – Remuneration of key management personnel
<table>
<tr><th></th><th>Salary %</th><th>Variable bonus %</th><th>Benefits(1) %</th><th>Total %</th></tr>
<tr><td colspan="5">Between S$250,000 to S$500,000</td></tr>
<tr><td>Deng Rong</td><td>70</td><td>25</td><td>5</td><td>100</td></tr>
<tr><td>Ang Choon Cheng</td><td>97</td><td>–</td><td>3</td><td>100</td></tr>
<tr><td colspan="5">Below S$250,000</td></tr>
<tr><td>William Kong Ong Sing</td><td>90</td><td>4</td><td>6</td><td>100</td></tr>
<tr><td>Lei Lei(2)</td><td>58</td><td>29</td><td>13</td><td>100</td></tr>
<tr><td>Du YiJun</td><td>82</td><td>9</td><td>9</td><td>100</td></tr>
</table>
Notes:
(1) Benefits comprise of CPF and Annual Leave encashment.
(2) Ms Lei Lei resigned as General Manager of Kin Xin Engineering Pte Ltd effect from 4 September 2018.</td></tr>
<tr><td></td><td>(b) Please disclose the aggregate remuneration paid to the top five (5) key management personnel (who are not Directors or the CEO).</td><td>The total remuneration paid to the top five (5) key management personnel for FY2018 was S$1,137,749.</td></tr>
<tr><td>9.4</td><td>Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>The employees who are family members of a Director or the CEO and who received remuneration in excess of S$50,000 during FY2018 are as follows:

Table 9.4 – Remuneration of employees who are family members of a Director or the CEO
<table>
<tr><th>Name of Employee</th><th>Salary %</th><th>Variable Bonus %</th><th>Benefits(1) %</th><th>Total %</th></tr>
<tr><td colspan="5">Between S$750,000 and S$1,000,000</td></tr>
<tr><td>Chu Sau Ben</td><td>80</td><td>19</td><td>1</td><td>100</td></tr>
<tr><td colspan="5">Between S$200,000 and S$250,000</td></tr>
<tr><td>Chu Siow Leong</td><td>93</td><td>–</td><td>7</td><td>100</td></tr>
<tr><td colspan="5">Between S$150,000 and S$200,000</td></tr>
<tr><td>Chu Fai Fong</td><td>72</td><td>10</td><td>18</td><td>100</td></tr>
<tr><td colspan="5">Between S$100,000 and S$150,000</td></tr>
<tr><td>Chu Kee Yong</td><td>78</td><td>10</td><td>12</td><td>100</td></tr>
<tr><td colspan="5">Below S$50,000</td></tr>
<tr><td>Chu Sew Ting</td><td>90</td><td>10</td><td>–</td><td>100</td></tr>
</table>
Note:
(1) Benefits comprise of CPF and Annual Leave encashment.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
		Mr Chu Sau Ben, the Executive Chairman, Executive Director and CEO, Mr Chu Siow Leong, an Executive Director, and Mr Chu Sew Ting, a Supervisor in Kin Xin Engineering Pte Ltd are brothers. Ms Chu Fai Fong, the Group Credit Controller, and Ms Chu Kee Yong, the Assistant General Manager of Libra Engineering Pte Ltd, are sisters of Mr Chu Sau Ben, the Executive Chairman, Executive Director and CEO, and Mr Chu Siow Leong, an Executive Director. Save as disclosed, the Company does not have any other employee who is an immediate family member of a Director or the CEO whose remuneration exceeded S$50,000 during FY2018.
9.5	Please provide details of the employee share scheme(s).	The Company has in place the Libra Performance Share Plan (the "**Performance Share Plan**"), which is administered by the RC comprising Ms Gn Jong Yuh Gwendolyn, Mr Kong Chee Keong and Mr Soon Ai Kwang. The RC reviews whether Directors and employees of the Group should be eligible for benefits under such long-term incentive schemes (including the Performance Plan), based on factors such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his/her contribution to the success and development of the Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) determined for a particular performance period, and considers the costs and benefits of such long-term incentive schemes (including the Performance Plan). Details of the Performance Share Plan were set out in the Company's Offer Document dated 2 November 2011 and the Company's circular dated 13 April 2017.

Name of participant	Share awards granted during financial year under review (including terms)	Aggregate share awards granted since commencement of Performance Share Plan to end of financial year under review	Aggregate share awards vested, cancelled or forfeited since commencement of Performance Share Plan to end of financial year under review	Aggregate share awards outstanding as at end of financial year under review
Directors				
Chu Sau Ben(1)	–	–	(1,000,000)	–
Chu Siow Leong(1)	–	–	–	–
Xu Ruibing(2)	–	–	–	–
Participants (excluding Directors) who are controlling shareholders and their associates				
Chu Fai Fong	–	–	–	–
Chu Kee Yong	–	–	–	–
Participants, other than those disclosed above, who receive 5% or more of the total number of share awards available under the Performance Share Plan				
Nil				

Notes:

(1) Mr Chu Siow Leong was appointed as an Executive Director of the Company with effect from 31 May 2018. Mr Chu Siow Leong and Mr Chu Sau Ben, the Executive Chairman and Chief Executive Officer of the Company, are brothers.

(2) Mr Xu Ruibing retired as an Executive Director of the Company with effect from 30 April 2018.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Rule and/or Guideline</th><th>Description of Catalist Rule, Code and/or Guide</th><th>Company's Compliance or Explanation</th></tr>
<tr><td rowspan="3">9.6</td><td>(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.</td><td>The Group's remuneration policy is to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Executive Directors and key management personnel of the required experience and expertise.

The Company adopts a remuneration policy for staff comprising a fixed and variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus which is linked to individual's performance which is assessed based on their respective key performance indicators allocated to them. Staff appraisals are conducted once a year.

The Executive Directors do not receive Directors' fees. The corporate and individual performance-related elements of remuneration are designed to align interests of Executive Directors with those of the shareholders in order to promote the long-term success of the Company. Under the service agreements entered into between each Executive Director and the Company, each of the Executive Directors shall be entitled to a discretionary bonus depending on his performance in each financial year.

Considering the economic climate and the industry performance, the RC is of the view that the performance of the Executive Directors and the key management personnel in FY2018 had been satisfactory.</td></tr>
<tr><td>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

<table><tr><th>Performance conditions</th><th>Performance criteria</th></tr><tr><td>Qualitative</td><td>1. Leadership
2. People development
3. Commitment
4. Teamwork
5. Current market and industry practices</td></tr><tr><td>Quantitative</td><td>1. Profit before tax
2. Relative financial performance of the Group to its industry peers
3. Order book and sales growth</td></tr></table></td></tr>
<tr><td>(c) Were all of these performance conditions met? If not, what were the reasons?</td><td>Yes, the RC has reviewed and is satisfied that the performance conditions of the Executive Directors and key management personnel were met for FY2018.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
ACCOUNTABILITY AND AUDIT		
Accountability		
10.1 10.2	Has the Board presented a balanced and understandable assessment of the Company's performance, position and prospects?	The Board provides a balanced and understandable assessment of the Group's performance, position and prospects in its financial results announcements and other announcements, including interim and other price sensitive public reports, and reports to regulators (if required). The Board reviews and approves the financial results announcements as well as any other announcements before its release to ensure that the Company's announcements are understandable by shareholders. Strong emphasis is placed on removing technical jargon and using simple language for clarity.
Risk Management and Internal Controls		
11.1 11.2 11.3 Rule 719(1) Rule 719(3) Rule 1204(10)	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	The Board is responsible for the governance of risks and the overall internal control framework. it ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets and determines the nature and extent of the significant risks which the Board is willing to take in achieving the Group's strategic objectives. Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Group with a basis to determine the Group's level of risk exposure, risk tolerance and risk policies. Management adopts a top-down as well as bottom-up approach on risk management to ensure strategic, business, operational, financial, reporting, compliance and information technology risk exposures are identified and appropriately managed. At least once a year, the Group undertakes an enterprise-wide review of the adequacy and effectiveness of its risk management and internal control system, including financial operational, compliance and information technology controls. During this exercise, risk owners review and update the risks and controls for their respective areas. The result of this annual risk review is presented to the Board to ensure enterprise risk are appropriately identified and managed such that residual risks are acceptable given the operational nature of the business.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
		The Board notes that the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Nonetheless, the Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance, information technology and sustainability controls. The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' and the Groups' assets. The EA and IA will highlight any material weaknesses in financial controls over the assets that are significant to the audit. Such material internal control weaknesses noted during their audit and recommendations if any, are reported to the AC. Subsequently, the AC will follow up to review the actions taken by Management to address the weaknesses based on the said recommendations of the EA and IA. Save as disclosed above, the Company has established and maintained on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the Chief Financial Officer as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	The Board has received assurance on the CEO and Finance Manager of the Group that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances. As areas of internal control weaknesses in relation to YC Group which highlighted by external auditors and internal auditors and financing transactions as disclosed in Note 5 of financial statements, the management did not provide the Board with sufficient assurance relating to the internal controls of the Group. In considering the above, the Board in consultation with the AC is of the view that the Group's internal control systems pertaining to financial and operational controls as well as risk management systems require room for improvement as at 31 December 2018.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
Audit Committee		
12.1 12.4	What is the role of the AC?	The AC comprises three (3) members, all of whom, including the AC Chairman, are Independent Directors. All members of the AC do not have any management and business relationships with the Company or any substantial shareholder of the Company. None of the members of the AC were previous partners or directors of the Company's external audit firm within the last 12 months and none of the members of the AC hold any financial interest in the Company's external audit firm. The AC is guided by a set of written terms of reference which clearly sets out its authority and duties. Certain key terms of reference that guide the AC include: (a) establishing and reviewing the terms of reference for the AC; (b) recommending to the Board, the appointment or re-appointment of the EA and matters relating to the resignation or dismissal, and remuneration and terms of engagement of the EA; (c) reviewing the Group's half-year and full-year financial statements and related notes and announcements relating thereto, accounting principles adopted, and the EA's reports prior to recommending the same to the Board for approval; (d) monitor and review the scope and results of external audit and its cost-effectiveness, and the independence and objectivity of the EA; (e) reviewing the nature, scope, extent and cost-effectiveness of any non-audit services provided by the EA and ensuring that these do not affect the independence and objectivity of the EA; (f) reviewing and evaluating at least annually, having regard to input from the IA and EA, the adequacy of the risk management and internal control systems and compliance functions, including financial, operational, compliance and information technology controls, for recommendation to the Board; (g) reviewing any significant financial reporting issues and judgments and estimates made by key management personnel, so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance; (h) review and discuss with the EA any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations (if any), which has or is likely to have a material impact on the Group's operating results or financial position, and key management personnel's response;

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Rule and/or Guideline</th><th>Description of Catalist Rule, Code and/or Guide</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>(i) review the adequacy of the whistle-blowing policy;
(j) monitoring and reviewing the effectiveness of the Company's internal audit functions and its adequacy and effectiveness; and
(k) reviewing the interested person transactions falling within the scope of Chapter 9 of the Catalist Rules reported by key management personnel to ensure that they were carried out on normal commercial terms, and not prejudicial to the interests of the Company and its minority shareholders.</td></tr>
<tr><td>12.2</td><td>Whether the AC is appropriately qualified to discharge their duties?</td><td>The Board is of the view that the members of the AC are appropriately qualified to discharge the AC's responsibilities. In particular, the Board is satisfied that all 3 members of the AC have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment.</td></tr>
<tr><td>12.3</td><td>Does the AC has explicit authority to investigate any matter within its terms of reference?</td><td>The AC has the explicit authority to investigate any matter within its terms of reference, full access to and co-operation from the management, full discretion to invite any Director or executive officer to attend its meetings, and reasonable access to resources to enable it to discharge its functions properly.</td></tr>
<tr><td>12.5</td><td>Has the AC met with the auditors in the absence of key management personnel?</td><td>Yes, the AC has met with the IA and the EA twice in the absence of key management personnel in FY2018.</td></tr>
<tr><td rowspan="3">12.6</td><td>Has the AC reviewed the independence of the EA?</td><td>There were no non-audit services provided by the EA to the Company during FY2018, and the AC is satisfied that the EA's independence and objectivity has not been compromised.</td></tr>
<tr><td>(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.</td><td><table>
<tr><th colspan="3">Table 12.6(a) – Fees paid/payable to the EA for FY2018</th></tr>
<tr><th></th><th>S$'000</th><th>% of total</th></tr>
<tr><td>Audit fees</td><td>280</td><td>100</td></tr>
</table></td></tr>
<tr><td>(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.</td><td>There were no non-audit services rendered during FY2018.</td></tr>
<tr><td>12.7</td><td>Does the Company have a whistle-blowing policy?</td><td>Yes. The Company's staff as well as external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting to the AC a whistle-blowing report to whistleblowing@libragroup.com.sg. There was no whistle-blowing report received by the AC in FY2018.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
12.8	What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	The members of the AC have taken measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements as and when it or the Board deems necessary and appropriate. The EA had provided regular updates and periodic briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements in FY2018.
Internal Audit		
13.1 13.2 13.3 13.4 13.5 Rule 1204(10C)	Please provide details of the Company's internal audit function, if any.	The Company's internal audit function is outsourced to BDO LLP ("**BDO**") which reports directly to the AC Chairman. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of the internal audit, with the outcome of the internal audit presented to and reviewed by key management personnel, the AC and the Board. The Company had also appointed an internal auditor, Moore Stephens Malaysia on 28 March 2018 to review the internal control processes of the YC Group and the Company had also taken steps to replace the operational and finance team after the departure of the senior management of the YC Group post-acquisition. The implementation of the internal control processes by the management of the YC Group is a continuous work in progress. The AC is responsible for the hiring, removal, evaluation and compensation of the accounting/ auditing firm which the internal audit function of the Company is outsourced to. The internal audit plan complements that of the EA and together forms a robust risk-based audit approach to facilitate the AC's review of the adequacy and effectiveness of the Group's risk management and internal control systems. The AC is satisfied that the IA is able to discharge its duties effectively as: • The internal audit function is carried out based on the BDO Global Internal Audit methodology which is consistent with the standards set by nationally or internationally recognised professional bodies including the standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors; • The IA is independent, effective and adequately resourced as there is a team of at least four (4) members assigned to the Company's internal audit, led by the Engagement Partner who has more than 15 years of relevant experience; and

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
		• The IA has the appropriate standing in the Company, given, *inter alia*, its involvement in certain AC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Shareholders Rights		
14.2	Are shareholders informed of the rules, including voting procedures, that govern general meetings of shareholders?	Shareholders are entitled to attend the general meetings of shareholders and are afforded the opportunity to participate effectively in and vote at general meetings of shareholders. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures, that govern the general meetings of shareholders.
14.3	Are corporations which provide nominee or custodial services allowed to appoint more than two (2) proxies?	The Company's Constitution allows shareholders to appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders, unless they are Relevant Intermediaries (as defined in the Companies Act (Cap. 50) of Singapore). Shareholders who are Relevant Intermediaries (as defined in the Companies Act (Cap. 50) of Singapore) may appoint more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Companies (Amendment) Act 2014 of Singapore, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a Central Provident Fund agent bank may attend and vote at general meetings of shareholders.
Communication with Shareholders		
14.1 15.1 15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	Communication with shareholders is managed by the Board. All announcements are released via SGXNET, including the half-year and full-year financial results announcements, distribution of notices, press releases, analyst briefings, presentations, and announcements on acquisitions and other major developments. Price sensitive information to shareholders is publicly released on an immediate basis where required under the Catalist Rules. All shareholders will receive the annual report which will also be made available on the SGXNET.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The external investor relations team is available by email or telephone to answer queries from shareholders, investors (retail and institutional), analysts, media and the financial community as long as the information requested does not conflict with SGX-ST's rules of fair disclosures. The Company also has recently appointed a new dedicated external investor relations team by Verve Consultancy Pte Ltd to facilitate communication with shareholders whose contact details are as follows: Ms Jean Yang Tel: +65 9363 6369 Email: sookchin@verve-consultancy.com.sg
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its external investor relations team, namely, Verve Consultancy Pte Ltd.
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, *inter alia*, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
	Is the Company is paying dividends for the financial year? If not, please explain why.	No dividend has been declared or recommended for FY2018 because the Company did not record a profit for FY2018.

CORPORATE GOVERNANCE REPORT

Rule and/or Guideline	Description of Catalist Rule, Code and/or Guide	Company's Compliance or Explanation
CONDUCT OF SHAREHOLDER MEETINGS		
14.2 14.3 16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Directors, including the chairman of each of the Board Committees, and the management as well as the EA will be present at the AGM to address shareholders' queries. The Board will also engage in investor relations activities to allow the Company to engage shareholders as and when it deems necessary and appropriate. Shareholders can vote in person or appoint, unless they are Relevant Intermediaries (as defined in the Companies Act (Cap. 50) of Singapore), not more than two (2) proxies to attend and vote on their behalf. There is no provision in the Company's Constitution that limits the number of proxies for Relevant Intermediaries (as defined in the Companies Act (Cap. 50) of Singapore). Pursuant to Regulation 73 of the Company's Constitution, shareholders who are unable to vote in person at any general meeting of shareholders may, at the discretion of the Directors, have the option of voting *in absentia*, including but not limited to voting by mail, email, or facsimile. The Company has practised having separate resolutions at a general meeting of shareholders on each distinct issue. "Bundling" of resolutions will be kept to a minimum and will be done only where the resolutions are interdependent so as to form one (1) significant proposal. Questions are always sought from the shareholders before the voting on any resolution. At the general meetings of shareholders, shareholders are informed of the rules, including voting procedures, before all resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting of shareholders. The Company will record minutes of all general meetings of shareholders, including the questions raised by shareholders in relation to the meeting agenda and the responses from the Board and/or the management, and will make available the minutes of general meetings of shareholders to shareholders upon request.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES

Catalist Rule	Rule Description	Company's Compliance or Explanation
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance with Rules 712 and 715 of the Catalist Rules.
1204(8)	Material Contracts	Save as disclosed under Interested Persons Transaction ("IPT") transactions, there were no other material contracts entered into by the Group involving the interests of the Executive Chairman and CEO, any Director, or controlling shareholder of the Company, which are either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	Save as disclosed in page 46 above, the Board and the AC are of the opinion that the risk management and internal control systems are adequate to address the financial, operational and compliance risks based on the following: • risk management and internal control systems established and maintained by the Company; • work performed by the IA and EA; • assurance from the CEO and Group Finance Manager; and • reviews done by the various Board Committees and key management personnel.
1204(17)	Interested Persons Transaction ("**IPT**")	<u>YC Acquisition</u> As announced by the Company on 28 March 2018, the acquisition of 51% of the issued and paid-up share capital in YC Capital Consolidated Sdn. Bhd ("**YCC**"). (the "**YC Acquisition**") was completed on 28 March 2018 (the "**Completion Date**") after shareholders' approval was obtained at the extraordinary general meeting of the Company held on 7 February 2018 in accordance with Rule 906(1)(a) of the Catalist Rules. In connection with the YC Acquisition, the Company, Mr Choong Hin Seong, Tuan Haji Anuar bin Ahmad and YC Capital Consolidated Sdn. Bhd. had agreed to dispose the investment property consisting of 12 adjoining plots of leasehold land and a five (5) storey terrace light industrial building erected thereon, bearing the postal address at 1,2,3,4,5,6,7,8,9,10,11 and 12, Jalan Perdana 10/6 and 10/8 Pandan Perdana, 55300 Kuala Lumpur on or before the date falling 12 months from the Completion Date. Further details are set out in the Company's circular dated 19 January 2018. YC Travel & Tours Sdn Bhd ("**YCT**") has entered into a conditional sale and purchase agreement on 3 April 2019 with Lian Foo Kuan David (an independent third party) (the "**Purchaser**") for the Investment Property Disposal (the "**Investment Property SPA**"). Mr Chu Sau Ben is one of the YCC shareholders who would have been entitled to the surplus of the net proceeds as previous disclosed in the Circular. The Circular containing the foregoing disclosure was approved by the shareholders at the Extraordinary General Meeting held on 5 February 2018. Notwithstanding the above, Mr Chu Sau Ben will utilise his entitlement of the surplus of the net proceeds after full payment of the investment property indebtedness to repay outstanding receivables due from YCC Shareholders and be utilised as working capital of YCC.

CORPORATE GOVERNANCE REPORT

Catalist Rule	Rule Description	Company's Compliance or Explanation
		On 15 April 2019, the Company entered into a Memorandum of Understanding (the "**MOU**") with Mr Chu Sau Ben, (the "**Purchaser**") and YC Capital Consolidated Sdn. Bhd. ("**YCC**" and together with its subsidiaries, the "**YC Group**") in relation to the proposed disposal of the Group's 51% interest in the issued and paid up shares of YCC (the "**Proposed YC Disposal**"). Pursuant to the terms of the MOU, the aggregate consideration for the Proposed YC Disposal is intended to be S$12,000,000 (the "**Consideration**"), which is equivalent to the amount of consideration that the Company had paid the Purchaser for the acquisition of the YC Group on 28 March 2018. The Consideration shall be satisfied entirely in cash. Pursuant to the terms of the MOU, the Purchaser had paid a non-refundable cash deposit of S$2,500,000 to the Company upon the signing of the MOU (the "**Deposit**"). The Deposit shall be offset against the Consideration payable by the Purchaser to the Company on the completion date of the Definitive Agreement. <u>Personal guarantees</u> A S$0.5 million term loan facility granted by Ethoz Capital Ltd to Kin Xin Engineering Pte Ltd, a wholly owned subsidiary of the Company, in October 2017 was secured jointly by a corporate guarantee provided by the Company and a personal guarantee provided by Mr Chu Sau Ben, the Executive Chairman, Executive Director and CEO of the Company. A S$0.3 million term loan facility granted by Ethoz Capital Ltd to Libra Engineering Pte. Ltd., a wholly owned subsidiary of the Company, in April 2018 was secured jointly by a corporate guarantee provided by the Company and a personal guarantee provided by Mr Chu Sau Ben, the Executive Chairman, Executive Director and CEO of the Company. The aggregate amount outstanding as at 31 December 2018 under both term loan facilities granted by Ethoz Capital Ltd above was [approximately] S$0.5 million. A S$1.0 million term loan facility granted by Ethoz Capital Ltd to Kin Xin Engineering Pte Ltd, a wholly owned subsidiary of the Company, in January 2015 was secured jointly by a corporate guarantee provided by the Company and a personal guarantee provided by Mr Chu Sau Ben, the Executive Chairman, Executive Director and CEO of the Company. This term loan facility was fully settled in January 2018. A S$1.0 million term loan facility granted by Malayan Banking Berhad to Libra Engineering Pte. Ltd., a wholly owned subsidiary of the Company, in February 2016 was secured jointly by a corporate guarantee provided by the Company and a personal guarantee provided by Mr Chu Sau Ben, the Executive Chairman, Executive Director and CEO of the Company. This term loan facility was fully settled in April 2018. Mr Chu Sau Ben, the Executive Chairman, Executive Director and CEO of the Company has also undertaken to provide personal guarantee to all and any further liabilities arising from YC Group.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Catalist Rule</th><th>Rule Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>
<u>General mandate</u>
The Company did not obtain a general mandate from shareholders for IPTs pursuant to Rule 920 of the Catalist Rules.

Save as disclosed below, there were no IPTs with an aggregate value of S$100,000 or more during the financial year under review.

The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.
<table>
<tr><th>Name of Interested Person</th><th>Aggregate value of all IPTs during the financial year under review (excluding transactions less than S$100,000 and the transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)</th><th>Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)</th></tr>
<tr><td>–</td><td>–</td><td>–</td></tr>
</table>
</td></tr>
<tr><td>1204(19)</td><td>Dealing in Securities</td><td>The Company has adopted an internal policy which prohibits the Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information.

The Company, the Directors and officers are also discouraged from dealing in the Company's securities on short-term considerations and are prohibited from dealing in the Company's securities during the period beginning one (1) month before the announcement of the Company's half-year and full-year financial statements respectively, and ending on the date of the announcement of the relevant results.</td></tr>
<tr><td>1204(21)</td><td>Non-sponsor fees</td><td>As announced by the Company on 1 February 2019, the Company has appointed RHT Capital Pte. Ltd. in place of Stamford Corporate Services Pte. Ltd. as its continuing sponsor with effect from 1 February 2019.

No non-sponsor fees were paid to Stamford Corporate Services Pte. Ltd. for FY2018.</td></tr>
<tr><td>1204(22)</td><td>Use of IPO Proceeds</td><td>There were no fund raising exercises of the Company with unutilised funds.</td></tr>
</table>

1 "Principal Commitments" has the same meaning as defined in the Code of Corporate Governance issued on 6 August 2018 by the Monetary Authority of Singapore.

CORPORATE GOVERNANCE REPORT

Additional information on Directors seeking re-election

	Mr Chu Sau Ben Executive Chairman, Executive Director and Chief Executive Officer	**Mr Soon Ai Kwang** Independent Director	**Mr Chu Siow Leong** Executive Director
Date of Appointment	20 October 2010	18 September 2015	31 May 2018
Date of last reappointment (if applicable)	28 April 2017	29 April 2016	Not applicable
Age	54	69	43
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company is of the opinion that Mr Chu can continue to contribute positively to the Company after reviewing the NC's recommendation and Mr Chu's extensive experience	After having considered the experience and skills of Mr Soon, the Board with the recommendation of the Nominating Committee approved the appointment of Mr Soon as Independent Director of the Company	The Nominating Committee of the Company has reviewed the qualification, experience of Mr Chu and has recommended his appointment to the Board as an Executive Director. The Board is of view that Mr Chu will contribute positively to the Company
Whether appointment is executive, and if so, the area of responsibility	Yes	Yes	Yes
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman, Executive Director and CEO	NC Chairman, AC and RC member	Executive Director
Professional qualifications	Not applicable	Registered Professional Engineer	Not applicable
Working experience and occupation(s) during the past 10 years	Executive Chairman, CEO and Executive Director of Libra Group Limited	**2008-2010** Agency for Science, Technology and Research (A*STAR) *Head of Infrastructure Planning and Facilities Management Department* **2010-2012** JTC Corporation *Senior Principal Engineer* **2012-2017** T.Y.Lin International Pte Ltd *Project Director/ Principal* **2017-Present** Pioneers of Leaders eMedia Pte Ltd *Director*	**2003-2014** Straits Cafe and Collection *Director* **2014-2017** Libra Engineering Pte Ltd *Business Manager* **2017-Present** Libra Engineering Pte Ltd *General Manager*

CORPORATE GOVERNANCE REPORT

	Mr Chu Sau Ben Executive Chairman, Executive Director and Chief Executive Officer	**Mr Soon Ai Kwang** Independent Director	**Mr Chu Siow Leong** Executive Director
Shareholding interest in the listed issuer and its subsidiaries	Yes, 153,523,000 ordinary shares on the Company	No	Yes, 21,683 ordinary shares on the Company
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Brother of Chu Siow Leong (Executive Director)	No	Brother of Chu Sau Ben (Executive Chairman, Executive Director and CEO)
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments1 Including Directorships			
Past (for the last 5 years)	None	None	None
Present	None	None	None
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(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

CORPORATE GOVERNANCE REPORT

	Mr Chu Sau Ben Executive Chairman, Executive Director and Chief Executive Officer	**Mr Soon Ai Kwang** Independent Director	**Mr Chu Siow Leong** Executive Director
(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
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(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
(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

CORPORATE GOVERNANCE REPORT

		Mr Chu Sau Ben Executive Chairman, Executive Director and Chief Executive Officer	**Mr Soon Ai Kwang** Independent Director	**Mr Chu Siow Leong** Executive Director
(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
(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
(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
(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

CORPORATE GOVERNANCE REPORT

			Mr Chu Sau Ben Executive Chairman, Executive Director and Chief Executive Officer	**Mr Soon Ai Kwang** Independent Director	**Mr Chu Siow Leong** Executive Director
(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
	(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
	(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
	(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
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?				

CORPORATE GOVERNANCE REPORT

	Mr Chu Sau Ben Executive Chairman, Executive Director and Chief Executive Officer	**Mr Soon Ai Kwang** Independent Director	**Mr Chu Siow Leong** Executive Director
(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
Disclosure applicable to the appointment of Director only.			
Any prior experience as a director of an issuer listed on the Exchange?	N/A	N/A	No
If yes, please provide details of prior experience.	N/A	N/A	N/A
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N/A	N/A	Yes, attended training in FY2018
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A	N/A	N/A

DIRECTORS' STATEMENT

The directors hereby present their statement to the members together with the audited consolidated financial statements of Libra Group Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and

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

Directors

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

Chu Sau Ben
Kong Chee Keong
Soon Ai Kwang
Gwendolyn Gn Jong Yuh
Chu Siow Leong

Arrangements to enable Directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Ordinary shares of the Company				
Chu Sau Ben *	43,773,000	135,523,000	16,000,000	18,000,000
Chu Siow Leong	21,683	21,683	–	–

* Mr Chu Sau Ben is deemed interested in: (i) 8,000,000 issued ordinary shares pledged to and registered in the name of Hong Leong Finance Nominees Pte Ltd; and (ii) 10,000,000 issued ordinary shares pledged to and registered in the name of SBS Nominees Private Limited.

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

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

Performance Share Plan

The Company has in place the Libra Performance Share Plan (the "Performance Share Plan") to eligible Directors and management of the Company. The committee administering the Performance Share Plan comprises of three directors, Kong Chee Keong, Soon Ai Kwang and Gwendolyn Gn Jong Yuh.

The awards under the Performance Share Plan give the right to a participant to receive fully-paid ordinary shares free of charge, upon the participant achieving the prescribed performance targets and upon expiry of the prescribed vesting period.

The performance targets to be set shall take into account both the medium-term to long-term corporate objectives of the Group and will be aimed at sustaining long-term growth. The corporate objectives shall cover market competitiveness, business growth and productivity growth. In addition, the participant's length of service with the Group, achievement of past performance targets, value-add to the Group's performance and development and overall enhancement to shareholder value, amongst others, will be taken into account.

DIRECTORS' STATEMENT

Performance Share Plan (cont'd)

Details of the Awards of the Company pursuant to the Performance Share Plan are as follows:

Grant date	Balance as at 1 Jan 2018	Granted during the financial year	Exercised during the financial year	Expired during the financial year	Balance as at 31 Dec 2018
26 May 2017	1,269,000	–	–	(1,269,000)	–

Audit committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the half-yearly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

DIRECTORS' STATEMENT

Audit committee (cont'd)

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

On behalf of the Board of Directors:

Chu Sau Ben
Director

Chu Siow Leong
Director

Singapore
15 May 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LIBRA GROUP LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Libra Group Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matter described in the 'Basis for Disclaimer of Opinion' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(a) Accounting for the acquisition and consolidation of YC Capital Consolidated Sdn Bhd and its subsidiaries ("YC Group")

In March 2018, the Group acquired 51% equity interest in YC Group, a material subsidiary to the Group. The Group has consolidated the results of YC Group using the statutory audited accounts. However, we have not been able to obtain all the necessary information and explanation in respect of the audit of financial statements of YC Group for the year ended 31 December 2018. We were also unable to perform alternative audit procedures to satisfy ourselves on the reliability of the financial statements of YC Group as at 28 March 2018 (date of acquisition) and 31 December 2018 used by the Group to prepare the consolidated financial statements.

Consequently, we were not able to determine the appropriateness of the financial information of YC Group as at 31 December 2018 and the profit or loss and cash flows for the post-acquisition period included in the Group's consolidated financial statements. We were also unable to assess the appropriateness of the fair value of assets and liabilities of YC Group recorded by the Group as at the date of acquisition, and the recognition and recoverability of the resulting goodwill as disclosed in Note 13 to the financial statements. Similarly, we are also unable to determine the recoverability of the cost of investment in YC Group recorded on the balance sheet of the Company as at 31 December 2018.

Due to the above circumstances, we were also not able to complete our review of the events after the balance sheet date of YC Group.

(b) Accounting for financing transactions

The details of the financing transactions are disclosed in Note 5 and Note 17 to the financial statements.

We were unable to ascertain the completeness of such financing transactions as there is a lack of internal process to separately identify, monitor and appropriately record and present the financing transactions in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LIBRA GROUP LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Basis for Disclaimer of Opinion (cont'd)

(b) Accounting for financing transactions (cont'd)

As at 31 December 2018, the other receivables of the Group included $2,576,000 arising from financing transactions. We were unable to assess the recoverability of the receivable due to lack of financial information of the debtor. We were also unable to assess if the financing transactions breached any contractual obligations and if there are any further adjustments or consequential effect.

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 Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matter described in the 'Basis for Disclaimer of Opinion' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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 requirement 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LIBRA GROUP LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matter referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Adrian Koh Hian Yan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
15 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $	2017 $
Revenue	4	104,271,197	70,455,836
Cost of sales		(90,257,501)	(57,974,075)
Gross profit		14,013,696	12,481,761
Other income	5	3,260,001	2,449,043
Other items of expenses			
Administrative expenses		(14,602,870)	(11,654,862)
Impairment losses on financial assets	7	(2,998,703)	(136,380)
Impairment losses on contract assets	7	(1,110,661)	–
Finance costs	6	(1,927,817)	(1,200,859)
(Loss)/profit before tax	7	(3,366,354)	1,938,703
Income tax expense	8	(992,496)	(365,270)
(Loss)/profit for the year		(4,358,850)	1,573,433
Attributable to:			
Owners of the Company		(3,459,328)	1,573,433
Non-controlling interests		(899,522)	–
		(4,358,850)	1,573,433
(Losses)/earnings per share (cents per share)			
Basic and diluted	9	(1.81)	1.33
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(80,596)	(15,918)
Total comprehensive (loss)/income for the year		(4,439,446)	1,557,515
Attributable to:			
Owners of the Company		(3,529,206)	1,557,515
Non-controlling interests		(910,240)	–
Total comprehensive (loss)/income for the year		(4,439,446)	1,557,515

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

BALANCE SHEETS

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
		$	$	$	$	$	$
Assets							
Non-current assets							
Property, plant and equipment	10	36,853,502	37,631,380	37,011,968	143,068	21,232,835	18,576,232
Investment property	11	–	–	–	28,397,928	8,354,246	8,594,081
Investment in subsidiaries	12	–	–	–	30,136,771	17,733,646	17,733,646
Goodwill	13	10,540,502	979,799	979,799	–	–	–
Other receivables	18	–	314,500	–	–	–	–
Deferred tax assets	14	–	38,628	38,628	–	–	–
		47,394,004	38,964,307	38,030,395	58,677,767	47,320,727	44,903,959
Current assets							
Contract assets	4	40,035,182	29,892,543	24,760,427	–	–	–
Asset held for sale	15	8,521,310	–	938,000	–	–	–
Inventories	16	6,133,395	2,705,117	3,134,955	–	–	–
Prepayments		801,666	650,961	399,455	47,835	38,048	70,010
Trade and other receivables	17	26,646,246	13,092,131	16,150,434	63,957	66,806	6,850,030
Income tax recoverable		10,801	5,682	545,898	–	–	–
Cash and bank balances	18	2,277,508	4,136,433	3,396,439	509,337	847,622	578,066
		84,426,108	50,482,867	49,325,608	621,129	952,476	7,498,106
Total assets		131,820,112	89,447,174	87,356,003	59,298,896	48,273,203	52,402,065
Equity and liabilities							
Current liabilities							
Contract liabilities	4	18,173	353,917	54,651	–	–	–
Loans and borrowings	19	37,333,458	31,051,742	22,649,059	1,778,635	10,253,397	2,244,687
Trade and other payables	20	29,240,822	16,002,960	14,131,469	10,922,419	9,526,843	12,437,574
Other liabilities	21	7,618,759	4,961,787	6,404,448	443,572	445,137	268,768
Income tax payable		2,136,437	503,298	163,284	–	–	–
		76,347,649	52,873,704	43,402,911	13,144,626	20,225,377	14,951,029
Net current assets/(liabilities)		8,078,459	(2,390,837)	5,922,697	(12,523,497)	(19,272,901)	(7,452,923)
Non-current liabilities							
Deferred tax liabilities	14	436,437	138,455	138,455	–	–	–
Loans and borrowings	19	18,541,094	10,568,936	19,484,171	17,625,634	10,038,122	17,882,949
		18,977,531	10,707,391	19,622,626	17,625,634	10,038,122	17,882,949
Total liabilities		95,325,180	63,581,095	63,025,537	30,770,260	30,263,499	32,833,978
Net assets		36,494,932	25,866,079	24,330,466	28,528,636	18,009,704	19,568,087

BALANCE SHEETS

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
		$	$	$	$	$	$
Equity attributable to owners of the Company							
Share capital	22(a)	31,168,641	18,765,516	18,393,204	31,168,641	18,765,516	18,393,204
Treasury shares	22(b)	(256,159)	(256,159)	(256,159)	(256,159)	(256,159)	(256,159)
Merger reserve	22(c)	(7,441,589)	(7,441,589)	(7,441,589)	–	–	–
Foreign currency translation reserve	23	(171,450)	(101,572)	(85,654)	–	–	–
Premium on acquisition of non-controlling interests	24	(355,109)	(355,109)	(355,109)	–	–	–
Employees share awards reserve	25	–	135,466	–	–	135,466	–
Retained earnings		11,795,664	15,119,526	14,075,773	(2,383,846)	(635,119)	1,431,042
Equity attributable to owners of the Company		34,739,998	25,866,079	24,330,466	28,528,636	18,009,704	19,568,087
Non-controlling interests	12	1,754,934	–	–	–	–	–
Total equity		36,494,932	25,866,079	24,330,466	28,528,636	18,009,704	19,568,087
Total equity and liabilities		131,820,112	89,447,174	87,356,003	59,298,896	48,273,203	52,402,065

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company									
	Share capital	Treasury shares	Foreign currency translation reserve	Merger reserve	Premium on acquisition of non-controlling interests	Retained Earnings	Employee share awards reserve	Equity attributable to owner of the Company	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$	$	$
Group										
2018										
Opening balance at 1 January 2018	18,765,516	(256,159)	(101,572)	(7,441,589)	(355,109)	15,649,206	135,466	26,395,759	–	26,395,759
Cumulative effects of adopting SFRS(I) Framework	–	–	–	–	–	(529,680)	–	(529,680)	–	(529,680)
Opening balance of 1 January 2018 (SFRS(I) Framework)	18,765,516	(256,159)	(101,572)	(7,441,589)	(355,109)	15,119,526	135,466	25,866,079	–	25,866,079
Loss for the year	–	–	–	–	–	(3,459,328)	–	(3,459,328)	(899,522)	(4,358,850)
Other comprehensive income										
Foreign currency translation	–	–	(69,878)	–	–	–	–	(69,878)	(10,718)	(80,596)
Total comprehensive loss for the year	–	–	(69,878)	–	–	(3,459,328)	–	(3,529,206)	(910,240)	(4,439,446)
Contributions by and distributions to owners										
Issuance of new ordinary shares pursuant to acquisition of subsidiaries	12,403,125	–	–	–	–	–	–	12,403,125	–	12,403,125
Non-controlling interest arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	2,665,174	2,665,174
Expiry of equity-settled share option granted to employees	–	–	–	–	–	135,466	(135,466)	–	–	–
Total transactions with owners in their capacity as owners	12,403,125	–	–	–	–	135,466	(135,466)	12,403,125	2,665,174	15,068,299
Closing balance at 31 December 2018	31,168,641	(256,159)	(171,450)	(7,441,589)	(355,109)	11,795,664	–	34,739,998	1,754,934	36,494,932

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company							
	Share capital $	Treasury shares $	Foreign currency translation reserve $	Merger reserve $	Premium on acquisition of non-controlling interests $	Retained Earnings $	Employee share awards reserve $	Total equity $
Group 2017								
Opening balance at 1 January 2017	18,393,204	(256,159)	(85,654)	(7,441,589)	(355,109)	14,075,773	–	24,330,466
Profit for the year	–	–	–	–	–	1,573,433	–	1,573,433
Other comprehensive income								
Foreign currency translation	–	–	(15,918)	–	–	–	–	(15,918)
Total comprehensive income for the year	–	–	(15,918)	–	–	1,573,433	–	1,557,515
Contributions by and distributions to owners								
Issuance of shares arising from performance share plan	372,312	–	–	–	–	–	–	372,312
Grant of equity-settled share awards to employees	–	–	–	–	–	–	135,466	135,466
Total transactions with owners in their capacity as owners	372,312	–	–	–	–	–	135,466	507,778
Closing balance at 31 December 2017	18,765,516	(256,159)	(101,572)	(7,441,589)	(355,109)	15,649,206	135,466	26,395,759

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share capital $	Treasury shares $	Retained earnings $	Employees share awards reserve $	Total equity $
Company					
2018					
Opening balance at 1 January 2018 (FRS/SFRS(I) Framework)	18,765,516	(256,159)	(635,119)	135,466	18,009,704
Loss for the year, representing total comprehensive income for the year	–	–	(1,884,193)	–	(1,884,193)
Contributions by and distributions to owners					
Issuance of new ordinary shares pursuance to acquisition of subsidiaries	12,403,125	–	–	–	12,403,125
Expiry of equity-settled share option granted to employees	–	–	135,466	(135,466)	–
Total transactions with owners in their capacity as owners	12,403,125	–	135,466	(135,466)	12,403,125
Closing balance at 31 December 2018	31,168,641	(256,159)	(2,383,846)	–	28,528,636
2017					
Opening balance at 1 January 2017	18,393,204	(256,159)	1,431,042	–	19,568,087
Loss for the year, representing total comprehensive income for the year	–	–	(2,066,161)	–	(2,066,161)
Contributions by and distributions to owners					
Issuance of performance share plan	372,312	–	–	–	372,312
Grant of equity-settled share awards to employees	–	–	–	135,466	135,466
Total transactions with owners in their capacity as owners	372,312	–	–	135,466	507,778
Closing balance at 31 December 2017	18,765,516	(256,159)	(635,119)	135,466	18,009,704

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 $	2017 $
Operating activities		
(Loss)/Profit before tax	(3,366,354)	1,938,703
Adjustments for:		
Depreciation of property, plant and equipment	2,476,018	1,872,638
Loss on disposal of property, plant and equipment, net	139,379	166,019
Impairment of property, plant and equipment	184,480	4,887
Write-back of doubtful trade receivables	(65,805)	(329,446)
Impairment losses on trade receivables and other receivables	2,998,703	136,380
Impairment losses on contract assets	1,110,661	–
Reversal of provision	–	(200,000)
Inventories written off	105,525	–
Finance costs	1,927,817	1,200,859
Interest income	(1,591)	(5,817)
Translation difference	88,858	(15,918)
	8,964,045	2,829,602
Operating cash flows before changes in working capital	5,597,691	4,768,305
Changes in working capital:		
Contract assets	(11,253,300)	(5,295,541)
Inventories	(2,453,797)	429,838
Prepayments	336,628	(251,506)
Trade and other receivables	(8,903,972)	2,770,614
Contract liabilities	(335,744)	299,266
Trade and other payables	9,238,405	1,871,491
Other liabilities	2,073,674	(1,442,661)
Total changes in working capital	(11,298,106)	(1,618,499)
Cash flows from operations	(5,700,415)	3,149,806
Interest paid	(1,927,817)	(1,200,859)
Interest received	1,591	5,817
Income tax (paid)/refund	(159,179)	514,960
Net cash flows (used in)/from operating activities	(7,785,820)	2,469,724
Investing activities		
Net cash inflow from acquisition of subsidiaries, net of cash acquired (Note 12)	897,363	–
Purchase of property, plant and equipment (Note 10)	(889,030)	(2,065,788)
Proceeds from disposal of property, plant and equipment	626,179	960,814
Net cash flows from/(used in) investing activities	634,512	(1,104,974)
Financing activities		
Proceeds from loans and borrowings	20,738,360	5,157,791
Repayments of loans and borrowings	(22,056,664)	(5,602,106)
Repayments of obligations under finance leases	(195,769)	(258,179)
Issuance of performance share plan	–	372,312
Grant of equity-settled share awards to employees	–	135,466
Net cash flows used in financing activities	(1,514,073)	(194,716)
Net (decrease)/increase in cash and cash equivalents	(8,665,381)	1,170,034
Cash and cash equivalents at 1 January	4,136,306	2,966,272
(Bank overdrafts)/Cash and cash equivalents at 31 December (Note 18)	(4,529,075)	4,136,306

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. Corporation information

Libra Group Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist Board of Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 21 Ubi Road 1, #02-02, Singapore 408724.

The principal activity of the Company is an investment holding. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

The financial statements are presented in Singapore Dollars (SGD or $) except when otherwise indicated.

The financial statements of the Company have been prepared on the going concern basis notwithstanding that the Company's current liabilities exceeded its current assets by $12,523,497 (31 December 2017: $19,272,901, 1 January 2017: $7,452,923) as one of the director of Libra Group has agreed to provide continuing financial support, and the subsidiaries have agreed not to recall the amounts owed by the Company for at least twelve months from the date of this report.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))*

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

Exemptions applied on adoption of SFRS(I)

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 *First-time adoption of SFRS(I) (cont'd)*

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retropectively to those financial assets that were not derecognied before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables, other receivables and contract assets of $150,417, $15,838 and $363,425 respectively. The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of $529,680 as at 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 *First-time adoption of SFRS(I) (cont'd)*

Impairment (cont'd)

The reconciliation for loss allowances for the Group are as follow:

	Trade receivables $	Other receivables $	Contract assets $	Total $
Opening loss allowance as at 1 January 2018	119,580	16,800	–	136,380
Amount restated through opening retained earnings	150,417	15,838	363,425	529,680
Adjusted loss allowance	269,997	32,638	363,425	666,060

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower;

- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The businesses of the Group have been explained in Note 12. The Group has assessed that there is no impact arising from adoption of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 *First-time adoption of SFRS(I) (cont'd)*

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group:

	Group		
	1 Jan 2017 (FRS) $	**SFRS(I) 15 adjustments** $	**1 Jan 2017 (SFRS(I))** $
Assets			
Non-current assets			
Property, plant and equipment	37,011,968	–	37,011,968
Investment property	–	–	–
Investment in subsidiaries	–	–	–
Goodwill	979,799	–	979,799
Other receivables	–	–	–
Deferred tax assets	38,628	–	38,628
	38,030,395	–	38,030,395
Current assets			
Gross amount due from customers for contract work-in-progress	24,760,427	(24,760,427)	–
Contract assets	–	24,760,427	24,760,427
Asset held for sale	938,000	–	938,000
Inventories	3,134,955	–	3,134,955
Prepayments	399,455	–	399,455
Trade and other receivables	16,150,434	–	16,150,434
Income tax recoverable	545,898	–	545,898
Cash and bank balances	3,396,439	–	3,396,439
	49,325,608	–	49,325,608
Total assets	87,356,003	–	87,356,003

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 *First-time adoption of SFRS(I) (cont'd)*

	Group		
	1 Jan 2017 (FRS) $	**SFRS(I) 15 adjustments** $	**1 Jan 2017 (SFRS(I))** $
Equity and liabilities			
Current liabilities			
Gross amount due to customers for contract work-in-progress	54,651	(54,651)	–
Contract liabilities	–	54,651	54,651
Loans and borrowings	22,649,059	–	22,649,059
Trade and other payables	14,131,469	–	14,131,469
Other liabilities	6,404,448	–	6,404,448
Income tax payable	163,284	–	163,284
	43,402,911	–	43,402,911
Net current assets/(liabilities)	5,922,697	–	5,922,697
Non-current liabilities			
Deferred tax liabilities	138,455	–	138,455
Loans and borrowings	19,484,171	–	19,484,171
	19,622,626	–	19,622,626
Total liabilities	63,025,537	–	63,025,537
Net assets	24,330,466	–	24,330,466
Equity attributable to owners of the Company			
Share capital	18,393,204	–	18,393,204
Treasury shares	(256,159)	–	(256,159)
Merger reserve	(7,441,589)	–	(7,441,589)
Foreign currency translation reserve	(85,654)	–	(85,654)
Premium on acquisition of non-controlling interests	(355,109)	–	(355,109)
Employees share awards reserve	–	–	–
Retained earnings	14,075,773	–	14,075,773
Equity attributable to owner of the company	24,330,466	–	24,330,466
Non-controlling interests	–	–	–
Total equity	24,330,466	–	24,330,466
Total equity and liabilities	87,356,003	–	87,356,003

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 *First-time adoption of SFRS(I) (cont'd)*

There are no impact arising from first-time adoption of SFRS(I) 1 to the balance sheet of the Group as at 1 January 2017.

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group:

	Group				
	31 Dec 2017 (FRS)	**SFRS(I) 15 adjustments**	**31 Dec 2017 (SFRS(I))**	**SFRS(I) 9 adjustments**	**1 Jan 2018 (SFRS(I))**
	$	$	$	$	$
Assets					
Non-current assets					
Property, plant and equipment	37,631,380	–	37,631,380	–	37,631,380
Investment property	–	–	–	–	–
Investment in subsidiaries	–	–	–	–	–
Goodwill	979,799	–	979,799	–	979,799
Other receivables	314,500	–	314,500	–	314,500
Deferred tax assets	38,628	–	38,628	–	38,628
	38,964,307	–	38,964,307	–	38,964,307
Current assets					
Gross amount due from customers for contract work-in-progress	30,255,968	(30,255,968)	–	–	–
Contract assets	–	30,255,968	30,255,968	(363,425)	29,892,543
Inventories	2,705,117	–	2,705,117	–	2,705,117
Prepayments	650,961	–	650,961	–	650,961
Trade and other receivables	13,258,386	–	13,258,386	(166,255)	13,092,131
Income tax recoverable	5,682	–	5,682	–	5,682
Cash and bank balances	4,136,433	–	4,136,433	–	4,136,433
	50,482,867	–	50,482,867	–	50,482,867
Total assets	89,447,174	–	89,447,174	–	89,447,174

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 *First-time adoption of SFRS(I) (cont'd)*

	Group				
	31 Dec 2017 (FRS)	**SFRS(I) 15 adjustments**	**31 Dec 2017 (SFRS(I))**	**SFRS(I) 9 adjustments**	**1 Jan 2018 (SFRS(I))**
	$	$	$	$	$
Equity and liabilities					
Current liabilities					
Gross amount due to customers for contract work-in-progress	353,917	(353,917)	–	–	–
Contract liabilities	–	353,917	353,917	–	353,917
Loans and borrowings	31,051,742	–	31,051,742	–	31,051,742
Trade and other payables	16,002,960	–	16,002,960	–	16,002,960
Other liabilities	4,961,787	–	4,961,787	–	4,961,787
Income tax payable	503,298	–	503,298	–	503,298
	52,873,704	–	52,873,704		52,873,704
Net current assets/(liabilities)	(2,390,837)	–	(2,390,837)	–	(2,390,837)
Non-current liabilities					
Deferred tax liabilities	138,455	–	138,455	–	138,455
Loans and borrowings	10,568,936	–	10,568,936	–	10,568,936
	10,707,391	–	10,707,391	–	10,707,391
Total liabilities	63,581,095	–	63,581,095	–	63,581,095
Net assets	25,866,079	–	25,866,079	–	25,866,079

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 *First-time adoption of SFRS(I) (cont'd)*

	Group				
	31 Dec 2017 (FRS)	SFRS(I) 15 adjustments	31 Dec 2017 (SFRS(I))	SFRS(I) 9 adjustments	1 Jan 2018 (SFRS(I))
	$	$	$	$	$
Equity attributable to owners of the Company					
Share capital	18,765,516	–	18,765,516	–	18,765,516
Treasury shares	(256,159)	–	(256,159)	–	(256,159)
Merger reserve	(7,441,589)	–	(7,441,589)	–	(7,441,589)
Foreign currency translation reserve	(101,572)	–	(101,572)	–	(101,572)
Premium on acquisition of non-controlling interests	(355,109)	–	(355,109)	–	(355,109)
Employees share awards reserve	135,466	–	135,466	–	135,466
Retained earnings	15,119,526	–	15,119,526	–	15,119,526
Equity attributable to owner of the company	25,866,079	–	25,866,079	–	25,866,079
Non-controlling interests	–	–	–	–	–
Total equity	25,866,079	–	25,866,079	–	25,866,079
Total equity and liabilities	89,447,174	–	89,447,174	–	89,447,174

There are no impact arising from first-time adoption of SFRS(I) 1 to the balance sheet and comprehensive income of the Group and Company as at 31 December 2017.

2.3 Standards issued but not yet effective

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

Description	***Effective for annual periods beginning on or after***
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of $1,908,612 and lease liabilities of $1,908,612 for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of $nil as of 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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

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

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

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

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

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

(b) *Business combinations and goodwill*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations and goodwill (cont'd)*

Non-controlling interest in the acquiree, that are present ownership interest and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 *Foreign currency*

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

(a) *Transactions and balances*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.5 *Foreign currency (cont'd)*

(b) *Consolidated financial statement*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to the particular foreign operation is recognised in profit or loss.

2.6 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2.7 *Property, plant and equipment*

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

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

	Years
Building	10 to 37
Computers	3
Furniture and fittings	5
Motor vehicles	5 to 10
Office equipment	5
Renovation	5
Factory equipment	10
Plant and machinery	5 to 10

Assets under construction are not depreciated as these assets are not yet available for use.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.7 *Property, plant and equipment (cont'd)*

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

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

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

2.8 *Investment property*

Investment property is a property that is either owned by the Company or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment property is initially measured at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property held by the Company is a leasehold property with remaining lease term of 34 years (2017: 35 years). Depreciation on leasehold property is computed using the straight-line method to allocate their depreciable amount over the remaining lease term.

The carrying value of investment property is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Transfers are made to or from investment property only when there is a change in use. When cost model is adopted, transfers of property do not change the carrying amount of the property transferred and the cost of the property remain unchanged for measurement or disclosure purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.9 *Assets held for sale*

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of acquisition.

Property, plant and equipment once classified as held for sale are not depreciated.

2.10 *Impairment of non-financial assets*

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

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.11 *Subsidiaries*

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

In the Company’s separate balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments*

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

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

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

(a) ***Financial assets (cont'd)***

Subsequent measurement (cont'd)

Investments in debt instruments (cont'd)

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) ***Financial liabilities***

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

(b) ***Financial liabilities (cont'd)***

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.13 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.14 *Cash and cash equivalents*

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

2.15 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Construction revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to a customer, which is when the customer obtains control of the good or service. The Group is restricted contractually from directing the construction project for another use as they are being constructed, and has enforceable rights to payment for performance completed to date. The revenue is recognised over time, based on the construction costs incurred to date as a proportion of estimated total construction costs to be incurred.

Progress billings to the customer is based on certified progress on the construction project. 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.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.16 *Revenue (cont'd)*

(b) *Sale of goods*

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of estimated discounts. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes.

(c) *Tour and agency services income*

Tour and agency services income is recognised when the services are rendered to customers.

(d) *Rental income*

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

(e) *Sale of scrap materials*

Revenue from sales of scrap materials is recognised upon the transfer of control of the scrap materials to the customer, usually on delivery of scrap materials.

(f) *Service income*

Service income is recognised when the services are rendered to customers.

(g) *Income from financing transactions and Interest income*

Interest from financing transactions and interest income are recognised using the effective interest method.

(h) *Management fees*

Management fee is recognised when support and administrative services have been rendered to and accepted by the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.17 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on average cost and first-in, first-out basis.
- Finished goods and works-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on average cost basis.

In the case of trading goods, cost is determined on average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of retailing and marketing of travel and tours products, cost is determined on first-in, first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.18 *Provisions*

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 *Government grants*

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

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as “Other income”.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.20 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 *Employee benefits*

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(c) *Share-based payments*

Certain employees of the Group receive remuneration in the form of share awards as consideration for services rendered. The cost of these equity-settled share-based payment transactions with employees is measured by reference to the fair value of the awards at the date on which the awards are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employees share awards reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share awards reserve is transferred to retained earnings upon expiry of the share awards.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.22 *Leases*

(a) *As lessee*

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(d). Contingent rents, if any, are recognised as revenue in the period in which they are earned.

2.23 *Taxes*

(a) *Current income tax*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.23 *Taxes (cont'd)*

(b) *Deferred tax*

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.23 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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

(c) *Sales tax*

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

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

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

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

2.24 *Share capital and share issuance expenses*

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

2.25 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.26 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.27 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

3. Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgements made in applying accounting policies*

Management is of the opinion that there is significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Purchase price allocation

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair values of the assets and liabilities acquired. The Group has exercised judgement to determine the fair value adjustments required during the purchase price allocation review. Significant estimates have been made to determine the fair value adjustments amount. Details of purchase price allocation are disclosed in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Significant accounting estimates and judgements (cont'd)

3.2 *Key sources of estimation uncertainty*

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

(a) *Construction contracts and revenue recognition*

The accounting for such construction projects is complex due to high level of estimation uncertainty in determining the costs to complete and estimation of the variation works that are recoverable from the customers. This uncertainty is due to the nature of the operations, which may be impacted by the technical complexity of projects and the precision of cost estimation as at balance sheet date. The uncertainty and subjectivity could result in estimation variances which will affect the determination of revenue.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred.

The carrying amount of assets and liabilities arising from construction contracts at the end of each reporting periods are disclosed in Note 4 to the financial statements.

If the estimated total contract cost of major projects had been 5% higher/lower than management's estimate, the carrying amount of the net assets arising from major construction contracts (31 December 2018: 4 contracts, 31 December 2017: 4 contracts, 1 January 2017: 3 contracts) would have been lower/higher by $847,753 (31 December 2017: $665,722, 1 January 2017: $1,109,891). If the total contract sum of major projects as at balance sheet date had been 5% higher/lower than management's estimate, the Group's revenue would have been higher/lower by $1,472,739 (2017: $958,523).

(a) *Provision for expected credit losses of trade receivables and contract assets*

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Significant accounting estimates and judgements (cont'd)

3.2 *Key sources of estimation uncertainty (cont'd)*

(b) *Provision for expected credit losses of trade receivables and contract assets (cont'd)*

The carrying amount of trade receivables and contract assets as at 31 December 2018 are $27,252,356 and $40,035,182 (31 December 2017: $13,092,131 and $29,892,543, 1 January 2017: $16,150,434 and $24,760,427) respectively.

(c) *Impairment assessment of goodwill*

The Group assessed and tested goodwill for impairment annually or more frequently when such indicators exist. The recoverable amounts of the cash generating units which goodwill have been allocated to are determined based on value in use calculations. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 13 to the financial statements.

The carrying amount of the goodwill as at 31 December 2018 is $10,540,502 (31 December 2017: $979,799, 1 January 2017: $979,799).

(d) *Purchase price allocation*

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair values of the assets and liabilities acquired. The Group has exercised judgement to determine the fair value adjustments required during the purchase price allocation review. Significant estimates have been made to determine the fair value adjustments amount. Details of purchase price allocation are disclosed in Note 13 to the financial statements.

4. Revenue

(a) Disaggregation of revenue

Segments	Mechanical and Electrical		Manufacturing		Building and Construction Solution		Travel and Tours Service Business		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$	$	$	$	$
Geographical markets:										
Singapore	47,801,599	39,953,374	16,007,263	14,029,256	27,379,733	16,473,206	–	–	91,188,595	70,455,836
Malaysia	–	–	–	–	–	–	13,082,602	–	13,082,602	–
	47,801,599	39,953,374	16,007,263	14,029,256	27,379,733	16,473,206	13,082,602	–	104,271,197	70,455,836
Product or service lines										
Construction revenue	47,801,599	39,953,374	–	–	27,379,733	16,473,206	–	–	75,181,332	56,426,580
Sale of goods	–	–	16,007,263	14,029,256	–	–	8,863,599	–	24,870,862	14,029,256
Tour and agency services	–	–	–	–	–	–	4,219,003	–	4,219,003	–
	47,801,599	39,953,374	16,007,263	14,029,256	27,379,733	16,473,206	13,082,602	–	104,271,197	70,455,836
Timing of transfer of goods or services:										
At a point in time	–	–	16,007,263	14,029,256	–	–	13,082,602	–	29,089,865	14,029,256
Over time	47,801,599	39,953,374	–	–	27,379,733	16,473,206	–	–	75,181,332	56,426,580
	47,801,599	39,953,374	16,007,263	14,029,256	27,379,733	16,473,306	13,082,602	–	104,271,197	70,455,836

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Revenue (cont'd)

(b) Judgement and methods used in estimating revenue

Recognition of revenue from construction projects over time

For the contract revenue where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the construction projects to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the construction projects. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to completion of the construction projects.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers on similar construction projects to make estimates of the amounts to be incurred.

(c) Contract assets and contract liabilities

Information about contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
	$	$	$
Contract assets	40,035,182	20,255,968	24,760,427
Contract liabilities	18,173	353,917	54,651

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for revenue from construction projects. Contract assets are transferred to receivables when the rights become unconditional.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Revenue (cont'd)

(c) Contract assets and contract liabilities (cont'd)

Contract liabilities primarily relate to progress billings in excess of the Group's right to the consideration representing the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for revenue from construction projects.

Contract liabilities are recognised as revenue as the Group performs under the contract.

(i) Significant changes in contract assets are explained as follows:

	Group	
	2018	**2017**
	$	$
Contract assets reclassified to receivables	65,489,785	52,943,190
Impairment losses on contract assets	1,110,661	–

(ii) Significant changes in contract liabilities are explained as follows:

	Group	
	2018	**2017**
	$	$
Revenue (reversed)/recognised from performance obligation	(953,739)	3,642,272

5. Other income

	Group	
	2018	**2017**
	$	$
Rental income	1,315,610	1,003,475
Sale of scrap materials	460,720	471,462
Service income	384,278	–
Government grant income	318,663	160,964
Income from financing transactions *	236,258	–
Write-back of doubtful trade receivables	65,805	329,446
Legal fees recovered	50,223	–
Interest income	1,591	5,817
Others	426,853	477,879
	3,260,001	2,449,043

* During the year, the Group has entered into certain financing transactions with external parties, earning effective interest of approximately 8.30% before any transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Finance costs

	Group	
	2018	2017
	$	$
Interest expense on:		
- Mortgage loans	689,251	327,006
- Trust receipts	552,550	386,600
- Term loans	469,936	466,602
- Obligations under finance leases	97,846	17,132
- Factoring charges	12,876	3,519
- Overdraft	105,358	–
	1,927,817	1,200,859

7. Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	2018	2017
	$	$
Audit fees:		
- Auditors of the Group	280,000	200,000
- Other auditors	102,489	–
Non-audit fees:		
- Auditors of the Group	–	–
Depreciation of property, plant and equipment (Note 10)	2,476,018	1,872,638
Impairment losses on financial assets:		
- Trade receivables (Note 17)	1,934,811	136,380
- Other receivables (Note 17)	1,069,892	
Impairment losses on contract assets (Note 4)	1,110,661	–
Impairment of property, plant and equipment	184,480	4,887
Reversal of provision for onerous contracts	–	(200,000)
Loss on disposal of property, plant and equipment	139,379	166,019
Operating lease expense	2,105,276	1,379,316
Foreign exchange (gain)/loss, net	(169,735)	17,794
Employee benefits expenses (including directors' remuneration):		
- Salaries, wages and bonuses	21,769,945	17,313,865
- Central provident fund contributions	794,687	561,929
- Foreign worker levy	3,884,460	3,441,709
- Other short-term employee benefits	160,116	1,555,272

Impairment losses on financial assets allocated by function are as follows:

	Group	
	2018	2017
	$	$
Administrative expenses	3,004,703	136,380

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December are:

	Group	
	2018	**2017**
	$	$
Current income tax		
- Current year income tax expense	987,763	365,270
- Over provision of income tax in respect of previous years	(323,345)	–
	664,418	365,270
Deferred income tax (Note 14)		
- Origination and reversal of temporary differences	289,450	–
- Utilisation of previous deferred tax asset	38,628	–
	328,078	–
Income tax expense recognised in profit or loss	992,496	365,270

Relationship between tax expense and accounting (loss)/profit

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

	Group	
	2018	**2017**
	$	$
(Loss)/profit before tax	(3,366,354)	1,938,703
Tax at the domestic rates applicable to (loss)/profit in the countries where the Group operates	(601,871)	209,936
Adjustments:		
Non-deductible expenses	1,381,395	220,964
Income not subject to tax	(267,778)	(26,232)
Effect of partial tax exemption and tax deduction	(80,406)	(138,888)
Over provision of income tax in respect of previous years	(323,345)	–
Benefits from previously unutilised tax losses	38,628	–
Deferred tax assets not recognised	854,455	87,349
Others	(8,582)	12,141
Income tax expense recognised in profit or loss	992,496	365,270

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Income tax expense (cont'd)

Unrecognised tax losses and deductible temporary differences

At the end of the reporting period, the Group has tax losses and deductible temporary differences of approximately $5,026,000 (2017: $514,000) available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which certain subsidiaries operate.

9. (Loss)/earnings per share

Basic (loss)/earnings per share are calculated by dividing the Group's (loss)/profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted (loss)/earnings per share amounts are calculated by dividing the (loss)/profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and share data used in the computation of basic and diluted (loss)/earnings per share for the years ended 31 December:

	Group	
	2018	**2017**
	$	$
(Loss)/profit for the year attributable to owners of the Company	(3,459,328)	1,573,433
	No of shares	No. of shares
Weighted average number of ordinary shares for basic and diluted earnings per share computation	190,689,458	118,724,959

The (loss)/earnings per share were computed based on weighted average number of shares adjusted to take into account the issuance of new ordinary shares pursuant to acquisition of subsidiaries in 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Property, plant and equipment

Group	Assets under construction	Building	Computers	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Factory equipment	Plant and machinery	Total
	$	$	$	$	$	$	$	$	$	$
Cost:										
At 1 January 2017	17,369,358	16,021,453	674,429	134,483	1,764,330	204,102	585,394	342,265	4,859,117	41,954,931
Additions	1,687,696	–	133,755	1,858	448,163	22,860	286,137	2,000	103,301	2,685,770
Disposals	–	–	–	–	(226,925)	(5,700)	(127,450)	–	(5,265)	(365,340)
Write-off	–	–	(87,333)	–	–	(7,854)	–	–	–	(95,187)
Impairment	–	–	–	–	–	–	–	–	(4,887)	(4,887)
At 31 December 2017 and 1 January 2018	19,057,054	16,021,453	720,851	136,341	1,985,568	213,408	744,081	344,265	4,952,266	44,175,287
Additions	54,454	279,752	145,397	23,471	190,925	14,473	232,716	99,222	452,647	1,493,057
Reclassification	(19,111,508)	19,111,508	–	–	–	–	–	–	–	–
Acquisition of subsidiaries (Note 12)	–	–	18,978	259,047	373,945	78,809	424,342	–	–	1,155,121
Disposals	–	–	(10,723)	(9,909)	(609,396)	(14,447)	–	(9,729)	(968,565)	(1,622,769)
Impairment	–	–	–	–	–	–	(184,480)	–	–	(184,480)
At 31 December 2018	–	35,412,713	874,503	408,950	1,941,042	292,243	1,216,659	433,758	4,436,348	45,016,216
Accumulated depreciation:										
At 1 January 2017	–	1,897,346	433,960	44,544	681,249	75,373	144,791	114,615	1,551,085	4,942,963
Depreciation charge for the year	–	876,666	171,824	25,540	160,970	40,137	117,939	32,354	447,208	1,872,638
Disposals	–	–	–	–	(132,551)	(1,853)	(38,073)	–	(4,030)	(176,507)
Write-off	–	–	(87,333)	–	–	(7,854)	–	–	–	(95,187)
At 31 December 2017 and 1 January 2018	–	2,774,012	518,451	70,084	709,668	105,803	224,657	146,969	1,994,263	6,543,907
Depreciation charge for the year	–	1,423,795	150,352	23,507	216,757	39,592	156,854	34,946	430,215	2,476,018
Disposals	–	–	(10,723)	(9,909)	(255,964)	(14,447)	–	(9,663)	(556,505)	(857,211)
At 31 December 2018	–	4,197,807	658,080	83,682	670,461	130,948	381,511	172,252	1,867,973	8,162,714
Net carrying amount:										
As at 1 January 2017	17,369,358	14,124,107	240,469	89,939	1,083,081	128,729	440,603	227,650	3,308,032	37,011,968
At 31 December 2017	19,057,054	13,247,441	202,400	66,257	1,275,900	107,605	519,424	197,296	2,958,003	37,631,380
At 31 December 2018	–	31,214,906	216,423	325,268	1,270,581	161,295	835,148	261,506	2,568,375	36,853,502

10. Property, plant and equipment (cont'd)

Company	Assets under construction	Motor vehicle	Computers	Furniture and fittings	Office equipment	Renovation	Total
	$	$	$	$	$	$	$
Cost:							
At 1 January 2017	18,368,671	–	30,258	14,380	2,707	246,525	18,662,541
Additions	2,448,744	275,000	–	–	–	–	2,723,744
At 31 December 2017 and 1 January 2018	20,817,415	275,000	30,258	14,380	2,707	246,525	21,386,285
Additions	54,455	–	45,000	8,317	7,620	–	115,392
Transfer to investment property	(20,871,870)	–	–	–	–	–	(20,871,870)
Disposals	–	(275,000)	–	–	–	–	(275,000)
At 31 December 2018	–	–	75,258	22,697	10,327	246,525	354,807
Accumulated depreciation:							
At 1 January 2017	–	–	12,780	3,595	677	69,257	86,309
Depreciation charge for the year	–	4,583	9,836	2,876	541	49,305	67,141
At 31 December 2017 and 1 January 2018	–	4,583	22,616	6,471	1,218	118,562	153,450
Depreciation charge for the year	–	22,917	9,590	3,308	668	49,305	85,788
Disposals	–	(27,500)	–	–	–	–	(27,500)
At 31 December 2018	–	–	32,206	9,779	1,886	167,867	211,738
Net carrying amount:							
At 1 January 2017	18,368,671	–	17,478	10,785	2,030	177,268	18,576,232
At 31 December 2017	20,817,415	270,417	7,642	7,909	1,489	127,963	21,232,835
At 31 December 2018	–	–	43,052	12,918	8,441	78,658	143,068

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Property, plant and equipment (cont'd)

Assets under construction

Assets under construction as at 31 December 2017 relate to leasehold land and building located at 53 Loyang Drive Singapore 508957.

Assets under construction had obtained the temporary occupation permit ("TOP") in January 2018, and was subsequently reclassified to investment property, as the Company have plans to hold the investment property for rental yields and capital appreciation.

Assets held under finance lease

During the financial year, the Group acquired plant and equipment with an aggregate cost of $604,027 (31 December 2017: $619,982, 1 January 2017: $247,665) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to $889,030 (31 December 2017: $2,065,788, 1 January 2017: $2,249,566).

The carrying amount of plant and equipment held under finance leases at the end of the reporting period were as follows:

	Group		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
	$	$	$
Motor vehicles	779,690	1,060,765	809,581
Plant and machinery	278,633	53,778	40,675
Renovation	208,494	263,557	–
Computers	42,500	–	–
Factory equipment	14,375	–	–
Office equipment	13,692	–	–
	1,337,384	1,378,100	850,256

Leased assets are pledged as security for the related finance lease liabilities.

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold land and building with a carrying amount of $27,376,630 (31 December 2017: $27,964,983, 1 January 2017: $25,965,213) are mortgaged to secure the Group's loans and borrowings (Note 20).

Capitalisation of borrowing costs

The Group's property, plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of a property. During the financial year, the borrowing costs capitalised as cost of property, plant and equipment amounted to $nil (31 December 2017: $246,022, 1 January 2017: $72,513).

In 2017 and 2016, the interest rate used to determine the amount of borrowing costs eligible for capitalisation shall be charged at the higher of 1.875% per annum over the bank's Cost of Funds or 1.875% per annum over the applicable SWAP Offer Rate as determined by the bank on the day of transaction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. Investment property

	Company	
	2018	2017
	$	$
Balance sheet:		
Cost		
At 1 January	8,873,886	8,873,886
Transfer from assets under construction	20,871,870	–
At 31 December	29,745,756	8,873,886
Accumulated depreciation		
At 1 January	519,640	279,805
Depreciation charge for the year	828,188	239,835
At 31 December	1,347,828	519,640
Net carrying amount	28,397,928	8,354,246
Statement of comprehensive income:		
Rental income from investment property	1,044,293	925,853
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating property	1,486,964	838,665

No contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The investment property held by the Company as at 31 December 2018 is as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
4-storey single-user industrial building at 53 Loyang Drive	Office	Leasehold	34 years

Property pledged as security

The Company's investment property with net carrying amount of $28,397,928 (31 December 2017: $8,354,246, 1 January 2017: $8,594,081) is mortgaged to secure the Group's loans and borrowings (Note 19).

Valuation of investment property

The fair value of the investment property at 31 December 2018 approximates $34,000,000 (31 December 2017: $16,000,000, 1 January 2017: $16,000,000). The independent valuation was performed by an independent professional valuation firm. Details of valuation techniques and inputs are disclosed in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries

	Company	
	2018	2017
	$	$
Shares, at cost		
At 1 January	17,733,646	17,733,646
Acquisition of subsidiaries via issuance of shares	12,403,125	–
At 31 December	30,136,771	17,733,646

a) Composition of the Group

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest		
			31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Held by the Company:					
Kin Xin Engineering Pte. Ltd. (“Kin Xin”) (1)	Singapore	Contracting and installation of ACMV systems, fire alarms and fire protection systems, electrical systems and sanitary and plumbing systems	100	100	100
Libra Engineering Pte. Ltd. (“Libra Engineering”) (1)	Singapore	Manufacturing and sale of ACMV ducts and trading of ACMV related products	100	100	100
Libra Building Construction Pte. Ltd. ("Libra Building") (1)	Singapore	General contractors for building construction including major upgrading works	100	100	100
Cyber Builders Pte. Ltd. (“Cyber”) (1)	Singapore	General contractors for building construction including major upgrading works	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd)

a) Composition of the Group (cont'd)

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest 31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Held through Libra Engineering Pte. Ltd.:					
Libra Engineering Sdn. Bhd. ("Libra Malaysia") [2]	Malaysia	Manufacturing and sale of ACMV ducts and ACMV related products	100	100	100
Libra Manufacturing Sdn. Bhd. [2]	Malaysia	Manufacturing of ACMV ducts	100	–	–
Held through Libra Engineering Sdn. Bhd.:					
Y.C Capital Consolidated Sdn. Bhd. ("YC Group") [3]	Malaysia	Investment holding company	51	–	–
Held through YC Capital Consolidated Sdn. Bhd. ("YC Group"):					
YC Travel & Tours Sdn. Bhd. [2]	Malaysia	Travel and tour agency	51	–	–
Held through YC Travel & Tours Sdn. Bhd.:					
Fame Local Products Sdn. Bhd. [2]	Malaysia	Tourism and retail-related business	51	–	–
Tian Di Global Sdn. Bhd. [2]	Malaysia	Tourism and retail-related business	51	–	–
KL Premium Outlet Sdn. Bhd. [3]	Malaysia	Tourism and retail-related business	51	–	–
Cocoffee De Peninsula Sdn. Bhd. [3]	Malaysia	Tourism and retail-related business	51	–	–

[1] Audited by Ernst & Young LLP, Singapore

[2] Not material to be audited for Group consolidation purpose

[3] Audited by other CPA firm, Malaysia

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd)

b) Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group:

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Loss allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
			$	$
31 December 2018:				
YC Group	Malaysia	49%	899,522	1,754,934
31 December 2017:				
YC Group	Malaysia	–	–	–
1 January 2017:				
YC Group	Malaysia	–	–	–

Summarised balance sheets:

	YC Group 2018 $
Current	
Assets	16,991,573
Liabilities	(13,974,617)
Net current assets	3,016,956
Non-current	
Assets	573,074
Liabilities	(8,532)
Net non-current assets	564,542
Net assets	3,581,498

Summarised statement of comprehensive income:

	YC Group 2018 $
Revenue	13,082,602
Loss before income tax	(1,735,178)
Income tax expense	(100,581)
Loss after tax	(1,835,759)
Other comprehensive income	(21,873)
Total comprehensive income	(1,857,632)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd)

c) Acquisition of subsidiaries

On 28 March 2018 (the "acquisition date"), the Group's subsidiary company, Libra Malaysia completed the acquisition of a 51% stake in YC Capital Consolidated Sdn Bhd ("YC Group") and its subsidiaries. Upon the acquisition, YC Group became a subsidiary group of the Group.

The Group acquired YC Group to diversity to the tourism industry in Malaysia market, which is a new industry compared to the Group's core business of providing construction and engineering services.

The Group has elected to measure the non-controlling interest at the non-controlling interest proportionate share of YC Group's net identifiable assets.

The fair value of the identifiable assets and liabilities of YC Group as at the acquisition date were:

	Fair value recognised on acquisition
	$
Property, plant and equipment	1,155,121
Trade and other receivables	7,268,541
Asset held for sale	8,756,502
Inventories	1,080,006
Prepayments	487,333
Cash and cash equivalents	897,363
	19,644,866
Trade and other payables	(2,946,369)
Loan and borrowings	(8,357,464)
Other liabilities	(583,298)
Income tax payable	(1,122,546)
Deferred tax liability	(8,767)
	(13,018,444)
Total identifiable net assets at fair value	6,626,422
Other payables (deferred consideration)	(1,118,826)
Non-controlling interest measured at the non-controlling interest's proportionate share of YC Group's net identifiable assets	(2,665,174)
Goodwill arising from acquisition	9,560,703
	12,403,125

Effect of the acquisition of YC Group on cash flows

Total consideration for 51% equity interest acquired	12,403,125
Less: non-cash consideration	(12,403,125)
Consideration settled in cash	–
Less: cash and cash equivalents of subsidiary acquired	897,363
Net cash inflow on acquisition	897,363

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd)

c) Acquisition of subsidiaries (cont'd)

Equity instruments issued as part of consideration transferred

In connection with the acquisition of 51% equity interest in YC Group, the Group issued 93,750,000 ordinary shares with a fair value of $0.1323 each. The fair value of these shares is 1 month Volume Weighted Average Price ("VWAP").

Contingent consideration arrangement

As part of the purchase agreement with the previous owner of YC Group, a contingent consideration has been agreed. Additional Company's shares shall be payable to the previous owner of YC Group based on:

- $2,000,000 shares if the entity generates RM8,000,000 profit before tax for a period of 12 months after the acquisition date, or

- $1,000,000 shares if the entity generates profit between RM7,000,001 to RM8,000,000 before tax for a period of 12 months after the acquisition date.

As at the acquisition date, the key performance indicators of the contingent consideration arrangement of YC Group is not expected to be met. Consequently, no contingent consideration has been recognised.

As of 31 December 2018, the key performance indicators of YC Group show clearly that the target of the contingent consideration was not met.

Transaction costs

Transaction costs related to the acquisition of $206,203 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2018.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values and gross amounts of $7,268,541.

Other payables (deferred consideration)

Other payables (deferred consideration) arised as a result of the post-completion covenant for acquisition of YC Group pursuant to disposal of the asset held for sale on or before the date falling 12 months from the Completion date. YC Group shall use the proceeds for the property disposal to discharge any indebtedness of YC Group in relation to the asset held for sale, including but not limited to the banking facilities. In the event that proceeds from asset held for sale disposal are not sufficient to discharge the asset held for sale indebtedness, the shareholders of YC Group prior to the Group's acquisition ("YC Shareholders") shall pay to YC Group such shortfall so as to enable YC Group to discharge the asset held for sale indebtedness, and to pay for any taxes arising or having arisen in connection with asset held for sale and all cost and expenses in relation to asset held for sale disposal. The remaining proceed, if any, are payable to the YC Shareholders. The difference in the value of asset held for sales and loans and borrowing attributable to the asset held for sale is accounted for as deferred consideration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd)

c) Acquisition of subsidiaries (cont'd)

Goodwill arising from acquisition

The goodwill of $9,560,703 based on the fair value of the purchase consideration, contingent consideration and the identifiable net asset. None of the goodwill recognised is expected to be deductible for income tax purposes.

Impact of the acquisition on profit or loss

From the acquisition date, YC Group has contributed $13,082,602 of revenue and $1,835,759 to the Group's loss for the year. If the business combination had taken place at the beginning of the year, the revenue from continuing operations would have been $105,006,896 and the Group's loss from continuing operations, net of tax would have been $4,747,873.

Guarantee provided by a director of YC Group

A director of YC Group has undertaken to provide personal guarantee to all and any further liabilities arising from YC Group.

13. Goodwill

Goodwill acquired through business combinations have been allocated to two cash-generating units (CGU), which are also the reportable operating segments, for impairment testing as follows:

- Building and Construction Solution
- Travel and Tours Service Business

The carrying amounts of goodwill allocated to each CGU are as follows:

	31 Dec 2018 $	31 Dec 2017 $	1 Jan 2017 $
Building and Construction Solution	979,799	979,799	979,799
Travel and Tours Services Business	9,560,703	–	–
Total	10,540,502	979,799	979,799

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Goodwill (cont'd)

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	Building and Construction Solution			***Travel & Tours Services Business***		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**	**31 Dec 2018**	**31 Dec 2017**	**1 Jan 2017**
Growth rates	5.0%	5.0%	5.0%	4.4%	N/A	N/A
Pre-tax discount rates	9.0%	9.0%	9.0%	12.65%	N/A	N/A

Key assumptions used in the value in use calculations

The calculations of value in use for both the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins 10% was applied for Building and Construction Solution and 27% (31 December 2017: Nil, 1 January 2017: Nil) was applied for Travel & Tours Services Business.

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. The cost of equity is derived from the expected return on investment by the Group's investors. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on public available market data.

Sensitivity to changes in assumptions

With regards to the assessment of value in use for building and construction and travel and tours services segments, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Impairment loss recognised

During the financial year, no impairment loss was recognised to write-down the carrying amount for building and construction and travel and tours service segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group				
	Consolidated balance sheet			Consolidated income statement	
	31 Dec 2018 $	31 Dec 2017 $	1 Jan 2017 $	2018 $	2017 $
Deferred tax liabilities:					
Differences in depreciation for tax purposes	(436,437)	(138,455)	(138,455)	328,078	–
Deferred tax assets:					
Unutilised capital allowances	–	38,628	38,628	–	–
Net deferred tax (liabilities)/ assets	(436,437)	(99,827)	(99,827)	328,078	–

15. Asset held for sale

	Group	
	2018 $	2017 $
At 1 January	–	938,000
Disposal during the year	–	(938,000)
Acquired during the year	8,521,310	–
Fair value loss adjustment recognised in profit or loss	–	–
At 31 December	8,521,310	–

The property classified as asset held for sale in 2017 comprised of a ramp-up factory unit located at Ang Mo Kio Street 62 and the sale was completed on 9 March 2017.

The property classified as asset held for sale in 2018 consists of 12 adjoining pieces of leasehold land together with a five (5) storey terrace light industrial building located at Jalan Perdana 10/6 and 10/8 Pedan Perdana, 55300 Kuala Lumpur.

Asset held for sale was a post-completion covenant for acquisition of YC Group pursuant to disposal of the asset held for sale on or before the date falling 12 months from the Completion date. YC Group shall use the proceeds for the property disposal to discharge any indebtedness of YC Group in relation to the asset held for sale, including but not limited to the banking facilities, in the event that proceeds from asset held for sale disposal are not sufficient to discharge the asset held for sale indebtedness, the YC Shareholders shall pay to YC Group such shortfall so as to enable YC Group to discharge the asset held for sale indebtedness, and to pay for any taxes arising or having arisen in connection with asset held for sale and all cost and expenses in relation to asset held for sale disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Asset held for sale (cont'd)

In April 2019, the Group signed sales and purchases agreement with third parties to dispose the asset held for sale at a consideration of $7,915,200 (approximately MYR 24,000,000). The carrying amount of asset held for sale as at year-end are not adjusted, as the disposal price would not affect the Group profit or loss due to the reason described in the preceding paragraph.

16. Inventories

	Group		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
	$	$	$
Balance sheet:			
Raw materials	4,734,567	2,133,149	2,201,399
Work-in-progress	–	76,767	168,039
Finished goods	1,398,828	495,201	765,517
	6,133,395	2,705,117	3,134,955
Statement of comprehensive income:			
Inventories recognised as an expense in cost of sales	22,390,585	19,896,788	31,803,521
Inclusive of the following charge:			
- Inventories written off	105,525	–	4,253

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. Trade and other receivables

	Group			Company		
	31 Dec 2018 $	31 Dec 2017 $	1 Jan 2017 $	31 Dec 2018 $	31 Dec 2017 $	1 Jan 2017 $
Trade receivables	14,362,150	10,889,256	10,710,890	4,299	–	–
GST receivable	123,234	44,509	452,236	–	7,148	350,239
Refundable deposits	833,746	488,075	469,202	59,658	59,658	59,658
Refundable advance	429,369	–	1,128,114	–	–	1,128,114
Staff loans - current	427,900	167,200	615,000	–	–	–
Financing transactions related receivables	2,575,630	–	–	–	–	–
Loans to external parties	–	–	1,111,375	–	–	–
Other receivables	7,894,217	1,503,091	1,663,617	–	–	79,800
Amounts due from subsidiaries	–	–	–	–	–	5,232,219
	26,646,246	13,092,131	16,150,434	63,957	66,806	6,850,030
Add:						
Staff loans – non-current	–	314,500	–	–	–	–
Cash and bank balances (Note 18)	2,277,508	4,136,433	3,396,439	509,337	847,622	578,066
Less:						
GST receivables	(123,234)	(44,509)	(452,236)	–	(7,148)	(350,239)
Financial assets at amortised cost	28,800,520	17,498,555	19,094,637	573,294	907,280	7,077,857

Trade receivables

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

Trade and other receivables denominated in foreign currency at 31 December is as follows:

	Group		
	31 Dec 2018 $	31 Dec 2017 $	1 Jan 2017 $
Malaysian Ringgit	–	1,427,524	2,335,745

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has receivables amounting to $6,617,279 as at 31 December 2017 and $6,298,683 as at 1 January 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	31 Dec 2017	**1 Jan 2017**
	$	$
Receivables past due but not impaired:		
Lesser than 30 days	3,097,014	3,034,711
30 to 90 days	1,648,034	1,680,780
More than 90 days	1,872,231	1,583,192
	6,617,279	6,298,683

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	31 Dec 2017	**1 Jan 2017**
	$	$
Trade receivables – nominal amounts	798,848	1,510,592
Less: Allowance for impairment	(798,848)	(1,510,592)
	–	–
Movement in allowance accounts:		
At 1 January	1,510,592	175,951
Charge for the year	119,580	1,463,025
Written back during the year	(329,446)	(23,998)
Effect of GST relief on bad debts written-off	35,131	2,716
Written-off	(537,009)	(107,102)
At 31 December	798,848	1,510,592

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. Trade and other receivables (cont'd)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables, other receivables and contract assets computed based on lifetime ECL are as follows:

2018	Group			
	Trade receivables $	Other receivables $	Contract assets $	Total $
Movement in allowance accounts:				
Adjusted at 1 January	949,265	15,838	363,425	1,328,528
Charge for the year	1,928,811	1,069,892	1,110,661	4,109,364
Written-off	(16,799)	–	–	(16,799)
At 31 December	2,861,277	1,085,730	1,474,086	5,421,093

Refundable deposits

Refundable deposits of cash held by third parties are non-trade in nature, unsecured, non-interest bearing.

Refundable advance

Refundable advance paid to third parties are non-trade in nature, unsecured, non-interest bearing.

Staff loans

These amounts are unsecured, non-interest bearing, repayable by monthly instalments over 3 years and are to be settled in cash. Staff loans were fully settled in January 2019.

Financing transactions related receivables

Financing transactions related receivables are non-trade in nature, secured by equipment and personal guarantee. $770,000 of the financing transactions related receivables are pledged by a crane.

Other receivables

Other receivables inclusive of $6,554,191 for amount owing by a director which arised as part of the acquisition of YC Group, are non-trade in nature, unsecured, non-interest bearing and payable upon demand.

Amounts due from subsidiaries

These amounts are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. Cash and bank balances

	Group			Company		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	$	$		$	$	$
Cash at banks and on hand	1,193,712	3,630,907	2,591,669	2,541	342,096	74,052
Fixed deposits	1,083,796	505,526	804,770	506,796	505,526	504,014
	2,277,508	4,136,433	3,396,439	509,337	847,622	578,066

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Fixed deposits are made for varying periods depending on the immediate cash requirements of the Group and Company. The weighted average effective interest rates as at 31 December 2018 for the Group and the Company were 0.30% (31 December 2017: 0.30%, 1 January 2017: 0.34%) and 0.30% (31 December 2017: 0.30%, 1 January 2017: 0.40%) respectively.

Fixed deposits are for a tenure of 90 days and which have been pledged to banks to secure bank facilities.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	$	$	$
United States Dollar	13,157	10,781	14,803
Malaysian Ringgit	284,691	13,432	79,458

For the purpose of the cash flow statement, cash and cash equivalents comprised the following amounts at the end of reporting period:

	Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	$	$	$
Cash and bank balances	2,277,508	4,136,433	3,396,439
Bank overdrafts (Note 19)	(6,806,583)	(127)	(430,167)
(Bank overdrafts)/Cash and cash equivalents	(4,529,075)	4,136,306	2,966,272

19. Loans and borrowings

	Maturity	Group 31 Dec 2018 $	Group 31 Dec 2017 $	Group 1 Jan 2017 $	Company 31 Dec 2018 $	Company 31 Dec 2017 $	Company 1 Jan 2017 $
Current:							
Trust receipts	90-150 days	16,630,432	13,188,576	10,444,080	–	–	–
Factoring loans	30-120 days	1,161,977	–	244,484	–	–	–
Obligations under finance lease (Note 27(c))	2019	802,186	350,227	253,861	–	20,734	–
Term loans	2019	4,911,487	7,280,149	10,397,268	–	–	1,365,488
Mortgage loan	2019	7,020,793	756,681	707,274	1,532,821	756,681	707,274
Construction loan	2019	–	9,475,982	171,925	–	9,475,982	171,925
Bank overdrafts	On demand	6,806,583	127	430,167	245,814	–	–
		37,333,458	31,051,742	22,649,059	1,778,635	10,253,397	2,244,687
Non-current:							
Obligations under finance lease (Note 27(c))	2020-2025	547,847	591,548	326,111	–	142,573	–
Term loans	2020-2032	17,993,247	81,839	1,275,111	17,625,634	–	–
Mortgage loan	2029	–	9,895,549	10,677,293	–	9,895,549	10,677,293
Construction loan	2032	–	–	7,205,656	–	–	7,205,656
		18,541,094	10,568,936	19,484,171	17,625,634	10,038,122	17,882,949
Total loans and borrowings		55,874,552	41,620,678	42,133,230	19,404,279	20,291,519	20,127,636

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Loans and borrowings (cont'd)

Trust receipts

Trust receipts are denominated in SGD and bear interest of 2.63% to 10.70% (31 December 2017: 2.56% to 10.75%, 1 January 2017: 2.50% to 7.25%) per annum. Trust receipts are secured by corporate guarantees issued by the Company.

Factoring loans

Factoring loans are denominated in SGD, bear interest of 3.20% to 5.76% (31 December 2017: 2.87% to 3.25%, 1 January 2017: 2.87% to 3.25%) per annum and secured by corporate guarantee issued by the Company and certain entities in the Group.

Obligations under finance leases

The obligations are denominated in SGD and are secured by a charge over the leased assets (Note 10). The discount rates implicit in the leases range from 1.58% to 4.75% (31 December 2017: 1.58% to 4.29%, 1 January 2017: 3.17% to 7.49%) per annum.

During the financial year, YC Group had defaulted on the monthly payments, amounting to $31,947 for the obligations, and the defaulted monthly payments were fully settled in February 2019.

Term loans

Term loans are denominated in SGD and MYR, repayable by monthly instalments over one to twelve years and bear interest of 1.75% to 15.00% (31 December 2017: 2.30% to 11.45%, 1 January 2017: 1.68% to 6.30%) per annum. Certain term loans are secured by corporate guarantee issued by the Company and certain entities in the Group, as well as joint and personal guarantees from directors and key management personnel of certain entities.

In addition to the basic loan terms and specific clauses defining default events, these term loans also include an overriding clause which gives the lenders the right to review the loans from time to time at their sole discretion. Upon review of these term loans, the lenders have the right to review, vary, reduce or terminate the facilities. Callable term loans should be classified as current in their entirety in the balance sheet as the borrowers do not have the unconditional right as at the reporting date to defer settlement for at least twelve months after the reporting date. As such, these term loans were classified as current liabilities, even though they are not scheduled for repayment within twelve months after the reporting date based on the scheduled repayment dates in the loan facility agreements.

Mortgage loan - SGD

Mortgage loan is denominated in SGD and is repayable by monthly instalments over fifteen years from the date of first drawdown. The interest of first year of the loan is 2.00% per annum over the prevailing 3-month bank's Cost of Fund ("COF") and from second year onwards, the interest of the loan is set at 1.88% per annum over the prevailing 3-month bank's COF.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Loans and borrowings (cont'd)

Mortgage loan – SGD (cont'd)

The loans are secured by:

(i) corporate guarantees issued by certain entities in the Group;

(ii) a first legal mortgage over the leasehold land and building at 53 Loyang Drive, Singapore 508957 (the "Property"); and

(iii) a legal assignment of rental proceeds or charge over rental account to be executed of all current and future rental income of the Property in favor of the financial institution.

During the financial year, upon obtaining Temporary Occupation Permit ("TOP") of the leasehold land and building at 53 Loyang Drive, the mortgage and construction loans have been re-financed to term loans.

Mortgage loan - MYR

Mortgage loan is denominated in MYR and is repayable by monthly instalments over seven to twenty years from the date of first drawdown, and bears interest of 5.00% to 12.10% (31 December 2017: 4.30% to 11.75%, 1 January 2017: nil) per annum.

The loan is secured by:

(i) Legal charge over the leasehold land and building of the Group as disclosed in Note 15 to the financial statements;

(ii) Joint and several guarantees by the Directors of certain entities;

(iii) Corporate guarantee by certain entity;

(iv) First and third party deposit; and

(v) Mortgage Reducing Term Assurance

Bank overdrafts

Bank overdrafts are denominated in SGD, bear interest at Prime Lending Rate (31 December 2017: Prime Lending Rate, 1 January 2017: Prime Lending Rate) and are secured by a term deposit account and corporate guarantee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Loans and borrowings (cont'd)

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

			Non-cash changes		
	1 Jan 2018	**Cash flows**	**Additions**	**Others**	**31 Dec 2018**
	$	$	$	$	$
Trust receipts					
- current	13,188,576	3,441,856	–	–	16,630,432
Factoring loans					
- current	–	1,161,977	–	–	1,161,977
Obligations under finance lease					
- current	350,227	(134,684)	281,492	305,151	802,186
- non-current	591,548	(61,085)	322,535	(305,151)	547,847
Term loans					
- current	7,280,149	(2,685,133)	–	316,471	4,911,487
- non-current	81,839	18,227,879	–	(316,471)	17,993,247
Mortgage loan					
- current	756,681	6,264,112	–	–	7,020,793
- non-current	9,895,549	(9,895,549)	–	–	–
Construction loan					
- current	9,475,982	(9,475,982)	–	–	–
Bank overdrafts					
- current	127	6,806,456	–	–	6,806,583
Total	41,620,678	13,649,847	604,027	–	55,874,552

The 'others' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Loans and borrowings (cont'd)

			Non-cash changes		
	1 Jan 2017	Cash flows	Additions	Others	31 Dec 2017
	$	$	$	$	$
Trust receipts					
- current	10,444,080	2,744,496	–	–	13,188,576
Factoring loans					
- current	244,484	(244,484)	–	–	–
Obligations under finance lease					
- current	253,861	(258,179)	152,121	202,424	350,227
- non-current	326,111	–	467,861	(202,424)	591,548
Term loans					
- current	10,397,268	(4,310,391)	–	1,193,272	7,280,149
- non-current	1,275,111	–	–	(1,193,272)	81,839
Mortgage loan					
- current	707,274	(1,047,231)	–	1,096,638	756,681
- non-current	10,677,293	314,894	–	(1,096,638)	9,895,549
Construction loan					
- current	171,925	2,098,401	–	7,205,656	9,475,982
- non-current	7,205,656	–	–	(7,205,656)	–
Bank overdrafts					
- current	430,167	(430,040)	–	–	127
Total	42,133,230	(1,132,534)	619,982	–	41,620,678

The 'others' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. Trade and other payables

	Group			Company		
	31 Dec 2018 $	31 Dec 2017 $	1 Jan 2017 $	31 Dec 2018 $	31 Dec 2017 $	1 Jan 2017 $
Trade payables	19,294,631	12,201,152	9,923,213	–	–	–
GST payables	536,015	296,289	619,752	94,296	–	–
Retention payables	3,694,692	2,878,236	2,229,377	–	–	–
Other payables	4,597,396	627,283	1,359,127	578,358	261,507	228,989
Deferred consideration	1,118,088	–	–	–	–	–
Amounts due to subsidiaries	–	–	–	10,249,765	9,265,336	12,208,585
	29,240,822	16,002,960	14,131,469	10,922,419	9,526,843	12,437,574
Add:						
Loans and borrowings (Note 19)	56,113,129	41,620,678	42,133,230	19,404,269	20,291,517	20,127,636
Other liabilities (Note 21)	7,618,759	4,961,787	6,404,448	443,572	445,137	268,768
Less:						
GST payables	(536,015)	(296,289)	(619,752)	(94,296)	–	–
Total financial liabilities carried at amortised costs	92,436,695	62,289,136	62,049,395	30,675,964	30,263,497	32,833,978

Trade and other payables

These amounts are non-interest bearing and are normally settled on 30 to 60 days' terms.

Trade and other payables denominated in foreign currencies as at 31 December are as follows:

	Group		
	31 Dec 2018 $	31 Dec 2017 $	1 Jan 2017 $
United States Dollar	2,608,513	489,221	1,521,506
Malaysian Ringgit	1,450,917	76,892	38,352

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. Trade and other payables (cont'd)

Retention payables

These amounts are unsecured, non-interest bearing, repayable upon an interim certificate. Retention payables are denominated in SGD.

Amounts due to subsidiaries

These amounts are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. Amounts due to subsidiaries are denominated in SGD.

Purchases from subsidiaries are made at terms equivalent to those prevailing in arm's length transactions with third parties.

Deferred consideration

Deferred consideration arised as a result of the acquisition of YC Group. Please refer to Note 13 to the financial statements.

The details of deferred consideration are disclosed in Note 13 to the financial statements.

21. Other liabilities

	Group			Company		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**	**31 Dec 2018**	**31 Dec 2017**	**1 Jan 2017**
	$	$	$	$	$	$
Accrued salaries and bonuses	2,821,783	2,880,290	1,819,954	127,988	304,749	162,909
Accrued operating expenses	4,796,976	2,081,497	4,584,494	315,584	140,388	105,859
	7,618,759	4,961,787	6,404,448	443,572	445,137	268,768

22. Share capital, treasury shares and merger reserve

(a) Share capital

	Group and Company			
	2018		2017	
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares:				
At 1 January	121,312,098	18,765,516	119,269,000	18,393,204
Issuance of new ordinary shares pursuant to performance share plan	–	–	2,043,098	372,312
Issuance of new ordinary shares pursuant to acquisition of subsidiaries	93,750,000	12,403,125	–	–
31 December	215,062,098	31,168,641	121,312,098	18,765,516

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

(b) Treasury shares

	Group and Company					
	31 Dec 2018		31 Dec 2017		1 Jan 2017	
	No. of shares	$	No. of shares	$	No. of shares	$
At 1 January and 31 December	(1,769,900)	(256,159)	(1,769,900)	(256,159)	(1,767,900)	(256,159)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. Share capital, treasury shares and merger reserve (cont'd)

(c) Merger reserve

In prior years, the Company had acquired Kin Xin Engineering Pte Ltd and Libra Engineering Pte Ltd. On applying the pooling of interest method in accounting for this business combination, the difference between the consideration and the share capital of the subsidiaries acquired is recorded as merger reserve.

23. Foreign currency translation reserve

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

24. Premium on acquisition of non-controlling interests

This represents the difference between consideration paid and the carrying value of additional non-controlling interests acquired.

25. Employees share awards reserve

Employees share awards reserve represents the equity-settled share awards granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share awards, and is reduced by the expiry or exercise of the share awards.

Performance share plan

Certain employees are entitled to the performance share plan ("PSP"). The vesting of the PSP is dependent on the total shareholder return ("TSR") of the Group as compared to a group of principal competitors. Employees must remain in service for a period of one year from the date of grant. The exercise price of the PSP is equal to the market price of the shares on the date of grant. The contractual life of the PSP is one year. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these awards.

Movement of share awards during the financial year

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, share awards during the financial year:

	2018		2017	
	No.	WAEP ($)	No.	WAEP ($)
Outstanding at 1 January	1,269,000	0.18	–	–
- Granted	–	–	3,312,098	0.18
- Exercised	–	–	(2,043,098)	0.18
- Expired	(1,269,000)	0.18	–	–
Outstanding at 31 December	–	–	1,269,000	0.18

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. Employees share awards reserve (cont'd)

Movement of share awards during the financial year (cont'd)

- The weighted average fair value of share awards granted during the financial year was nil (31 December 2017: $0.18, 1 January 2017: $Nil).

- The weighted average share price at the date of exercise of the share awards exercised during the financial year was nil (31 December 2017: $0.18, 1 January 2017: $Nil).

- The weighted average remaining contractual life for these share awards is nil years (31 December 2017: 0.5 years, 1 January 2017: Nil).

Fair value of share awards granted

The fair value of share awards granted is estimated at the date of the grant using a Black-Scholes model, taking into account the terms and conditions upon which the awards were granted. The model simulates the TSR and compares it against the group of principal competitors. It takes into account historic dividends, share price fluctuation covariance of the Company and each entity of the group of competitors to predict the distribution of relative share performance.

The following table lists the inputs to the Black-Scholes model as at 31 December:

	31 Dec 2018	31 Dec 2017	1 Jan 2017
Dividend yield (%)	–	0.00	–
Expected volatility (%)	–	100.00	–
Risk-free interest rate (% p.a.)	–	1.63	–
Expected life of share awards (years)	–	0.50	–
Weighted average share price ($)	–	0.18	–

The expected life of the share awards is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the share awards is indicative of future trends, which may not necessarily be the actual outcome.

There were no performance share plans granted for the year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

(a) *Sales and purchase of goods and services*

	Company	
	2018	**2017**
	$	$
Income:		
Management fee from subsidiaries	2,102,071	1,712,182
Rental income from subsidiaries	826,389	925,853
Rental income from a related party	3,531	–
Expenses:		
Construction expenses charged by a subsidiary	–	2,098,402
Interest expenses charged by a subsidiary	26,399	–

(b) *Compensation of key management personnel*

	Group	
	2018	**2017**
	$	$
Short-term employee benefits	2,984,531	3,643,683
Central provident fund contributions	165,555	187,608
Share-based payments	–	289,456
	3,150,086	4,120,747
Comprises amounts paid to:		
Directors of the Company	1,345,000	1,257,429
Other key management personnel	1,805,086	2,863,318
	3,150,086	4,120,747

(c) *Personal guarantees by directors*

The Company and one of its directors have provided a joint guarantee to a financial institution to secure loans and borrowings amounting to $800,000 (31 December 2017: $2,500,000, 1 January 2017: $2,500,000) taken by a subsidiary. As at 31 December 2018, the outstanding balance is $549,720 (31 December 2017: $668,062, 1 January 2017: $386,364).

A director of YC Group has also undertaken to provide personal guarantee to all and any further liabilities arising from YC Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. Commitments

(a) *Operating lease commitments - as lessee*

The Group has entered into commercial leases for the rental of office equipment, factory equipment, office premises, motor vehicles and staff accommodation for foreign workers. These leases have an average life of between one to more than five years (31 December 2017: one to five years, 1 January 2017: one to five years). There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments payable under non-cancellable operating leases as at the end of the reporting period are as follows:

	Group		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
	$	$	$
Not later than one year	1,082,109	1,983,828	1,147,885
Later than one year but not later than five years	1,535,358	1,871,474	1,552,628
Later than five years	4,635,372	–	–
	7,252,839	3,855,302	2,700,513

(b) *Operating lease commitments - as lessor*

The Group has entered into commercial leases for the rental of dormitory for foreign workers. These non-cancellable leases have an average life of between one to five years (31 December 2017: one to five years, 1 January 2017: one to five years).

Future minimum lease payments payable under non-cancellable operating leases as at the end of the reporting period are as follows:

	Group		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
	$	$	$
Not later than one year	945,900	864,492	437,034
Later than one year but not later than five years	817,328	229,646	4,800
	1,763,228	1,094,138	441,834

27. Commitments (cont'd)

(c) *Finance lease commitments*

The Group and Company have finance leases for certain items of plant and equipment. These leases have terms of purchase options.

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

	Group					
	31 Dec 2018		31 Dec 2017		1 Jan 2017	
	Minimum lease payments $	Present value of payments $	Minimum lease payments $	Present value of payments $	Minimum lease payments $	Present value of payments $
Not later than one year	849,459	802,186	382,458	350,227	271,596	253,860
Later than one year but not later than five years	579,078	534,303	611,189	567,039	344,033	326,112
Later than five years	15,828	13,544	25,040	24,509	–	–
Total minimum lease payments	1,444,365	1,350,033	1,018,687	941,775	615,629	579,972
Less: Amounts representing finance charges	(94,332)	–	(76,912)	–	(35,657)	–
Present value of minimum lease payments	1,350,033	1,350,033	941,775	941,775	579,972	579,972

27. Commitments (cont'd)

(c) *Finance lease commitments (cont'd)*

	Company					
	31 Dec 2018		31 Dec 2017		1 Jan 2017	
	Minimum lease payments $	Present value of payments $	Minimum lease payments $	Present value of payments $	Minimum lease payments $	Present value of payments $
Not later than one year	–	–	27,336	20,734	–	–
Later than one year but not later than five years	–	–	136,680	117,533	–	–
Later than five years	–	–	25,040	25,040	–	–
Total minimum lease payments	–	–	189,056	163,307	–	–
Less: Amounts representing finance charges	–	–	(25,749)	–	–	–
Present value of minimum lease payments	–	–	163,307	163,307	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Fair value of assets and liabilities

(a) *Fair value hierarchy*

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

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

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

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

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) *Assets and liabilities measured at fair value*

	Quoted prices in active markets for identical assets (Level 1) $	Significant observable inputs other than quoted prices (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
31 December 2018				
Non-financial asset				
Asset held for sale	–	–	–	–
31 December 2017				
Non-financial asset				
Asset held for sale	–	–	–	–
1 January 2017				
Non-financial asset				
Asset held for sale	938,000	–	–	938,000

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

In 2016, the Group transferred an asset held for sale from Level 3 to Level 1 of the fair value hierarchy as there was a purchase agreement signed on 16 December 2016 and the sale was completed on 9 March 2017. The carrying amount of the non-financial asset transferred was $938,000 and the Group recognised loss from fair value adjustment of $62,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Fair value of assets and liabilities (cont'd)

(b) *Assets and liabilities measured at fair value (cont'd)*

Valuation policies and procedures

Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, Management reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance to perform the valuation.

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

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Fair value of assets and liabilities (cont'd)

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

	Group 31 December 2018				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical assets (Level 1) $	Significant observable inputs other than quoted prices (Level 2) $	Significant unobservable inputs (Level 3) $	Total $	Carrying amount $
Assets:					
Investment property (Note 11)	–	–	34,000,000	34,000,000	28,397,928
Staff loans	–	–	427,900	427,900	427,900
Liabilities:					
Loans and borrowings - Obligations under finance leases (Note 27 (c))	–	–	1,287,797	1,287,797	1,350,033

	Group 31 December 2017				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical assets (Level 1) $	Significant observable inputs other than quoted prices (Level 2) $	Significant unobservable inputs (Level 3) $	Total $	Carrying amount $
Assets:					
Investment property (Note 11)	–	–	16,000,000	16,000,000	8,354,246
Staff loans	–	–	449,213	449,213	481,700
Liabilities:					
Loans and borrowings - Obligations under finance leases (Note 27 (c))	–	–	908,140	908,140	941,775

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Fair value of assets and liabilities (cont'd)

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

	Group 1 January 2017				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical assets (Level 1) $	Significant observable inputs other than quoted prices (Level 2) $	Significant unobservable inputs (Level 3) $	Total $	Carrying amount $
Assets:					
Investment property (Note 11)	–	–	16,000,000	16,000,000	8,594,081
Staff loans	–	–	525,089	525,089	615,000
Loans to external parties	–	–	1,100,882	1,100,882	1,111,375
Liabilities:					
Loans and borrowings - Obligations under finance leases (Note 287(c))	–	–	580,316	580,316	579,972

Level 3 fair value measurements

The following table shows the Group's valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Comparable sales method	Transacted prices of properties within the vicinity of the property	The higher the comparable sales price, the higher the fair value

28. Fair value of assets and liabilities (cont'd)

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

Current trade and other receivables and payables (Note 17 and 20), Cash and bank balances (Note 18) and Other liabilities (Note 21).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature.

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

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	31 Dec 2018		31 Dec 2017		1 Jan 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$	$	$
Financial assets:						
Trade and other receivables						
- Staff loans (Note 17)	481,700	481,700	481,700	449,213	615,000	525,089
- Loans to external parties (Note 17)	–	–	–	–	1,111,375	1,100,882
Financial liabilities:						
Loan and borrowings						
- Obligations under finance leases (Note 27(c))	1,350,033	1,287,797	941,775	908,140	579,972	580,316

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rates for similar types of borrowing arrangements at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Financial risk management policies and objectives

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the years under review, the Group's policy that no derivatives shall be undertaken. The Group does not apply hedge accounting.

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

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

(a) *Credit risk*

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

The Group trades only with recognised and creditworthy third parties or government authorities. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days for trade and other receivables and retention monies, when they fall due, which are derived based on Group's historical information. The Group also considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Financial risk management policies and objectives (cont'd)

(a) *Credit risk (cont'd)*

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial of economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categories a loan, receivable or retention monies for potential write-off when a debtor fails to make contractual payments for more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage appropriate enforcement activities to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Financial risk management policies and objectives (cont'd)

(a) *Credit risk (cont'd)*

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Debt instruments and loans at amortised cost

The Group uses three categories of internal credit risk ratings for debt instruments and loans which reflect their credit risk and how the loss provision is determined for each of those categories. The Group assesses the qualitative and quantitative factor that are indicative of the risk of default based on experienced credit judgement. The Group compute expected credit loss for this group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Group considers implied probability of default from external rating agencies where available and historical loss rates for each category of counterparty, and adjusts for forward looking macroeconomic data such as GDP growth and central bank base rates.

A summary of the Group's internal grading category in the computation of the Group's expected credit loss model for the debt instruments and loans is as follows:

Category	Definition of category	Basis for recognition of ECL provision	Basis for calculating interest revenue
Grade 1	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	Gross carrying amount
Grade 2	Loans for which there is a significant increase in credit risk	Lifetime ECL	Gross carrying amount
Grade 3	Interest and/or principal repayment are 360 days past due.	Lifetime ECL	Amortised cost of carrying amount (net of credit allowance)

There are no significant changes to estimation techniques or assumptions made during the reporting period.

The Group assessed the qualitative and quantitative factor that are indicative of the risk of default based on experienced credit judgement. These exposures are considered to have low credit risk. Therefore, impairment on these balances has been measured on the 12-month expected credit loss basis.

The gross carrying amount of trade receivables and contract assets of the Group are disclosed in Note 17 and Note 4 respectively.

The gross carrying amount of debt instruments and loans of the Group and Company as at 31 December 2018, without taking into account of any collaterals held of other credit enhancements which represents the maximum exposure to loss, is $29,725,420 and $621,129 (31 December 2017: $18,360,280 and $952,476, 1 January 2017: $19,946,328, 1 January 2017: 7,498,106) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Financial risk management policies and objectives (cont'd)

(a) *Credit risk (cont'd)*

Trade receivables and contract assets

The Group provides for lifetime expected credit loss for trade receivables and contract assets using a provision matrix. The provisional rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical markets. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix, grouped by geographical markets:

Singapore:

	Contract assets	Trade receivables				
		Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	$	$	$	$	$	$
31 December 2018						
Gross carrying amount	41,145,793	11,693,406	1,773,823	439,112	2,384,619	16,290,960
Loss allowance provision	(1,110,611)	(210,321)	–	–	(1,718,489)	(1,928,810)
Total	40,035,182	11,483,085	1,773,823	439,112	666,130	14,362,150

Information regarding loss allowance movement of trade receivables and contract assets is disclosed in Note 17.

During the year, The Group wrote off $16,799 (31 December 2017: $537,009, 1 January 2017: $107,102) of trade receivables as the Group does not expect to receive future cash flows from and there are recoveries of $65,805 (31 December 2017: 329,446, 1 January 2017: $23,998) from collection of cash flows previously written off.

Cash and bank balances

The cash and bank balances are held with banks and financial institution counterparties, which are rated at least A, based on Standard & Poor's ratings. Impairment on cash and bank balances has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. There was no loss allowance provision made on cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Financial risk management policies and objectives (cont'd)

(a) *Credit risk (cont'd)*

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical markets, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

As at the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Other than the financing transactions related receivables that have been pledged as collateral to the Group, there are no other requirements for collateral as the Group mainly trades with recognised and creditworthy third parties or government authorities

Credit risk concentration profile

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

	Group					
	31 Dec 2018		**31 Dec 2017**		**1 Jan 2017**	
	$	% of total	$	% of total	$	% of total
By country:						
Singapore	16,414,742	99%	10,175,494	93%	9,375,145	88%
Malaysia	222,144	1%	713,762	7%	1,335,745	12%
	16,636,886	100%	10,889,256	100%	10,710,890	100%
By industry sectors:						
Mechanical and Electrical	6,270,284	38%	3,148,948	29%	5,269,724	49%
Manufacturing	5,202,336	31%	3,557,976	33%	4,021,990	38%
Building and Construction Solution	4,942,122	30%	4,182,332	38%	1,419,176	13%
Travel and Tour Service Business	222,144	1%	–	–	–	–
	16,636,886	100%	10,889,256	100%	10,710,890	100%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Financial risk management policies and objectives (cont'd)

(a) *Credit risk (cont'd)*

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

(b) *Liquidity risk*

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

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with different banks. In addition, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Financial risk management policies and objectives (cont'd)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities

The following tables summarise the maturity profile of the Group's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less	One to five years	Over five years	Total
	$	$	$	$
Group				
31 December 2018				
Financial assets:				
Trade and other receivables	26,646,246	–	–	26,646,246
Cash and bank balances	2,516,085	–	–	2,516,085
Total undiscounted financial assets	29,162,331	–	–	29,162,331
Financial liabilities:				
Trade and other payables	29,240,822	–	–	29,240,822
Other liabilities	7,618,759	–	–	7,618,759
Loans and borrowings	37,572,035	8,455,861	12,897,488	58,925,384
Total undiscounted financial liabilities	74,431,616	8,455,861	12,897,488	95,784,965
Total net undiscounted financial liabilities	(45,269,285)	(8,455,861)	(12,897,488)	(66,622,634)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Financial risk management policies and objectives (cont'd)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities (cont'd)

	One year or less $	One to five years $	Over five years $	Total $
Group				
31 December 2017				
Financial assets:				
Trade and other receivables	13,572,886	–	–	13,572,886
Cash and bank balances	4,136,433	–	–	4,136,433
Total undiscounted financial assets	17,709,319	–	–	17,709,319
Financial liabilities:				
Trade and other payables	16,002,960	–	–	16,002,960
Other liabilities	4,961,787	–	–	4,961,787
Loans and borrowings	31,826,585	2,817,733	11,875,617	46,519,935
Total undiscounted financial liabilities	52,791,332	2,817,733	11,875,617	67,484,682
Total net undiscounted financial liabilities	(35,082,013)	(2,817,733)	(11,875,617)	(49,775,363)

	One year or less $	One to five years $	Over five years $	Total $
Group				
1 January 2017				
Financial assets:				
Trade and other receivables	15,811,988	–	–	15,811,988
Cash and bank balances	3,399,207	–	–	3,399,207
Total undiscounted financial assets	19,211,195	–	–	19,211,195
Financial liabilities:				
Trade and other payables	13,511,717	–	–	13,511,717
Other liabilities	6,404,448	–	–	6,404,448
Loans and borrowings	23,596,168	8,915,435	14,531,476	47,043,079
Total undiscounted financial liabilities	43,512,333	8,915,435	14,531,476	66,959,244
Total net undiscounted financial liabilities	(24,301,138)	(8,915,435)	(14,531,476)	(47,748,049)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Financial risk management policies and objectives (cont'd)

(a) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities (cont'd)

	One year or less $	One to five years $	Over five years $	Total $
Company				
31 December 2018				
Financial assets:				
Trade and other receivables	597,432	–	–	597,432
Cash and bank balances	509,337	–	–	509,337
Total undiscounted financial assets	1,106,769	–	–	1,106,769
Financial liabilities:				
Trade and other payables	11,432,166	–	–	11,432,166
Other liabilities	467,291	–	–	467,291
Loans and borrowings	1,778,638	5,939,960	5,492,206	11,432,166
Total undiscounted financial liabilities	13,678,095	5,939,960	5,492,206	25,110,261
Total net undiscounted financial liabilities	(12,571,326)	(5,939,960)	(5,492,206)	(24,003,492)
31 December 2017				
Financial assets:				
Trade and other receivables	66,806	–	–	66,806
Cash and bank balances	847,622	–	–	847,622
Total undiscounted financial assets	914,428	–	–	914,428
Financial liabilities:				
Trade and other payables	9,526,843	–	–	9,526,843
Other liabilities	445,137	–	–	445,137
Loans and borrowings	10,742,241	2,250,690	1,980,068	14,972,999
Total undiscounted financial liabilities	20,714,221	2,250,690	1,980,068	24,944,979
Total net undiscounted financial liabilities	(19,799,793)	(2,250,690)	(1,980,068)	(24,030,551)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Financial risk management policies and objectives (cont'd)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities (cont'd)

	One year or less $	One to five years $	Over five years $	Total $
Company				
1 January 2017				
Financial assets:				
Trade and other receivables	6,543,014	–	–	6,543,014
Cash and bank balances	580,082	–	–	580,082
Total undiscounted financial assets	7,123,096	–	–	7,123,096
Financial liabilities:				
Trade and other payables	12,437,574	–	–	12,437,574
Other liabilities	268,768	–	–	268,768
Loans and borrowings	2,849,469	7,274,661	14,531,476	24,655,606
Total undiscounted financial liabilities	15,555,811	7,274,661	14,531,476	37,361,948
Total net undiscounted financial liabilities	(8,432,715)	(7,274,661)	(14,531,476)	(30,238,852)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	One year or less $	One to five years $	Total $
Company			
31 December 2018			
Issued guarantees for bank facilities utilised by subsidiaries	28,479,328	–	28,479,328
31 December 2017			
Issued guarantees for bank facilities utilised by subsidiaries	19,270,106	–	19,270,106
1 January 2017			
Issued guarantees for bank facilities utilised by subsidiaries	18,927,073	–	18,927,073

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Financial risk management policies and objectives (cont'd)

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from floating rate term loans for the financial years ended 31 December 2018 and 2017.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2017: 100) basis points lower/higher with all other variables held constant, the Group's profit after tax would have been $452,554 (2017: $333,169) higher/lower, arising mainly as a result of higher/lower interest expense on floating rate term loans.

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currencies of the Group entities, Singapore Dollar ("SGD"). The foreign currencies in which most of these transactions are denominated are mainly Malaysian Ringgit ("MYR") and United States Dollars ("USD"). Approximately 14% (31 December 2017: 12%, 1 January 2017: 12%) of costs are denominated in foreign currencies. The Group's trade payable balances at the end of the reporting period have similar exposures.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balance is mainly in MYR and USD (31 December 2017: MYR and USD, 1 January 2017: MYR and USD).

Sensitivity analysis for foreign currency risks

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the MYR and USD exchange rates against the functional currency of the Group, with all other variables held constant.

		Group Profit before tax	
		2018	2017
		$	$
MYR/SGD	- strengthened 5% (2017: 5%)	(72,546)	(3,845)
	- weakened 5% (2017: 5%)	72,546	3,845
USD/SGD	- strengthened 5% (2017: 5%)	(130,426)	(24,461)
	- weakened 5% (2017: 5%)	130,426	24,461

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 60% to 80% (31 December 2017: 60% to 80%, 1 January 2017: 60% to 80%). The Group includes within net debt, trade and other payables, other liabilities and loans and borrowings, less cash and bank balances. Capital includes equity attributable to the owners of the Company.

		Group		
	Note	**31 Dec 2018**	**31 Dec 2017**	**1 Jan 2017**
		$	$	$
Loans and borrowings	19	56,113,129	41,620,678	42,133,230
Trade and other payables	20	29,240,822	16,002,960	14,131,469
Other liabilities	21	7,618,759	4,961,787	6,404,448
Less: Cash and bank balances	18	(2,516,085)	(4,136,433)	(3,396,439)
Net debt		90,456,625	58,448,992	59,272,708
Equity attributable to the owners of the Company		34,739,998	26,395,759	24,330,466
Capital and net debt		125,196,623	84,844,751	83,603,174
Gearing ratio		72%	69%	71%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. Segment reporting

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

(1) ***Investment holding***

The investment holding segment includes investment in property and investment in subsidiaries deriving income such as dividend, interest, rental as well as provision of management advisory services to its subsidiaries.

(2) ***Mechanical and electrical***

The mechanical and electrical segment includes the contracting and installation of air-conditioning and mechanical ventilation ("ACMV"), fire alarms and fire protection systems, electrical systems as well as sanitary and plumbing systems for residential, commercial and industrial building.

(3) ***Manufacturing***

The manufacturing segment includes the manufacturing and sale of ACMV ducts and trading of ACMV related products.

(4) ***Building and construction solution***

The building and construction solution segment includes those of general contractors, building construction and major upgrading works.

(5) ***Travel and tour service business***

The travel and tour service business segment are those related to tourism and retail-related business

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

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

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

32. Segment reporting (cont'd)

	Investment holding $	Mechanical and Electrical $	Manufacturing $	Building and Construction Solution $	Travel and Tour Service Business $	Adjustments and eliminations $	Note	Total $
31 December 2018								
Revenue:								
External customers	–	47,801,599	16,007,263	27,379,733	13,082,602	–		104,271,197
Inter-segment	2,102,071	517,876	7,406,381	568,389	–	(10,594,717)	A	–
Total revenue	2,102,071	48,319,475	23,413,644	27,948,122	13,082,602	(10,594,717)		104,271,197
Results:								
Segment results	2,102,071	4,150,642	2,628,830	3,445,903	2,356,900	(670,650)	B	14,013,696
Depreciation	(913,976)	(264,437)	(517,161)	(184,837)	–	(595,607)	B	(2,476,018)
Impairment losses on trade and other receivables	–	–	(1,021,008)	(1,350,726)	(626,969)	–		(2,998,703)
Write-back/(Impairment losses) on contract assets	–	285,554	–	(1,396,215)	–	–		(1,110,661)
Other income	1,065,107	453,736	468,143	2,593,682	269,400	(1,826,325)	C	3,023,743
Income from financing transactions	–	–	236,258	–	–	–		236,258
Finance costs	(825,265)	(175,953)	(349,181)	(457,033)	(120,385)	–		(1,927,817)
Other expenses	(3,312,131)	(2,564,323)	(2,780,836)	(2,659,193)	(3,614,123)	2,803,754	E	(12,126,852)
(Loss)/profit before tax	(1,884,194)	1,885,219	(1,334,955)	(8,419)	(1,735,177)	(288,828)		(3,366,354)
Income tax expense	–	(156,264)	(329,531)	(406,119)	(100,582)	–		(992,496)
(Loss)/profit for the financial year	(1,884,194)	1,728,955	(1,664,486)	(414,538)	(1,835,759)	(288,828)		(4,358,850)
Assets:								
Additions to property, plant and equipment	115,391	87,199	768,509	242,205	–	279,753	F	1,493,057
Segment assets	57,955,597	40,149,879	26,765,006	37,151,930	17,564,647	(47,766,947)	G	131,820,112
Liabilities:								
Segment liabilities	29,426,960	20,162,664	22,460,339	30,618,374	12,930,017	(20,273,174)	G	95,325,180

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. Segment reporting (cont'd)

31 December 2017	Investment holding $	Mechanical and Electrical $	Manufacturing $	Building and Construction Solution $	Adjustments and eliminations $	Note	Total $
Revenue:							
External customers	–	39,953,374	14,029,256	16,473,206	–		70,455,836
Inter-segment	1,712,182	25,093	2,601,024	1,365,883	(5,704,182)	A	–
Total revenue	1,712,182	39,978,467	16,630,280	17,839,089	(5,704,182)		70,455,836
Results:							
Segment results	1,712,182	7,731,644	2,942,404	26,366	69,165	B	12,481,761
Depreciation	(306,977)	(333,231)	(444,645)	(150,953)	(636,832)	B	(1,872,638)
Impairment losses on trade receivables	–	–	(119,580)	–	–		(119,580)
Write-back of allowance for doubtful debts	–	–	43,208	286,238	–		329,446
Reversal of provision for onerous contracts	–	200,000	–	–	–		200,000
Other income	946,901	475,138	303,301	2,297,771	(2,103,514)	C	1,919,597
Finance costs	(470,708)	(249,742)	(227,682)	(226,789)	(25,938)	D	(1,200,859)
Other expenses	(3,947,558)	(3,320,974)	(2,268,411)	(3,200,011)	2,937,930	E	(9,799,024)
(Loss)/profit before tax	(2,066,160)	4,502,835	228,595	(967,378)	240,811		1,938,703
Income tax expense	–	(329,460)	–	(35,810)	–		(365,270)
(Loss)/profit for the financial year	(2,066,160)	4,173,375	228,595	(1,003,188)	240,811		1,573,433
Assets:							
Additions to property, plant and equipment	2,723,744	19,559	499,246	219,885	(776,664)	F	2,685,770
Segment assets	21,187,772	35,793,010	15,886,987	35,721,194	(19,141,789)	G	89,447,174
Liabilities:							
Segment liabilities	30,263,497	18,014,359	9,731,033	24,334,589	(18,762,383)	G	63,581,095

32. Segment reporting (cont'd)

1 January 2017	Investment holding $	Mechanical and Electrical $	Manufacturing $	Building and Construction Solution $	Adjustments and eliminations $	Note	Total $
Revenue:							
External customers	–	53,497,169	14,261,306	13,114,162	–		80,872,637
Inter-segment	4,790,063	3,495,060	5,300,990	12,653,019	(26,239,132)	A	–
Total revenue	4,790,063	56,992,229	19,562,296	25,767,181	(26,239,132)		80,872,637
Results:							
Segment results	4,790,063	9,535,432	4,447,864	510,189	(3,939,148)	B	15,344,400
Depreciation	(301,520)	(365,194)	(449,130)	(117,016)	(1,081,983)		(2,314,843)
Impairment losses on trade receivables	–	–	(463,025)	(1,000,000)	–		(1,463,025)
Write-back of allowance for doubtful debts	–	–	23,998	–	–		23,998
Provision for onerous contracts	–	(200,000)	–	–	–		(200,000)
Bad debt written off	–	–	–	(23,100)	–		(23,100)
Other income	929,616	389,942	641,638	4,440,773	(4,478,709)	C	1,923,260
Finance costs	(774,033)	(484,520)	(309,881)	(225,832)	342,758	D	(1,451,508)
Other expenses	(4,194,514)	(4,714,203)	(2,182,528)	(677,853)	1,789,425	E	(9,979,673)
Profit before tax	449,612	4,161,457	1,708,936	2,907,161	(7,367,657)		1,859,509
Income tax expense	(15,085)	458,180	(320,646)	(173,746)	–		(51,297)
Profit for the financial year	434,527	4,619,637	1,388,290	2,733,415	(7,367,657)		1,808,212
Assets:							
Additions to property, plant and equipment	9,071,706	106,061	1,056,645	106,844	(470,644)	F	9,870,612
Segment assets	25,672,443	35,566,238	17,624,759	31,873,663	(23,381,100)	G	87,356,003
Liabilities:							
Segment liabilities	32,833,978	21,217,449	11,432,202	19,978,832	(22,536,924)	G	63,025,537

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. Segment reporting (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Inter-segment revenues and cost of sales are eliminated on consolidation.

C Inter-segment rental income are eliminated on consolidation.

D Inter-segment interest income and expenses are eliminated on consolidation.

E Other expenses consists of rental expenses, management fees, write-back of doubtful trade receivables, impairment of other receivables and foreign exchange loss, and are eliminated on consolidation.

F Inter-segment construction costs capitalised are eliminated on consolidation.

G Intercompany balances are eliminated on consolidation.

Geographical information

	Revenue		Non-current assets		
	2018	**2017**	**31 Dec 2018**	**31 Dec 2017**	**1 Jan 2017**
	$	$	$	$	$
Singapore	91,188,595	70,455,836	46,820,930	38,964,307	38,030,395
Malaysia	13,082,602	–	573,074	–	–
	104,271,197	70,455,836	47,394,004	38,964,307	38,030,395

Information about major customers

Revenue from three (2017: three) of the Group's major customers amounted to $15,437,053 (2017: $14,915,013), arising from the Mechanical and Electrical segment.

Revenue from one (2017: one) of the Group's major customers amounted to $5,474,263 (2017: $4,215,910), arising from the Building and Construction Solutions segment.

33. Events occurring after the reporting period

The following events occurring after the reporting period are non-adjusting events and have not been adjusted in the financial statements for the year ended 31 December 2018:

a) YC Tavel & Tours Sdn Bhd had entered into a conditional sale and purchase agreement on 3 April 2019 with an independent third party for the investment property disposal. The disposal price is at $7,915,200 (approximately MYR 24,000,000).

b) KL Premium Outlet Sdn Bhd and Cocoffee De Peninsula Sdn Bhd have ceased operation in February 2019.

c) The Company had entered into a memorandum of understanding (the "MOU") with Mr. Chu Sau Ben (Director) and YC Capital Consolidated Sdn. Bhd ("YCC" and together with its subsidiaries, the "YC Group") on 15 April 2019, in relation to the proposed disposal of the Group' s 51% interest in the issued and paid of shares of YCC at S$12,000,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 15 May 2019.

SHAREHOLDERS' INFORMATION

AS AT 3 MAY 2019

Issued and fully paid-up capital	:	S$30,765,516
Class of Shares	:	Ordinary Shares
Voting rights	:	One vote per ordinary share
Total no. of Issued Ordinary Shares (excluding Treasury Shares)	:	213,292,198

Treasury Shares

The Company has 1,769,900 (0.8%) treasury shares as at 3 May 2019.

Distribution of Shareholdings

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 – 99	7	1.47	344	0.00
100 – 1,000	18	3.77	11,177	0.00
1,001 – 10,000	115	24.11	870,461	0.41
10,001 – 1,000,000	325	68.13	30,235,580	14.18
1,000,001 AND ABOVE	12	2.52	182,174,636	85.41
TOTAL	**480**	**100.00**	**213,292,198**	**100.00**

Twenty Largest Shareholders

No.	Shareholder's Name	Number of Shares Held	%
1	CHU SAU BEN	135,523,000	63.54
2	SBS NOMINEES PTE LTD	11,200,000	5.25
3	HONG LEONG FINANCE NOMINEES PTE LTD	8,000,000	3.75
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,501,700	2.58
5	WILLIAM KONG ONG SING	4,545,000	2.13
6	PHILLIP SECURITIES PTE LTD	3,962,100	1.86
7	THONG SOON SENG	3,782,100	1.77
8	CHONG YEAN FONG	3,700,000	1.73
9	DBS NOMINEES PTE LTD	2,382,667	1.12
10	TANG AH HOY	1,400,000	0.66
11	CITIBANK NOMINEES SINGAPORE PTE LTD	1,093,069	0.51
12	OCBC SECURITIES PRIVATE LTD	1,084,900	0.51
13	LIM MING PENG	994,700	0.47
14	ANG JUI KHOON	770,900	0.36
15	ONG BEE KWAN	767,900	0.36
16	DONG BING	710,000	0.33
17	KHOO TENG HUAT	700,000	0.33
18	YEE LAT SHING	600,000	0.28
19	CHUA PENG CHEW (CAI BINGZHOU)	582,300	0.27
20	CHEE SEE GIAP @ SIN CHIEN	510,000	0.24
	TOTAL	187,810,436	88.05

SHAREHOLDERS' INFORMATION

AS AT 3 MAY 2019

Percentage of shareholding held in the hands of public

As at 03 May 2019, approximately 28.01% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the SGX-ST Listing Manual Section B: Rules of Catalist.

Substantial Shareholders
(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Chu Sau Ben[1]	135,523,000	63.54	18,000,000	8.44
Chu Siow Leong	21,683	0.010	–	–

Note:

(1) Mr Chu Sau Ben is deemed interested in: (i) the 8,000,000 issued ordinary shares pledged to and registered in the name of Hong Leong Finance Nominees Pte Ltd; (ii) the 10,000,000 issued ordinary shares pledged to and registered in the name of SBS Nominees Private Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Libra Group Limited (the "**Company**") will be held at Seletar Country Club, 101 Seletar Club Road, Singapore 798273 on Thursday, 30 May 2019 at 9.00am for the following purposes:

AS ORDINARY BUSINESS

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

2. To approve the payment of Directors' fees of S$180,000 for the financial year ending 31 December 2019, payable half-yearly in arrears. (2018: S$180,000) **(Ordinary Resolution 2)**

3. To re-elect Mr Chu Sau Ben*, who is retiring pursuant to Regulation 89 of the Company's Constitution, as a Director of the Company. [See Explanatory Note (i)] **(Ordinary Resolution 3)**

4. To re-elect Mr Soon Ai Kwang*, who is retiring pursuant to Regulation 89 of the Company's Constitution, as a Director of the Company. [See Explanatory Note (ii)] **(Ordinary Resolution 4)**

5. To re-elect Mr Chu Siow Leong*, who is retiring pursuant to Regulation 88 of the Company's Constitution, as a Director of the Company. [See Explanatory Note (iii)] **(Ordinary Resolution 5)**

6. To note that Messrs Ernst & Young LLP have expressed that they will not seek re-appointment as Auditors of the Company. [See Explanatory Note (iv)]

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

AS SPECIAL BUSINESS

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

8. **Authority to allot and issue new Shares and/or Instruments**

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

   (a) (i) allot and issue new 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 new Shares to be allotted and issued, including but not limited to the creation, allotment and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

   (b) notwithstanding that the authority conferred by this Resolution may have ceased to be in force, allot and issue new Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution is in force,

* For details of their disclosure to Rule 720(5) of the Catalist Rules, please refer to pages [•] to [•] of the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

provided that:

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

(2) subject to such calculation as may be prescribed by the SGX-ST, for the purpose of determining the aggregate number of new Shares that may be allotted and issued under sub-paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company shall be based on the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company at the time this Resolution is passed, after adjusting for:

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

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

(iii) any subsequent bonus issue, consolidation or sub-division of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Company's Constitution for the time being; 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 AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note (v)] **(Ordinary Resolution 6)**

9. **Authority to grant awards ("Awards"), and allot and issue new Shares under the Libra Performance Share Plan**

"That the Directors of the Company be and are hereby authorised to grant Awards in accordance with the provisions of the Libra Performance Share Plan adopted on 2 November 2011 and amended on 28 April 2017 and to allot and issue such number of new Shares from time to time as may be required to be allotted and issued pursuant to the vesting of Awards under the Libra Performance Share Plan, provided that the aggregate number of new Shares to be allotted and issued pursuant to the vesting of Awards under the Libra Performance Share Plan, when added to all Shares, options or awards granted under any other share option scheme, performance share plan or share incentive scheme of the Company then in force, shall not exceed 15% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company from time to time."
[See Explanatory Note (vi)] **(Ordinary Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

10. **Authority to allot and issue new Shares under the Libra Group Limited Scrip Dividend Scheme**

"That the Directors of the Company be and are hereby authorised to allot and issue such number of new Shares from time to time as may be required to be allotted and issued pursuant to the Libra Group Limited Scrip Dividend Scheme."
[See Explanatory Note (vii)] **(Ordinary Resolution 8)**

By Order of the Board

Tan Wei Jie, Joel / Damian Ng
Joint Company Secretaries
Singapore, 15 May 2019

Explanatory Notes:

(i) Mr Chu Sau Ben will, upon re-election as a Director of the Company, remain as the Executive Chairman, Executive Director and Chief Executive Officer. Further information on Mr Chu Sau Ben can be found under the sections entitled "Board of Directors" and "Corporate Governance Report" of this Annual Report.

(ii) Mr Soon Ai Kwang will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Nominating Committee, and a member of the Audit Committee and the Remuneration Committee. Mr Soon Ai Kwang is considered independent for the purposes of Rule 704(6)(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited. Mr Soon Ai Kwang does not have any relationships, including immediate family relationships, with the Company, its related corporations (as defined in the Companies Act (Cap. 50) of Singapore), its 10% shareholders or its officers. Further information on Mr Soon Ai Kwang can be found under the sections entitled "Board of Directors" and "Corporate Governance Report" of this Annual Report.

(iii) Mr Chu Siow Leong will, upon re-election as a Director of the Company, remain as an Executive Director. Further information on Mr Chu Siow Leong can be found under the sections entitled "Board of Directors" and "Corporate Governance Report" of this Annual Report.

(iv) Messrs Ernst & Young LLP ("**EY**") have expressed that they would not be seeking for re-appointment at this Annual General Meeting as the Directors of the Company are of the view that it would be timely to effect a change in Auditors for the costs beneficial to the Company. Efforts are being made by the Company to appoint new auditors as soon as practicable. Further announcement would be released in due course once the proposed new appointment has been confirmed.

NOTICE OF ANNUAL GENERAL MEETING

(v) The Ordinary Resolution 6 proposed in item 8 above, if passed, will empower the Directors of the Company to allot and issue new Shares, make or grant Instruments convertible into Shares and to allot and issue new Shares pursuant to such Instruments. The aggregate number of new Shares to be allotted and issued pursuant to Ordinary Resolution 6 (including new Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 6) shall not exceed 100% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time Ordinary Resolution 6 is passed. For allotting and issuing of new Shares, making or granting Instruments convertible into Shares and allotting and issuing new Shares pursuant to such Instruments other than on a *pro rata* basis to existing shareholders of the Company, the aggregate number of new Shares to be allotted and issued pursuant to Ordinary Resolution 6 (including Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 6) shall not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time Ordinary Resolution 6 is passed. The authority conferred by Ordinary Resolution 6 will, unless previously revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is the earlier.

(vi) The Ordinary Resolution 7 proposed in item 9 above, if passed, will empower the Directors of the Company to grant Awards, and allot and issue new Shares under the Libra Performance Share Plan, provided that the aggregate number of new Shares to be allotted and issued pursuant to the vesting of Awards under the Libra Performance Share Plan, when added to all Shares, options or awards granted under any other share option scheme, performance share plan or share incentive scheme of the Company then in force, shall not exceed 15% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company from time to time.

(vii) The Ordinary Resolution 8 proposed in item 10 above, if passed, will empower the Directors of the Company to allot and issue new Shares pursuant to the Libra Group Limited Scrip Dividend Scheme to shareholders who, in respect of a qualifying dividend, have elected to receive shares in lieu of the cash amount of that qualifying dividend. The authority conferred by Ordinary Resolution 9 will, unless previously revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is the earlier.

Notes:

1. (a) A member of the Company who is not a Relevant Intermediary (as defined in Section 181 of the Companies Act (Cap. 50) of Singapore) and entitled to attend, speak and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where a member appoints more than one (1) proxy, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.

   (b) A member of the Company who is a Relevant Intermediary and entitled to attend, speak and vote at the AGM is entitled to appoint more than two (2) proxies to attend, speak and vote on his behalf, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where a member appoints more than one (1) proxy, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.

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

3. The Proxy Form must be deposited at the Company's registered office at **21 Ubi Road 1 #02-02 Singapore 408724**, not less than 72 hours before the time fixed for holding the AGM.

4. Where the Proxy Form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

NOTICE OF ANNUAL GENERAL MEETING

This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this notice.

This notice has not been examined or approved by the SGX-ST, and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Mr Lay Shi Wei, Registered Professional, at 9 Raffles Place #29-01 Republic Plaza Tower 1 Singapore 048619, telephone (+65) 6381 6757.

LIBRA GROUP LIMITED

(Company Registration Number: 201022364R)

(Incorporated in the Republic of Singapore on 20 October 2010)

PROXY FORM

(Please read notes overleaf before completing this Proxy Form)

I/We*, _____ (Name) _____ (NRIC/Passport/Company Registration Number*)

of _____ (Address)

being a member/members* of LIBRA GROUP LIMITED (the "Company"), hereby appoint:

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

and/or*

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

or failing him/her*, the Chairman of the Annual General Meeting of the Company ("**AGM**") as my/our* proxy/proxies* to attend, speak and vote for me/us* on my/our* behalf at the AGM to be held at Seletar Country Club, 101 Seletar Club Road, Singapore 798273 on Thursday, 30 May 2019 at 9.00am and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* may vote or abstain from voting at his/her* discretion. The Ordinary Resolutions will be put to vote at the AGM by way of poll.

	Ordinary Resolutions	**Number of Votes For#**	**Number of Votes Against#**
Ordinary Business			
1.	To adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Directors' Statement and the Auditors' Report thereon.		
2.	To approve the payment of Directors' fees of S$180,000 for the financial year ending 31 December 2019, payable half-yearly in arrears.		
3.	To re-elect Mr Chu Sau Ben as a Director of the Company.		
4.	To re-elect Mr Soon Ai Kwang as a Director of the Company.		
5.	To re-elect Mr Chu Siow Leong as a Director of the Company.		
Special Business			
6.	Authority to allot and issue new Shares and/or Instruments.		
7.	Authority to grant Awards, and allot and issue new Shares under the Libra Performance Share Plan.		
8.	Authority to allot and issue new Shares under the Libra Group Limited Scrip Dividend Scheme.		

* Delete as appropriate.

\# If you wish to exercise all your votes "For" or "Against", please indicate so with a [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Total number of Shares in:	**Number of Shares**
CDP Register	
Register of Members	

_____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

NOTES:

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

2. (a) A member of the Company who is not a Relevant Intermediary (as defined in Section 181 of the Companies Act (Cap. 50) of Singapore) and entitled to attend, speak and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where a member appoints more than one (1) proxy, the number and class of Shares in relation to which each proxy has been appointed shall be specified in this Proxy Form.

   (b) A member of the Company who is a Relevant Intermediary and entitled to attend, speak and vote at the AGM is entitled to appoint more than two (2) proxies to attend, speak and vote on his behalf, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where a member appoints more than one (1) proxy, the number and class of Shares in relation to which each proxy has been appointed shall be specified in this Proxy Form.

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

4. This Proxy Form must be deposited at the Company's registered office at 21 Ubi Road 1 #02-02 Singapore 408724, not less than 72 hours before the time fixed for holding the AGM.

5. Where this Proxy Form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where this Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

6. Where this Proxy Form is executed under the hand of an attorney duly authorised, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.

7. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore.

GENERAL:

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

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time fixed for holding the AGM.

PERSONAL DATA PRIVACY:

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHU SAU BEN
Executive Chairman, Executive Director & Chief Executive Officer

CHU SIOW LEONG
Executive Director

KONG CHEE KEONG
Lead Independent Director

SOON AI KWANG
Independent Director

GN JONG YUH GWENDOLYN
Independent Director

AUDIT COMMITTEE

KONG CHEE KEONG
Chairman

SOON AI KWANG
GN JONG YUH GWENDOLYN

NOMINATING COMMITTEE

SOON AI KWANG
Chairman

KONG CHEE KEONG
GN JONG YUH GWENDOLYN

REMUNERATION COMMITTEE

GN JONG YUH GWENDOLYN
Chairman

KONG CHEE KEONG
SOON AI KWANG

COMPANY SECRETARY

MR TAN WEI JIE, JOEL AND MR DAMIAN NG AS JOINT COMPANY SECRETARIES

COMPANY REGISTRATION NUMBER

201022364R

AUDITOR

ERNST & YOUNG LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge:
Adrian Koh Hian Yan
(Date of appointment: since financial year ended 31 December 2016)

SPONSOR

RHT CAPITAL PTE LTD
9 Raffles Place
#29-01
Republic Plaza Tower 1
Singapore 048619

SHARE REGISTRAR

TRICOR BARBINDER SHARE REGISTRATION SERVICES
80 Robinson Road
#02-00
Singapore 068898

BANKERS

United Overseas Bank Limited
The Hongkong and Shanghai Banking Corporation
Standard Chartered Bank
Malayan Banking Berhad
DBS Bank Limited
RHB Bank
Oversea-Chinese Banking Corporation
Hong Leong Finance Limited
CIMB Bank
AmBank Berhad
Public Bank Berhad

LIBRA GROUP LIMITED

REGISTERED OFFICE
21 Ubi Road 1
#02-02
Singapore 408724
Tel: 6844 2683
Fax: 6844 4378
Website: www.libragroup.com.sg

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21 Ubi Road 1
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Singapore 408724
Tel: 6844 2683
Fax: 6844 4378

CYBER BUILDERS PTE LTD
LIBRA BUILDING CONSTRUCTION PTE LTD

53 Loyang Drive
#04-01
Singapore 508957
Tel: 6299 5859
Fax: 6299 4347
Email: project@cyberbuilders.com.sg

LIBRA ENGINEERING PTE LTD

MANUFACTURING PLANT KAKI BUKIT 2
3 Kaki Bukit Road 2
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Eunos Warehouse Complex
Singapore 417837
Tel: 62813543
Fax: 62813573
Email: enquiry@libraengg.com.sg

MANUFACTURING PLANT LOYANG DRIVE
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INVESTOR RELATIONS

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LIBRA GROUP LIMITED

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