Serrano

ANNUAL REPORT 2018

CONTENTS

CORPORATE PROFILE AND BUSINESS OVERVIEW

Established in the 1970s, Serrano Limited ("Serrano" or the "Company" and, together with its subsidiaries, the "Group") provides interior fit-out solutions for property development and refurbishment projects in Singapore and Southeast Asia.

Some of the Group's past projects include D'Leedon, The Interlace, Reflections at Keppel Bay, Ritz Carlton Residences and ICON @ Tanjong Pagar in Singapore; the Star City Thanlyin township development and Traders Hotel (now known as the Sule Shangri-La Hotel) in Yangon, Myanmar; The Estella condominium in Vietnam; and The Met condominium and The River condominium in Thailand.

The Company is listed on the Catalist of the Singapore Exchange Securities Trading Limited since 28 October 2014. Trading in the Company's securities on the Singapore Exchange Securities Trading Limited ("SGX-ST") has been voluntarily suspended by the Company on 16 June 2017. The Company has received approval from SGX-ST on 13 June 2018 for the extension of time to submit a resumption of trading proposal by 30 September 2018. The Company has on 31 October 2018 submitted a resumption of trading proposal to SGX-ST.

BUSINESS OVERVIEW

The Group's two business segments are the Interior Fit-Out Business and the Wholesale and Retail Furnishings Business.

Interior Fit-Out Business

The business of the Group is to customise, manufacture, supply, and install panelling products for kitchen cabinets, wardrobes, vanity cabinets, doors, and doorframes ("Panelling Products") in the residential, hospitality, retail, and commercial sectors. Our business is also to construct and install interior fit-out works for interior spaces on a turnkey basis, including supplying and installing Panelling Products, other furnishings, ceilings, floors, partitions, and mechanical and electrical works.

Wholesale and Retail Furnishings Business

Complementing the Interior Fit-Out Business, the Group is also involved in the design, manufacture and supply of a wide range of furnishings for home, office and commercial use to various wholesale and retail customers.

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

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

The contact person for the Sponsor is Ms Keng Yeng Pheng, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income At Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Serrano Limited and its subsidiaries (the "Group"), we present to you the Group's annual report for the financial year ended 31 December 2018 ("FY2018").

Year in Review

A significant milestone was reached in FY2018 when the Group concluded its debt restructuring process which began in 2016 towards the end of FY2018. The Group also acquired a 51% stake in Sinbor Company (Private) Limited ("Sinbor") on 17 September 2018 to help jumpstart the Group's business, which had sharply declined during the debt restructuring process.

Sinbor's principal activities are the supply and installation of building materials for residential and commercial projects (such as natural stone, tiles, wood flooring, bathroom products and aluminium glazing works) and the supply of office furniture for the public sector. In addition, the Group also ventured into the retailing of quality sofas and dining furniture and the provision of third party logistics services to furniture retailers. These are activities which are complementary and synergistic to Serrano's business and will provide more diversity to the income streams of the Group.

Moving Forward

Following the completion of its debt restructuring, the Group is now focused on rebuilding its business with growth and sustainability as our goals. This will be done by strengthening the management team, enhancing internal processes and securing more projects so as to bring back the confidence of our shareholders and business partners.

The Group has a core team and facilities to secure both residential and commercial projects relating to our business. However, the market remains challenging given the last round of property measures and economic uncertainty. Hence the Board believes business diversification to enhance our product offerings is essential. The Company has applied to the SGX-ST to resume trading of its shares. After the resumption of trading of the shares of the Company, the Group will be exploring various fund raising exercises as well as business diversification activities, which may be via the acquisitions of complementary businesses.

We will provide updates via announcements on SGXNET on any material developments and seek shareholders' approval as required.

Appreciation

We are grateful to independent directors Kee Poir Mok, Tan Ngiap Siew and Wolfgang Neeser for joining the Board to help steer the Group forward.

To our bankers, we thank you for supporting the amendments to the Schemes so that the Group can move forward. We look forward also to your continuing support as we seek to revive the Group's business.

To our business associates and partners, we thank you also for supporting the amended Schemes and we look forward to working with you again.

Last but not least, to our shareholders, we pledge our commitment to bringing back value to the Company.

Tan Tien Hin Winston
Executive Chairman

OPERATIONS AND FINANCIAL REVIEW

Following the substantial completion of the Schemes of Arrangement and the Investment Agreement, the Group is now focused on rebuilding its business. However, as the Investment Agreement was only completed on 1 August 2018, the results of the Group in FY2018 still largely reflect the lack of business activity during the Schemes and it is not meaningful to also discuss and compare FY2018 financial performance and position to FY2017. The Group recognised a significant gain from the extinguishment of liabilities under the scheme as detailed below.

Review of the Group's Financial Performance

REVENUE & PROFIT

Revenue for FY2018 was S$1.4 million, attributable to our new subsidiaries, Sinbor and Euroasia Façade Pte Ltd acquired towards the end of FY2018. We achieved a gross profit of S$0.6 million in FY2018.

In addition, we recognised a S$114 million gain in FY2018 due to the extinguishment of scheme liabilities and disposal of subsidiaries.

As a result of the abovementioned, the Group recorded a profit after tax of S$113 million for FY2018.

Review of the Group's Statement of Financial Position and Cash Flow

ASSETS

As of 31 December 2018, the Group had total assets of S$9.5 million. Non-current assets amounted to S$2.8 million comprising property, plant and equipment. Current assets amounted to S$6.7 million comprising inventories of S$2.8 million, trade and other receivables of S$1.9 million and cash and cash equivalents of S$2 million.

LIABILITIES

As of 31 December 2018, the Group had total liabilities of S$5.7 million. Non-current liabilities amounted to S$0.7 million comprising borrowings and finance lease payables. Current liabilities amounted to S$4.9 million comprising trade and other payables of S$4.1 million and borrowings and finance lease liabilities of S$0.8 million.

CASH FLOW

In FY2018, the Group recorded a net operating cash outflow of S$2.0 million arising mainly due to cash used for working capital requirement. There was a net financing cashflow of S$3.7 million mainly due to issuance of new shares to investors offset by repayment to creditors under the Schemes.

BOARD OF DIRECTORS

TAN TIEN HIN WINSTON

Executive Chairman

Tan Tien Hin Winston was appointed as Non-Executive Director of the Company on 2 November 2015 and was subsequently reappointed as Executive Chairman on 1 August 2018 whilst the Company underwent restructuring. Mr. Winston is currently a member of the Nominating Committee.

He is the founder and Managing Director of Winmark Investments Pte Ltd and Corporate Brokers International Pte. Ltd., which are involved in angel and private equity investments with high growth needs. Mr. Winston sits on the board of several SGX-ST listed companies, including Roxy-Pacific Holdings Limited and Plastoform Holdings Limited.

Mr. Winston has over 24 years of corporate and investment banking experience. His previous appointments include being general manager of Deutsche Bank AG (Singapore Branch), vice-president in Citibank N.A. and director of Singapore Technologies Engineering Ltd. Mr. Winston graduated from the University of Singapore with a Bachelor of Science (Physics) degree and completed an Executive Development Program at Columbia University in New York.

KEE POIR MOK

Lead Independent Director

Kee Poir Mok was appointed to the Board as Independent Director on 1 May 2018 and subsequently reappointed as Lead Independent Director on 31 August 2018. He is currently the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committee.

Mr. Kee is also currently the Managing Partner of 125 Capital LLP, an investment management company and an Independent Director of Oceanus Group.

Mr. Kee was the Regional Manager and Managing Director of Goldman Sachs Singapore, and also sat on the Board of Goldman Sachs Singapore Pte Ltd from 2003 to 2008. In addition to his 20 years of experience at Goldman Sachs, he also served in managerial roles specialising in investments at Nikko Merchant Bank (Singapore) and United Overseas Bank (Singapore). Mr. Kee was also an Independent Director of Yuuzoo Corp from December 2014 to May 2015. Mr. Kee graduated with a Bachelor of Business Administration from the National University of Singapore in 1981.

BOARD OF DIRECTORS

TAN NGIAP SIEW

Independent Director

Tan Ngiap Siew was appointed to the Board as Independent Director on 1 August 2018. He is the Chairman of the Remuneration and Nominating Committee, and member of the Audit Committee. Mr. Tan is also currently an Independent Director of HRNetGroup Ltd and Plastoform Holdings Ltd.

Mr. Tan was the Regional Human Resource Director of Eastman Chemical, a US Fortune 500 Specialty Chemical Company from 2003 to 2013. Mr. Tan has over 40 years of experience in human resource management, and over 20 years of experience in area and regional human resource management. Mr. Tan graduated from Singapore Institute of Management with a Graduate Diploma in Personnel Management in 1983, and a Graduate Diploma in Management Studies in 1982.

WOLFGANG JOSEF NEESER

Independent Director

Wolfgang Josef Neeser was appointed to the Board as Independent Director on 11 December 2018. He is a member of the Remuneration and Nominating Committee, as well as a member of the Audit Committee.

Mr. Neeser is also currently the Sales Director for South East Asia for German Stock Exchange listed company HOMAG Group, the world's leading provider of integrated production solutions in the woodworking industry. He was previously serving the role of export sales manager for APAC region for HOMAG Group from 2012 to 2014.

Mr. Neeser has over 20 years of experience in the field of woodworking technology & interior engineering.

Mr. Neeser graduated from technical college Fachschule Rosenheim, Germany with a Diploma in Advanced Wood Processing in 2006.

KEY MANAGEMENT

TAN HAN BENG

Chief Executive Officer

Tan Han Beng was appointed as our Chief Executive Officer on 25 March 2019. Tan Han Beng began his career in 1999 as an audit associate with PricewaterhouseCoopers LLP and was promoted to senior manager in the advisory division before he left in 2010 to join the SGX-ST as assistant vice president of the issuer regulation department. He subsequently joined CNP Compliance Pte Ltd in 2011 and then PrimePartners Corporate Finance in 2014 as a registered professional for continuing sponsorship till his departure at the end of 2018. Tan Han Beng graduated with a Bachelor of Accountancy from Nanyang Technological University in 1999 and has been a member of the Institute of Singapore Chartered Accountants since 2013.

VICTOR POH TECK WHEE

Group Financial Controller

Victor Poh Teck Whee was appointed as the Financial Controller of the Company on 3 October 2018. Mr Poh is responsible for the Group's financial, accounting, taxation, treasury, human resource and administrative matters.

Prior to joining the Group, Mr. Poh was appointed as the Group Financial Controller of YCH Group Pte. Ltd from 2016 to 2018.

Mr. Poh graduated from Nanyang Technology University with a Bachelor of Accountancy in 1999. Mr. Poh is a chartered accountant with the Institute of Singapore Chartered Accountants with over 19 years of experience in accounting matters.

QUEK WEY LON

Managing Director, Sinbor

Quek Wey Lon has been with Sinbor since 1995. Currently, Mr. Quek is responsible for Sinbor's operations, commercial development and improvement of its business fundamentals.

Mr. Quek holds a Bachelor of Electrical and Electronic Engineering degree from King's College London, graduating with first class honors.

CORPORATE INFORMATION

REGISTERED OFFICE

7 Sungei Kadut Crescent
Singapore 728696
Tel: 62573384
Fax: 62572534

BOARD OF DIRECTORS

Tan Tien Hin Winston
Executive Chairman

Kee Poir Mok
Lead Independent Director
(Appointed on 1 May 2018)

Tan Ngiap Siew
Independent Director
(Appointed on 1 August 2018)

Wolfgang Josef Neeser
Independent Director
(Appointed on 11 December 2018)

AUDIT AND RISK COMMITTEE

Kee Poir Mok, Chairman
Tan Ngiap Siew, Member
Wolfgang Josef Neeser, Member

NOMINATING COMMITTEE

Tan Ngiap Siew, Chairman
Kee Poir Mok, Member
Tan Tien Hin Winston, Member
Wolfgang Josef Neeser, Member

REMUNERATION COMMITTEE

Tan Ngiap Siew, Chairman
Kee Poir Mok, Member
Wolfgang Josef Neeser, Member

COMPANY REGISTRATION NUMBER

201223004Z

SPONSOR

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

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

INDEPENDENT AUDITORS

Foo Kon Tan LLP
Public Accountants and Chartered Accountants

24 Raffles Place
#07-03 Clifford Centre
Singapore 048621

Partner-in-charge:
Kong Chih Hsiang Raymond
(Year of Appointment: Financial year ended
31 December 2017)

COMPANY SECRETARY

Elaine Beh Pur-Lin

CORPORATE GOVERNANCE REPORT

This report outlines the corporate governance practices of Serrano Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") that were in place during the financial year ended 31 December 2018 ("**FY2018**") with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

The Board of Directors (the "**Board**" or "**Directors**") of the Company had endeavored to comply with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide (as defined herein).

Background

The Company had on 1 August 2018 completed the investment agreement dated 31 January 2017 ("**Investment Agreement**"). Pursuant to the terms of the respective amended schemes of arrangement of the Company and its wholly-owned subsidiary, Serrano Holdings Pte Ltd ("**Schemes**"), the First Tranche Cash Distribution was effected on 1 August 2018 and the First Tranche Share Distribution was effected on 15 August 2018 and on 29 January 2019.

The Company had on 31 October 2018 submitted a resumption of trading proposal to the SGX-ST pursuant to Rule 1304 of SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"). Further updates will be provided to the shareholders of the Company (the "**Shareholders**") as and when there are material developments on the resumption of trading proposal.

A. BOARD MATTERS

The Board's Conduct of its Affairs

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

The primary function of the Board is to provide effective leadership and direction for the overall business and corporate affairs of the Group to enhance the long-term value for the Shareholders and the Group's stakeholders. Besides carrying out its statutory responsibilities, the Board's role is to:

- Provide leadership and guide the formulation of the Group's corporate strategy, business directions, risk management policies and implementation of corporate objectives;
- Ensure and monitor the effectiveness of management ("**Management**") and oversee succession planning for Management;
- Establish and oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Review and approve, *inter alia*, the release of the interim and full year results announcements, the annual report and financial statements, material acquisitions and disposals of assets, diversification of business and interested person transactions of the Group;
- Consider sustainability issues of policies and proposals where appropriate;
- Approve nominations to the Board and appointment of key management personnel;
- Ensure the Group's compliance with all relevant and applicable laws and regulations; and
- Assume responsibility for corporate governance of the Group.

CORPORATE GOVERNANCE REPORT

The Board has delegated certain responsibilities to the various board committees ("**Board Committees**"), which operate under clearly defined terms of reference. These terms of reference are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each Board Committee is also reviewed by the Board. The three (3) Board Committees are:

- the Audit and Risk Committee ("**ARC**");
- the Nominating Committee ("**NC**"); and
- the Remuneration Committee ("**RC**").

The Board acknowledges that the Board Committees play an important role in ensuring good corporate governance of the Group and actively engages the Board Committees on matters pertaining to the Group. The Board also acknowledges that while these Board Committees have the authority to examine specific issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. Minutes of all Board Committee meetings held are made available to the Board members.

Important matters are also put to the Board for approval by way of circulating resolutions in writing together with all relevant information pertaining to the matter. As provided in the Company's Constitution, the Board may convene telephonic and videoconferencing meetings as necessary.

The attendance of the Directors at meetings of the Board and Board Committees as well as the frequency of such meetings held during FY2018 are as follows:

	Board	**Audit and Risk Committee**	**Nominating Committee**	**Remuneration Committee**
No. of meetings held	4	7	1	2
No. of meetings attended by the Directors				
Tan Tien Hin Winston(1)	4	7*	1	2*
Kee Poir Mok(2)	2	5	1	2
Tan Ngiap Siew(3)	2	4	1	2
Wolfgang Josef Neeser(4)	–	1	–	–
Ong Kian Guan(5)	3	5	–	1
Choh Thian Chee Irving(6)	–	–	–	–
James Kho Chung Wah(7)	–	–	–	–
Chia Lay Kiong (Xie Lijuan) ("**Karen Chia**")(8)	–	–	–	–

** By invitation*

Notes:

(1) Tan Tien Hin Winston was re-designated as the Executive Chairman of the Company on 1 August 2018.

(2) Kee Poir Mok was appointed as an Independent Director of the Company on 1 May 2018. Accordingly, he did not attend the meetings that took place during the period 1 January 2018 to 31 April 2018.

(3) Tan Ngiap Siew was appointed as an Independent Director of the Company on 1 August 2018. Accordingly, he did not attend the meetings that took place during the period 1 January 2018 to 31 July 2018.

(4) Wolfgang Josef Neeser was appointed as an Independent Director of the Company on 11 December 2018. Accordingly, he did not attend the meetings that took place during the period 1 January 2018 to 10 December 2018.

(5) Ong Kian Guan ceased to be an Independent Director of the Company on 31 August 2018. Concurrently, he relinquished his positions as a member of the ARC, RC and NC respectively.

CORPORATE GOVERNANCE REPORT

(6) Choh Thian Chee Irving ceased to be the Independent Chairman of the Company on 16 January 2018. Concurrently, he relinquished his positions as the RC Chairman and member of the AC and NC respectively.

(7) James Kho Chung Wah ceased to be the Independent Director of the Company on 16 January 2018. Concurrently, he relinquished his positions as the NC Chairman and member of the AC and RC respectively.

(8) Karen Chia ceased to be an Executive Director of the Company on 16 January 2018.

The Board has adopted a set of internal guidelines setting forth matters that require the Board's review and approval. Matters that are specifically reserved for the Board's decision are those involving, *inter alia*, material acquisitions, disposals and funding proposals, transactions with interested persons, share issuances, changes in capital, budgets, financial results announcement, annual report and audited financial statements, capital expenditures, capital borrowings and financial commitments, and those relating to investment, funding, legal and corporate secretarial matters.

The Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Group. All Directors are required to objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

In FY2018, the Management keeps the Directors up-to-date on pertinent developments in the Group's business, including changes in laws and regulations, financial reporting standards and industry-related matters. Periodic updates are also provided to the Directors to facilitate the discharge of their duties, responsibilities and obligations. Directors are encouraged to keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities by the Company for participation in training courses, seminars and workshops as relevant and/or applicable.

Newly appointed Directors will be provided with a formal letter setting out their duties and obligations. Orientation programs are also conducted for newly appointed Directors to provide them with background information about the Group's business operations, strategic direction, core values, corporate governance practices as well as industry-specific knowledge. Where necessary, a first-time Director who has no prior experience as a Director of a listed company will be provided with training in areas such as accounting, legal and industry-specific knowledge as appropriate, as well as required by the Catalist Rules.

Board Composition and Guidance

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

As at 31 December 2018, the Board comprised one Executive Director and three Independent Directors. Details of the memberships of the Directors on the Board Committees are as follows:

Name of Director	Board Membership	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Tan Tien Hin Winston(1)	Executive Chairman	–	Member	–
Kee Poir Mok(2)	Lead Independent Director	Chairman	Member	Member
Tan Ngiap Siew(3)	Independent Director	Member	Chairman	Chairman
Wolfgang Josef Neeser(4)	Independent Director	Member	Member	Member

Notes:

(1) Tan Tien Hin Winston was re-designated as the Executive Chairman of the Company on 1 August 2018.

(2) Kee Poir Mok was appointed as an Independent Director of the Company on 1 May 2018.

(3) Tan Ngiap Siew was appointed as an Independent Director of the Company on 1 August 2018.

(4) Wolfgang Josef Neeser was appointed as an Independent Director of the Company on 11 December 2018.

CORPORATE GOVERNANCE REPORT

The NC has reviewed and is satisfied that the current composition and size of the Board and Board Committees are appropriate for effective decision making, having taken into consideration the nature and scope of the Group's operations, the balance and diversity of, amongst other factors, skills, experience. The Board comprises Directors who are qualified and experienced in various fields including accounting and finance, business and management experience and the requisite industry knowledge. Further, the Independent Directors made up the majority of the Board and provided the Board with independent and objective judgement in the corporate affairs of the Group.

The current Board composition provides a diversity of knowledge and experience to the Company as follows:

Balance and Diversity of the Board

	Number of Directors	Proportion of Board
Core Competencies		
- Accounting or finance	3	75%
- Business management	4	100%
- Relevant industry knowledge or experience	2	50%
- Strategic planning experience	4	100%
- Customer based experience or knowledge	2	50%

The Board is of the opinion that it would be most effective to draw on the wealth of experience from the current Directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required. To meet the changing challenges in the industry that the Group operates in, such review, which includes considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies, would be done on a regular basis to ensure that the Board dynamics remain optimal.

The independence of each Director is assessed and reviewed at least annually by the NC. In its deliberation as to the independence of a Director, the Board takes into account existence of relationships, including those identified by the Code that are relevant in its determination as to whether a Director is independent.

The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code and Rule 406(3)(d) of the Catalist Rules. The Independent Directors have also confirmed their independence as such. None of the Independent Directors have any relationship with the Company or its related corporations, its 10% Shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgement with a view to the best interests of the Group.

There are no Directors who are 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.

There is no Independent Director who has served on the Board beyond nine (9) years from the date of his first appointment.

Chairman and Chief Executive Officer

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

Choh Thian Chee Irving, James Kho Chung Wah and Karen Chia each resigned from the Board on 16 January 2018 to facilitate the restructuring of the Company. While the Company assessed suitable candidates(s) for its Board and board committees, Tan Tien Hin Winston acted as the interim Chairman of the Company.

On 1 August 2018, in connection with the completion of the Investment Agreement, Tan Tien Hin Winston was re-designated from the Non-Executive Director and Interim Chairman to the Executive Chairman.

CORPORATE GOVERNANCE REPORT

As the Chairman of the Company, Tan Tien Hin Winston is responsible, among others, for the overall business strategy and development of the Group as well as the timely flow of information between the Management and the Board. The Chairman also sets the agenda for Board meetings and is actively involved in ensuring and promoting high standards of corporate governance, with the full support of the Directors, the Company Secretary and Management.

Notwithstanding that Tan Tien Hin Winston is the only Executive Director and the Chairman of the Company during a substantial portion of FY2018, the Board is of the view that power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all major decisions and policy changes are conducted through the respective committees, all of which are chaired by Independent Directors.

In addition, the Board believes that notwithstanding that the Chairman and sole Executive Director is the same person, the Group's interest is well served by:

(a) the benefit of a Chairman who is very experienced and knowledgeable about the Group's businesses, thereby ensuring the smooth and efficient implementation of decisions on policy issues;

(b) the good balance of power and authority on the Board as all the committees of the Board are chaired by Independent Directors;

(c) the independence of the Board as three out of four members of the Board are Independent Directors; and

(d) the benefit of objective and independent views from the Independent Directors.

Subsequent to FY2018, the Company has also, on 25 March 2019, appointed Tan Han Beng as the Chief Executive Officer of the Company. Accordingly, the Chairman and the Chief Executive Officer are separate individuals and are not related to each other. The Chief Executive Officer, with the Management, are responsible for the operational, commercial and financial management of the Group as well as executing the business development and expansion of the Group as directed by the Board.

In addition, the Board has appointed Kee Poir Mok as the Lead Independent Director of the Company to co-ordinate and lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison in the event that any issues arise between the Independent Directors and the other Directors. He is available to address the concerns of Shareholders, employees or other persons in the event that interactions with the Executive Director has failed to satisfactorily resolve their concerns or where such channel of communications is considered inappropriate. Kee Poir Mok will also take the lead in ensuring compliance with the Code.

Board Membership

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

As at 31 December 2018, the NC comprises the following four members, the majority of whom, including the NC Chairman, are Independent Directors:

Tan Ngiap Siew(1)	(Chairman)
Kee Poir Mok(2)	(Member)
Tan Tien Hin Winston	(Member)
Wolfgang Josef Neeser(3)	(Member)

Notes:

(1) Tan Ngiap Siew was appointed to the Board on 1 August 2018.

(2) Kee Poir Mok was appointed to the Board on 1 May 2018.

(3) Wolfgang Josef Neeser was appointed to the Board on 11 December 2018.

CORPORATE GOVERNANCE REPORT

In addition to the above, Choh Thian Chee Irving was a member of the NC until he stepped down from the Board on 16 January 2018, James Kho Chung Wah was the chairman of the NC until he stepped down from the Board on 16 January 2018 and Ong Kian Guan was a member of the NC until he stepped down from the Board on 31 August 2018.

The NC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the NC include:

- reviewing the structure, size and composition of the Board and Board Committees and making recommendations to the Board, where appropriate;

- evaluating whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company;

- developing processes for evaluating the performance of the Board, the Board Committees and Directors and implementing such processes for assessing the effectiveness of the Board as a whole and the contribution of each individual Director;

- nomination and re-nomination of Directors having regard to their contribution and ability to commit sufficient time and attention to the affairs of the Group, taking into account their respective commitments outside of the Group and the roles and scope of responsibilities of such commitments;

- determining the independence of the Directors, taking into consideration guidance from the Code, the Catalist Rules and any other salient factors, at least on an annual basis;

- reviewing training and professional development programmes for the Board;

- reviewing and approving any new employment of persons related to the Directors, CEO and substantial shareholders of the Company ("**Substantial Shareholders**") and the proposed terms of their employment;

- reviewing and making recommendations to the Board on relevant matters relating to the succession plans of the Board and key executives; and

- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

The NC is responsible for identifying candidates and reviewing all nominations for the appointment of Directors. When a vacancy on the Board arises or when the Board is considering making a new Board appointment either to enhance the core competency of the Board or for purpose of progressive renewal of the Board, the NC will review and assess candidates before making recommendations to the Board. In recommending new appointments to the Board, the NC takes into consideration the balance and diversity of skills, caliber, experience, expertise, attributes, ability and gender, amongst other factors, required to support the Group's business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of Independent Directors.

In identifying suitable candidates, the NC may:

- advertise or use the services of external advisors to facilitate a search; and

- consider candidates from a wide range of backgrounds from internal or external sources.

After shortlisting the candidates, the NC shall consider and interview candidates on merit against objective criteria, taking into consideration whether the candidate can devote sufficient time and attention to the affairs of the Group, to assess their suitability. The NC would recommend the selected candidate to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

The role of NC also includes the recommendation of Directors for retirement by rotation pursuant to the Constitution of the Company. In reviewing the re-nomination of Directors, the NC will take into consideration the results of the assessment conducted on the Board as a whole and the various Board Committees, the Directors' independence, contribution, performance (such as attendance and participation at Board meetings and other board appointments and principal commitments outside of the Group) and any other factors as may be deemed relevant by the NC.

Pursuant to the Constitution of the Company, at least one-third of the Board members are to retire from office by rotation and be subject to re-election by the Shareholders at every Annual General Meeting ("**AGM**"). In addition, the Constitution of the Company provides that a newly appointed Director must retire and submit himself/herself for re-election at the next AGM following his/her appointment. Thereafter, he is subject to re-election at least once every three (3) years. Directors who are due for retirement shall abstain from voting on any resolution in respect of their re-appointment as a Director.

In this respect, the NC has recommended and the Board has agreed for the following Directors to retire and seek re-election at the forthcoming AGM:

<u>Pursuant to Article 98 of the Constitution of the Company:</u>

Kee Poir Mok

<u>Pursuant to Article 102 of the Constitution of the Company:</u>

Wolfgang Josef Neeser

Tan Ngiap Siew had informed the Board that he will retire from office pursuant to Article 102 of the Constitution of the Company and will not be seeking re-election at the forthcoming AGM of the Company.

Kee Poir Mok and Wolfgang Josef Neeser, each being a member of the NC, had abstained from deliberation in respect of their respective nomination and assessment.

Kee Poir Mok, will upon being re-elected as a Director of the Company, remain as the Lead Independent Director, Chairman of the ARC, and a member of the NC and RC. The Board considers Kee Poir Mok to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Wolfgang Josef Neeser, will upon being re-elected as a Director of the Company, remain as an Independent Director, member of the ARC, NC and RC. The Board considers Wolfgang Josef Neeser to be independent for the purpose of Rule 704(7) of the Catalist Rules.

All Directors are required to declare their board representations. The Board has not set a numerical limit on the number of listed company board representations each Director may hold. It will do so when deemed necessary. The NC is of the view that it is for each Director to assess his 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.

The Company does not have any alternate Directors as the Board does not encourage the appointment of alternate Directors unless in exceptional cases.

CORPORATE GOVERNANCE REPORT

As at the date of this Annual Report, key information of each member of the Board is set out below:

Name of Director	Date of first appointment	Date of last re-election	Present directorships and chairmanships in other listed companies	Directorships and chairmanships in other listed companies over the preceding three years
Tan Tien Hin Winston	2 November 2015	31 July 2018	Non-Executive Chairman of Plastoform Holdings Limited Independent Director of Roxy-Pacific Holdings Limited	–
Kee Poir Mok	1 May 2018	31 July 2018	Non-Executive Director and member of Audit Committee for Oceanus Group Limited	–
Tan Ngiap Siew	1 August 2018	–	Independent Director of Plastoform Holdings Limited Independent Director of HRNetGroup Limited	–
Wolfgang Josef Neeser	11 December 2018	–	–	–

The profiles of the Directors are set out on pages 4 and 5 of this Annual Report.

Board Performance

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

The NC has established a review process to assess the performance of the Board as a whole and the Board Committees on an annual basis. The Board assesses, amongst others, the Board structure, operation, value and responsibilities of the Board and Board Committees and the performance objectives of the Board. All Directors are requested on an annual basis to complete a Board assessment checklist designed to seek their views on the various performance criteria set by the Board, so as to assess the overall performance and effectiveness of the Board. The checklists are completed and submitted to the company secretary (the "**Company Secretary**") for collation and the consolidated responses are presented to the NC for review and discussion before making any recommendations to the Board. The performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the Board's performance against certain short and long-term financial and non-financial performance indicators and to identify areas for improvement and to implement appropriate action.

The NC has decided unanimously, that the Directors will not be evaluated individually, as each member of the Board and Board Committees contributes in different aspects to the success of the Group, and therefore, it would be more appropriate to assess the Board and Board Committees as a whole. Following its review, the NC is of the view that the Board and its Board Committees operate effectively and despite multiple board representations in certain instances, each Director has been adequately contributing to the overall effectiveness and objectives of the Board.

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant, the NC will consider such engagement.

CORPORATE GOVERNANCE REPORT

Access to Information

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

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an on-going basis to enable them to make informed decisions in discharging their duties and responsibilities.

In order to keep Directors abreast of the Group's operations and to ensure that the Board is fully cognizant of the decisions and actions of the Management, Directors are also updated on initiatives and developments on the Group's business, as well as the financial performance, position and prospects of the Group as soon as practicable and/or possible and on an on-going basis.

To facilitate direct access to Management, Directors are also provided with the names and contact details of Management. All Directors have unrestricted access to the Group's records and information. The Directors also have separate and independent access to the Company Secretary, the Company's external auditors and other professional advisors, where relevant. The Company Secretary assists in ensuring good information flows within the Board and Board Committees and between the Management and Directors. The Company Secretary will assist the Board to ensure that Board procedures are observed and that the Company's Constitution, relevant rules and regulations including the Catalist Rules, are complied with. The Company Secretary also assists the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term Shareholders' value.

As secretary for the Board Committees, the Company Secretary assists in ensuring co-ordination and liaison between the Board, the Board Committees and Management.

The appointment and removal of the Company Secretary are subject to the approval of the Board. The Directors either individually or as a group have the right to seek independent legal and/or professional advice in the furtherance of their duties. The cost of such services will be borne by the Company.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

As at 31 December 2018, the RC comprises the following three members who are all Non-Executive Directors, all of whom, including the RC Chairman, are Independent Directors:

Tan Ngiap Siew(1)	(Chairman)
Kee Poir Mok(2)	(Member)
Wolfgang Josef Neeser(3)	(Member)

Notes:

(1) Tan Ngiap Siew was appointed to the Board on 1 August 2018.

(2) Kee Poir Mok was appointed to the Board on 1 May 2018.

(3) Wolfgang Josef Neeser was appointed to the Board on 11 December 2018.

CORPORATE GOVERNANCE REPORT

In addition to the above, Choh Thian Chee Irving was the chairman of the RC until he stepped down from the Board on 16 January 2018, James Kho Chung Wah was a member of the RC until he stepped down from the Board on 16 January 2018 and Ong Kian Guan was a member of the RC until he stepped down from the Board on 31 August 2018.

The RC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the RC include:

- reviewing and recommending to the Board for endorsement, a framework of remuneration for the Board and key management personnel of the Group. The framework covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, share options, share-based incentives and awards and other benefits-in-kind with a goal to motivate, recruit and retain employees through competitive compensation and progressive policies;

- reviewing and recommending to the Board the remuneration packages of employees related to Directors, CEO and/or Substantial Shareholders, to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility;

- reviewing and approving any bonuses, pay increases and/or promotions for employees related to the Directors, CEO and/or Substantial Shareholders;

- administering the performance share plan and any other share option scheme or share plan established from time to time, in accordance with the rules of such share plan or share option scheme and the Catalist Rules; and

- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

Level and Mix of Remuneration

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

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services will be borne by the Company. No remuneration consultants were engaged by the Company in FY2018. The service of an external remuneration consultant will be sought as and when necessary.

The RC is in the process of formalising the service contract of the Executive Chairman. The Group does not intend to use contractual provisions to allow it to reclaim incentive components of remuneration from the Executive Director(s) and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Director(s) owes a fiduciary duty to the Company, and the Company should be able to avail itself to remedies against the Executive Director(s) in the event of such breach of fiduciary duties.

As part of its review, the RC ensures that the Directors and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also takes into consideration the Group's relative performance and the performance of individual Directors and key management personnel. No Director is involved in deciding his own remuneration.

The Non-Executive Directors receive directors' fees for their services. The RC also ensures that the fees paid to them are appropriate taking into account factors such as effort and time spent, and their responsibilities. The RC ensures that the Independent Director(s) are not over-compensated to the extent that their independence may be compromised. No Director is involved in deciding his own remuneration package.

CORPORATE GOVERNANCE REPORT

Performance conditions such as the financial performance and operations of the Group, as well as any other business objectives such as service quality and adherence to corporate values which may from time to time be determined by the Board, are used to determine the short-term incentive schemes employed on the remuneration of the Executive Directors and key management personnel. In addition, all employees of the Group, including the Directors, are eligible to participate in the Company's performance share plan known as the "Serrano Performance Share Plan" ("**PSP**"), which was adopted by the Company in 2014. The performance conditions of the key management personnel were not reviewed in FY2018 as the Company was undergoing the restructuring exercise.

The PSP is employed as long-term incentives in the remuneration of the key management personnel, and forms an integral component of the Group's compensation scheme. It is designed to reward, retain and motivate employees to achieve superior performance to align the interests of employees with that of the Company's Shareholders. The PSP is administered by the RC. Please refer to page 33 of this Annual Report for more information on the PSP.

The performance conditions used to determine the entitlements of the Executive Director and key management personnel under the PSP include specific performance targets imposed by the Group, taking into account factors such as (i) the business strategies, plans and directions of the Company and the Group; (ii) the actual job scope and responsibilities of the employee; and (iii) the prevailing economic conditions. As at the date of this Annual Report, no awards have been granted under the PSP.

All revisions to the remuneration packages of the Directors are subject to the review by and recommendation of the RC and the approval of the Board. Directors' fees are further subject to the approval of Shareholders at the AGM.

Disclosure on Remuneration

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

The various components of the remuneration of the Directors for FY2018 in percentage terms are disclosed below.

Name of Director	Directors' fees[1] (%)	Salary[2] (%)	Variable bonus[2] (%)	Benefits in kind (%)	Total (%)
Up to S$250,000					
Tan Tien Hin Winston	100.0	–	–	–	100.0
Kee Poir Mok	100.0	–	–	–	100.0
Tan Ngiap Siew	100.0	–	–	–	100.0
Wolfgang Josef Neeser	100.0	–	–	–	100.0
Karen Chia[3]	–	84.4	2.1	13.53	100.0
Choh Thian Chee Irving[3]	100.0	–	–	–	100.0
Ong Kian Guan[3]	100.0	–	–	–	100.0
James Kho Chung Wah[3]	100.0	–	–	–	100.0

Notes:

(1) The Directors' fees for FY2018 were approved by the Shareholders at the previous AGM of the Company held on 31 July 2018.

(2) Inclusive of employer's contribution to Central Provident Fund ("CPF").

(3) Each of Karen Chia, Choh Thian Chee Irving and James Kho Chung Wah has ceased to be a Director of the Company on 16 January 2018. Ong Kian Guan has ceased to be a Director of the Company on 31 August 2018.

CORPORATE GOVERNANCE REPORT

For the year under review, the Company had three key management personnel. For FY2018, the breakdown of the remuneration of the Group's key management personnel (who are not Directors or the CEO) in percentage terms are as follows:

Name of key management personnel	Salary[1] (%)	Variable bonus[1] (%)	Benefits in kind (%)	Total (%)
Up to S$250,000				
Victor Poh Teck Whee[2]	100	–	–	100
Quek Wey Lon	100	–	–	100
Karen Chia[3]	84	2	14	100

Notes:

(1) Inclusive of employer's contribution to CPF.

(2) Victor Poh Teck Whee was appointed as the Group Financial Controller on 3 October 2018.

(3) Resigned on 8 October 2018.

In considering the disclosure of remuneration of the Directors and key management personnel, the Company has regarded the industry conditions in which the Group operates as well as the confidential nature of such remuneration. The Company believes that full detailed disclosure of the remuneration of each Director and each key management personnel as recommended by the Code would be prejudicial to the interests of the Group and hamper its ability to retain and nurture the Group's talent pool. The Company has instead presented such information in remuneration bands of S$250,000 and also a breakdown in percentage terms.

The total remuneration paid to the key management personnel for FY2018 was approximately S$208,578.

There were no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during FY2018.

There are no termination, retirement, post-employment benefits that are granted to the Directors, the CEO and key management personnel in FY2018.

The Board is of the opinion that the information as disclosed above would be sufficient for Shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report.

C. ACCOUNTABILITY AND AUDIT

Accountability

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

One of the Board's principal duties is to protect and enhance the long-term value and returns to the Shareholders of the Company. The accountability of the Board to the Shareholders is demonstrated through the presentation of the interim and annual financial statements, results announcements as well as timely announcements and/or news releases of significant corporate developments and activities so that the Shareholders can have a detailed explanation and balanced assessment of the Group's financial performance, position and prospects. In this respect, the ARC reviews all financial statements and recommends them to the Board for approval.

In accordance with the Catalist Rules, the Board has provided and will provide a negative assurance statement in respect of the interim financial results announcements, to confirm that to the best of its knowledge, nothing has come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

CORPORATE GOVERNANCE REPORT

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with, amongst others, the management accounts of the Group and the relevant accompanying explanatory information on an ad-hoc and half-yearly basis. Management also highlights key business indicators and major issues that are relevant to the Group's performance on an on-going basis in order for the Board to make a balanced and informed assessment of the Group's performance, financial performance, position and prospects as well as Management's achievements of the goals and objectives determined by the Board.

Risk Management and Internal Controls

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

The Board 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' interests 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 Board with a basis to determine the Group's level of risk exposure, risk tolerance and risk policies.

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 provide only 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 and information technology ("**IT**") controls. The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard Shareholders' interests and the Group's assets. The Board has during the course of FY2018 re-designated the Audit Committee as the Audit and Risk Committee. The responsibility of overseeing the Company's risk management framework and policies will be undertaken by the ARC with the assistance of the internal auditors.

During FY2018, the Company was undergoing its restructuring exercise and had minimal operations for most of FY2018 until the acquisition of Sinbor Company (Private) Limited in September 2018. Accordingly, the ARC took the view that it was not meaningful or cost-effective to conduct an internal audit review of the Company in respect of FY2018. In 2019, the Company has appointed Baker Tilly Consultancy (Singapore) Pte Ltd ("**Baker Tilly**") as the internal auditors of the Group to assist the Board and the ARC in their review of the Group's risk management and internal control systems focusing on financial, operational, compliance and IT controls.

As the internal auditors have been appointed, the ARC will ensure that a review of the effectiveness of the Group's risk management policies and procedures and internal controls in addressing material risks, including financial, operational, compliance and IT risks are conducted annually going forward. In this respect, the ARC will review the audit plans and the findings of the external and internal auditors, and will ensure that Management follows up on the external and internal auditors' recommendations raised, if any, during the audit process.

The Board noted that there are some areas of internal control weaknesses, namely, inadequate documentation relating to the Company's procedures and policies, requiring improvement/rectification as identified by the external auditors during the course of their audit performed for FY2018. The Board accepts the external auditors' recommendations and has tasked Management with the implementation of the recommendations.

CORPORATE GOVERNANCE REPORT

The Board has received assurance from Tan Tien Hin Winston and Victor Poh Teck Whee, who are the Executive Chairman and Group Financial Controller of the Company respectively, 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. Due to the limited operations and also resources in FY2018, the Executive Chairman and Group Financial Controller currently maintains an active and direct oversight over risk management and internal controls of the Group and have provided assurance to the Board of the adequacy and effectiveness of the Company's risk management and internal control systems.

Based on the work performed by the external auditors, the assurance received from the Executive Chairman and the Group Financial Controller and the reviews performed by Management, the Board and relevant Board Committees, the ARC and the Board are of the opinion that the Group's risk management systems and internal controls were adequate and effective as at 31 December 2018 to address financial, operational, compliance and information technology risks of the Group.

Audit and Risk Committee

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

As at 31 December 2018, the ARC comprises the following three (3) members, all of whom are Independent Directors:

Kee Poir Mok[(1)]	(Chairman)
Tan Ngiap Siew[(2)]	(Member)
Wolfgang Josef Neeser[(3)]	(Member)

Notes:

(1) Kee Poir Mok was appointed to the Board on 1 May 2018.

(2) Tan Ngiap Siew was appointed to the Board on 1 August 2018.

(3) Wolfgang Josef Neeser was appointed to the Board on 11 December 2018.

In addition to the above, Choh Thian Chee Irving was the member of the ARC until he stepped down from the Board on 16 January 2018, James Kho Chung Wah was a member of the ARC until he stepped down from the Board on 16 January 2018 and Ong Kian Guan was a member of the ARC until he stepped down from the Board on 31 August 2018.

The ARC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the ARC include:

- reviewing with the external and internal auditors their audit plans, scope of work, evaluation of the adequacy of the internal controls, audit reports, management letters on internal controls, the Management's response and any other relevant findings or matters, where applicable;

- monitoring and reviewing the implementation of the external auditors' and internal auditors' recommendations concurred with Management in relation to the adequacy and effectiveness of the Group's internal controls addressing financial, operational, compliance and IT risks;

- at least annually, reviewing and reporting to the Board on the adequacy and effectiveness of the Group's internal controls addressing financial, operational, compliance and IT risks;

- reviewing the periodic consolidated financial statements of the Company and results announcements before submission to the Board for review and approval, focusing on, in particular, the relevance and consistency of accounting policies, significant financial reporting issues, recommendations and judgements made by Management and the external auditors, and compliance with financial reporting standards, Catalist Rules and any other statutory and regulatory requirements so as to ensure the integrity of the periodic consolidated financial statements of the Company and results announcements;

CORPORATE GOVERNANCE REPORT

- reviewing the independence and objectivity of the external auditors, the aggregate amount of fees paid or payable to the external auditors for the financial year and the breakdown of the fees paid in total for audit and non-audit services, respectively;

- making recommendations to the Board, and in the case of the external auditors, to the Board on proposals to the Shareholders, for the appointment, re-appointment and removal of the external auditors and internal auditors, and approve the remuneration and terms of engagement of the external auditors and internal auditors;

- reviewing and recommending all hedging policies (if any) to the Board for approval;

- reviewing any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules (if any);

- reviewing potential conflicts of interests (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;

- reviewing the policy and arrangement by which staff or any other person may, in confidence, raise concerns about possible improprieties on matters of our business operations, financial reporting or any other matters and to ensure that arrangements are in place for the independent investigation of such matter and for appropriate follow-up; and

- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

Apart from the duties listed above, the ARC has explicit authority to investigate any matter within its terms of reference, and matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position, and to review its findings.

The ARC has full access to and has the full cooperation of Management. It also has the full discretion to invite any Director or any member of Management to attend its meetings.

The Board considers Kee Poir Mok, who has extensive accounting and financial management knowledge and experience, well-qualified to chair the ARC. The other members of the ARC, Tan Ngiap Siew and Wolfgang Josef Neeser, bring with them invaluable experience in business management. The Board is of the view that the ARC members are appropriately qualified in that they have sufficient accounting or related financial management expertise and experience to discharge their duties and responsibilities.

The ARC recommends to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors and approval of their remuneration. The ARC has reviewed the scope and value of non-audit fees paid or payable by the Group to the external auditors, Foo Kon Tan LLP. The aggregate amount of audit fees and non-audit fees paid or payable to the external auditors for FY2018 was S$65,000 and $44,480 respectively. The ARC has reviewed the detailed breakdown of the non-audit fees to understand the extent and nature of the fees charged. Given that most of the non-audit fees relate to one-off tax-related matters that have no bearing on the audit work conducted on the Group, the ARC is satisfied that the nature of such services would not prejudice the independence and objectivity of the external auditors.

The ARC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board the nomination of Foo Kon Tan LLP for re-appointment as the Company's external auditors at the forthcoming AGM.

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

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The ARC met with the external auditors without the presence of the Management in March 2019 in relation to the external audit performed for FY2018, to discuss the results of their audit, their evaluation of the Group's system of internal controls and any other relevant matters or findings that have come to the attention of the external auditors.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the financial statements, the ARC is encouraged to participate in training courses, seminars and workshops, as relevant, and to seek advice from the external auditors.

None of the ARC members were previous partners or directors of the Company's external audit firm within the last twelve (12) months of FY2018 and none of the ARC members hold any financial interest in the external audit firm.

Whistle Blowing Policy

The Group has put in place a whistle-blowing framework ("**Whistle Blowing Policy**") endorsed by the ARC where the employees of the Group or any other person may, in confidence, raise concerns about possible corporate improprieties on matters of financial reporting or other matters. The Whistle Blowing Policy allows whistle-blowers to contact members of the ARC directly.

Details of the Whistle Blowing Policy and arrangements have been made available to all employees of the Group. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate and timely follow-up action, and provides assurance that whistle blowers will be protected from reprisal or victimization for whistle blowing in good faith and without malice, within the limits of the law.

The ARC reports to the Board on whistle blowing matters at the Board meetings. Should the ARC receive reports relating to serious offences and/or criminal activities in the Group, the ARC and the Board have access to appropriate external advice where necessary.

During FY2018, there were no complaints, concerns or issues received.

Internal Audit

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

The Board recognises that it is responsible for maintaining a system of internal controls to safeguard Shareholders' interests and the Group's businesses and assets while Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the internal auditors is to assist the ARC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the ARC, to conduct regular internal audits of high risk areas and to report their findings to the ARC for review by both the ARC and the Board.

Owing to the Group's tight liquidity position and the restructuring exercise taking place in FY2018, the Group did not appoint any internal auditors in FY2018. As the restructuring exercise of the Group has been substantially completed, the Group has in 2019 appointed Baker Tilly as the internal auditors of the Group to assist the Board and the ARC in their review of the Group's risk management and internal control systems focusing on financial, operational, compliance and IT controls for the current financial year ending 31 December 2019.

The appointment of Baker Tilly was considered appropriate by the ARC, based on amongst others, the reputation and track record of Baker Tilly and the qualifications, experience and availability of resources and independence of the team at Baker Tilly. The ARC is of the opinion that the internal audit function of the Company is independent, effective and adequately resourced. The internal auditor carries out their function, taking guidance from the Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

The ARC will review the adequacy and effectiveness of the internal audit function (including whether it is adequately resourced and independent) on an annual basis. The ARC will also review the internal audit reports as well as the remedial measures recommended by the internal auditors and adopted by Management to address any issue or inadequacy identified.

CORPORATE GOVERNANCE REPORT

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

The Group's corporate governance practices promote fair and equitable treatment of all the Company's Shareholders. To facilitate Shareholders' ownership rights, the Company endeavors to ensure that all material information is disclosed via SGXNET, in particular, information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable Shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements and press releases via SGXNET as well as through reports/circulars sent to all Shareholders. They are given the opportunity to participate actively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

The Constitution of the Company allows each Shareholder to appoint up to two (2) proxies to attend and vote in general meetings on his behalf.

Communication with Shareholders

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

In line with the continuing disclosure obligations under the Catalist Rules, the Company endeavors to inform Shareholders promptly of all major developments that may have a material impact on the Group. All of the Company's announcements are released via SGXNET, including financial results, annual reports, distribution of notices, press releases, analyst briefings, presentations, announcements on material corporate actions and other developments. The Company does not practise selective disclosure of material information and price sensitive information is publicly released as soon as is practicable as required by the Catalist Rules.

General meetings are still the principal forum for dialogue with Shareholders. To promote a better understanding of Shareholders' views, the Board encourages Shareholders to participate during the Company's general meetings. At these meetings, Shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters. The Company could gather views and address Shareholders' concerns at general meetings.

The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.

Outside of the financial announcement periods, when necessary and appropriate, the Management may also meet with analysts and fund managers who like to seek a better understanding of the Group's operations.

The Company does not have a formal dividend policy at present. The form, frequency and amount of dividends the Directors may recommend or declare in respect of any particular financial year or period will take into consideration the Group's financial performance, cash position, working capital requirements and other factors as the Board may deem appropriate. The Board, having considered the current financial difficulties of the Group, has not declared any dividend for FY2018.

CORPORATE GOVERNANCE REPORT

Conduct of Shareholder Meetings

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

Shareholders are encouraged to attend, participate and vote at the Company's general meetings to ensure a high level of accountability on the part of the Board and Management, and to stay informed of the Group's performance, strategies and growth plans. Notice of general meetings are dispatched to Shareholders, together with explanatory notes, or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meetings. The Company supports active Shareholder participation at general meetings and welcomes questions from Shareholders who wish to raise issues pertaining to the Group, either informally or formally, within the setting of the general meetings.

Each item of special business included in the notice of the general meetings will be accompanied by explanatory notes as may be required. Separate resolutions are proposed for approval on each substantially separate issue at general meetings. Resolutions are as far as possible, structured separately and may be voted upon independently, unless the resolutions are interdependent and linked so as to form one significant proposal.

The Company requires all Directors (including the respective chairman of the Board Committees) to be present at all general meetings of shareholders, unless of exigencies. The external auditors are also required to be present to address Shareholders' queries about the conduct of the audit and the preparation and content of the independent auditor's report. The Company will make available minutes of general meetings to Shareholders upon their written request.

All resolutions at general meetings of the Company will be put to vote by poll so as to better reflect Shareholders' shareholding interests and ensure greater transparency. The results of the poll voting on each resolution tabled will be announced after the general meetings via SGXNET.

DEALINGS IN SECURITIES

Rule 1204(19) of the Catalist Rules

The Company has complied with Rule 1204(19) of the Catalist Rules in relation to dealings in the Company's securities by the Directors and officers of the Group. The Company has adopted a Code of Best Practices to provide guidance to its Directors and all officers of the Group with regards to dealings in the Company's securities.

The Directors and officers of the Group are prohibited from dealing in the securities of the Company while in possession of unpublished price-sensitive information as well as during the period commencing one (1) month before the announcement of the Company's half-year and full-year results and ending on the date of the announcement of the relevant results. The Directors and officers of the Group are to refrain from dealing in the Company's securities on short-term considerations.

Directors and officers of the Group are also required to adhere to the provisions of the Securities and Futures Act, Chapter 289, Companies Act, Chapter 50, the Catalist Rules and any other relevant laws, rules and regulations with regard to their securities transactions. They are expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS

The Company has established internal control policies to ensure that transactions with interested persons are properly documented and submitted to the ARC for their review and to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms that will not be prejudicial to the Company and its minority Shareholders.

CORPORATE GOVERNANCE REPORT

The Company does not have a general mandate from Shareholders for interested person transactions pursuant to Rule 920 of the Catalist Rules. There were no interested person transactions which were $100,000 and above for FY2018.

MATERIAL CONTRACTS

Rule 1204(8) of the Catalist Rules

The Company confirms that save as disclosed in the Company's announcements released via SGXNET, there are no material contracts entered into by the Company or any of its subsidiaries involving the interest of any Director, CEO or controlling Shareholder of the Company, either still subsisting as at 31 December 2018 or if not then subsisting, which were entered into since the end of 31 December 2017.

SUSTAINABILITY REPORT

Rule 711A, 711B of the Catalist Rules

The Company is working towards the issuance of its first sustainability report, and such report, which will be in respect of FY2018, will be published by 31 December 2019.

NON-SPONSOR FEES

Rule 1204(21) of the Catalist Rules

For FY2018, non-sponsor fees of S$8,000 were paid to the Company's sponsor, PrimePartners Corporate Finance.

USE OF PROCEEDS

As at the date of this Annual Report, the proceeds from the New Investor Shares are utilised as follows:

	Amount Allocated	Amount Utilised	Balance
	S$'000	**S$'000**	**S$'000**
General working capital of the Group	3,830	2,333	1,497
Cash Distribution to scheme creditor	4,170	4,146	24
Total	**8,000**	**6,479**	**1,521**

The above use of proceeds is in accordance with the uses stated in the Company's Circular dated 9 May 2018.

Utilised for general working capital	**S$'000**
COGS	100
Inventories	100
Prepayment	250
Professional Fees	302
Salaries and Administration Fees	1,568
Selling and Distribution	13
Total	**2,333**

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Addendum to the Annual Report 2018

Additional Information on Directors seeking Re-election pursuant to Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), Section B: Rules of Catalist ("Catalist Rules").

Mr. Kee Poir Mok and Mr. Wolfgang Josef Neeser are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 29 April 2019 ("AGM") under Ordinary Resolutions 2 and 3 as set out in the Notice of AGM dated 12 April 2019 (collectively, the "Retiring Directors" and each a "Retiring Director"). Pursuant to Rule 720(5) of the Catalist Rules, the information relating to the Retiring Directors as set out in Appendix 7F of the Catalist Rules is set out below:

Name of Director	Kee Poir Mok	Wolfgang Josef Neeser
Date Of Appointment	1 May 2018	11 December 2018
Date of Last Re-appointment	31 July 2018	–
Age	62	39
Country Of Principal Residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	N.A.	N.A.
Whether appointment is executive, and if so, the area of responsibility	The appointment is non-executive.	The appointment is non-executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director Chairman of the Audit and Risk Committee Member of the Remuneration Committee Member of the Nominating Committee	Independent Director Member of the Audit and Risk Committee Member of the Remuneration Committee Member of the Nominating Committee
Familial relationship with any director and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interests (including any competing business)	Nil	Nil
Working experience and occupation(s) during the past 10 years	2012 to Current: - Managing Partner of 125 Capital LLP January 2002 to January 2009: - Regional Manager and Managing Director of Goldman Sachs Singapore	October 2014 to Current: – Homag Asia Pte Ltd – Sales Director September 2012 to September 2014: – Homag Bohrsysteme GmbH – Export Sales Manager APAC region November 2006 to August 2012: – Homag Canada – Product Manager

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Kee Poir Mok	Wolfgang Josef Neeser
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) Or Appendix 7H (Catalist Rule 704(6))	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries?	Nil	Nil
# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704 (9) or Catalist Rule 704 (8).		
Past (for the last 5 years)	Yuuzoo Corporation Limited	Nil
Present	Oceanus Group Limited 125 Capital LLP	Nil
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Kee Poir Mok	Wolfgang Josef Neeser
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Kee Poir Mok	Wolfgang Josef Neeser
(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
(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	Yes	No
If Yes, Please provide full details	Mr. Kee was an independent director of YuuZoo Corporation Limited from 3 December 2014 to 29 May 2015. On 15 July 2016, SGX issued a reprimand against YuuZoo Corporation Limited in relation to an announcement released by YuuZoo Corporation on 21 May 2015, attaching a copy of a research report produced by Edison Investment Research Limited. For the avoidance of doubt, Mr. Kee was not the subject of the reprimand issued by SGX.	N.A.
(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
(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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Kee Poir Mok	Wolfgang Josef Neeser
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Any prior experience as a director of a listed company? If Yes, please provide details of prior experience. If No, please provide details of any training undertaken in the roles and responsibilities of a director of a listed company	N.A. This relates to a re-election of director.	N.A. This relates to a re-election of director.

DIRECTORS' STATEMENT

We submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion,

(a) the accompanying statements of the Group and 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 the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of directors

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

Tan Tien Hin Winston (Executive Chairman)
Kee Poir Mok (Lead Independent Director) (Appointed on 1 May 2018)
Tan Ngiap Siew (Independent Director) (Appointed on 1 August 2018)
Wolfgang Josef Neeser (Independent Director) (Appointed on 11 December 2018)

Arrangements to acquire shares, debentures, warrants or options

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares, debentures, warrants or options of the Company or any other corporate body, other than as disclosed in this report.

Directors' interest in shares, debentures, warrants or options

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those of their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings registered in the name of director		**Shareholdings in which director is deemed to have an interest**	
	As at 1.1.2018	**As at 31.12.2018**	As at 1.1.2018	**As at 31.12.2018**
The Company	Number of ordinary shares			
Tan Tien Hin Winston	–	**–**	41,772,430	**3,656,309,426**[(2)]
Chia Lay Kiong (Xie Lijuan)[(1)]	44,872,036	**44,872,036**	–	**–**

(1) Resigned on 16 January 2018

(2) Tan Tien Hin Winston holds 50.00% of the issued and paid-up capital of Winmark Investments Pte Ltd ("Winmark") and is therefore deemed interested in Winmark's shareholding in the Company pursuant to Section 7 of the Companies Act, Cap. 50 of Singapore.

DIRECTORS' STATEMENT

Directors' interest in shares, debentures, warrants or options (Cont'd)

Saved as disclosed above, the directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as at 31 December 2018.

Except as disclosed in this statement, no directors who held office at the end of the financial year had an interest in the shares, warrants, debentures and options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

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

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

Performance Share Plan ("Serrano PSP")

The Company has implemented a performance share plan known as the Serrano PSP. The Serrano PSP was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 14 October 2014. No performance shares have been granted or awarded pursuant to the Serrano PSP as at the date of this report.

Audit and Risk Committee

The Audit and Risk Committee at the date of report comprises the following members:

Kee Poir Mok (Chairman)
Tan Ngiap Siew (Member)
Wolfgang Josef Neeser (Member)

The Audit and Risk Committee performs the functions set out in Section 201B(5) of the Act, the Catalist Rules and the Code of Corporate Governance. The functions performed are detailed in the Corporate Governance Report set out in the Annual Report of the Company for the financial year ended 31 December 2018.

The Audit and Risk Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit and Risk Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit and Risk Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit and Risk Committee are provided in the Corporate Governance Report.

In appointing our auditors for the Company and its subsidiaries, we have complied with Rules 712 and 715 of the Catalist Rules.

DIRECTORS' STATEMENT

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

KEE POIR MOK

TAN TIEN HIN WINSTON

Dated: 9 April 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Serrano Limited

Opinion

We have audited the financial statements of Serrano Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis of Opinion

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

Key Audit Matters

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

1. Extinguishment of liabilities under the Schemes of Arrangement and acquisition of Sinbor Company (Private) Limited and its subsidiary ("Sinbor")

As set out in Note 4 to the financial statements, the amended Schemes of Arrangement (the "Schemes") were approved by the creditors of the Company and Serrano Holdings Pte. Ltd. ("SHPL") on 20 December 2017. The Schemes were sanctioned by the High Court of Singapore on 23 February 2018 and the Orders of Court were lodged with ACRA on 6 March 2018. On 1 August 2018, 3,755,363,113 new investor shares with an aggregate consideration of $8 million were issued to Winmark Investments Pte. Ltd. and Mr. Quek Wey Lon (the "Lead Investors").

Total adjudicated debts amounting to $120.23 million due and payable by the Group (including contingent liabilities attributed to the corporate guarantees provided by the Company) were settled and discharged by way of a combination of settlement (i) in equity of $2.81 million (through the issuance of 1.32 billion new creditor shares on 15 August 2018 and 24 January 2019 respectively) and (ii) in cash of $4.15 million. A gain on extinguishment of liabilities totalling $113.3 million was recognised in the consolidated statement of comprehensive income for the financial year ended 31 December 2018.

We have determined the accuracy of the gain on extinguishment of liabilities a key audit matter due to the amount involved.

INDEPENDENT AUDITOR'S REPORT

To the Members of Serrano Limited

Key Audit Matters (Cont'd)

1. Extinguishment of liabilities under the Schemes of Arrangement and acquisition of Sinbor Company (Private) Limited and its subsidiary ("Sinbor") (Cont'd)

In September 2018, the Company completed the subscription of a 51% equity interest in Sinbor for a purchase consideration of $1.2 million. Sinbor is in the business of supplying natural stone, ceramic tiles, engineered wood and bathroom products for private residential and commercial projects.

The acquisition of Sinbor is one of the Board's initiatives to revive the Group's business. Such business combination can be complex and judgement is involved in determining whether the acquisition is (i) a business combination; (ii) an acquisition of assets that does not meet the definition of a business or (iii) businesses under common control. There are also different accounting treatments applicable to the various types of acquisition.

A business combination is a transaction or event in which an acquirer obtains control of one of more businesses, which generally consist of inputs, processes applied to those inputs and ability to create outputs.

The Lead Investors of the Company are also common and controlling shareholders in Sinbor, both before and after the business combination. SFRS(I) 3 - *Business Combinations* requires acquisition accounting to be applied to all business combinations in its scope. In accounting for business combination, management undertakes a purchase price allocation exercise. There are judgements and inherent uncertainties in the estimation used in the allocation of the overall purchase price to the different assets acquired and liabilities assumed that make up the acquisition. A gain from bargain purchase of $698,087 was recorded in equity as a capital contribution from the common shareholders of the Company and Sinbor on completion of the purchase price allocation exercise determined on a provisional basis.

Our response and work performed:

In respect of the audit procedures performed to ascertain the accuracy of the gain on extinguishment of liabilities, we have performed the specific audit procedures to address the risk:

(a) Obtained and reviewed the Schemes approved by the High Court of the Republic of Singapore to verify if the gain is calculated in accordance with the relevant clauses;

(b) Reviewed management's computation of the gain by reconciling the payments of liabilities, releases and discharge of claims, obligations and liabilities under the Schemes of Arrangement, to bank transactions, share registers and other underlying accounting records; and

(c) Performed re-computation of the gain on extinguishment of the liabilities.

In respect of the audit procedures performed to ascertain the accuracy of the gain on the bargain purchase on the acquisition of Sinbor, we have performed the specific audit procedures to address the risk:

(a) Assessed the Group's process for the review and the determination of the accounting for business combination;

(b) Examined the legal and contractual documents to understand the purpose and design of Sinbor in order to identify the relevant activities, how decisions about relevant activities are made, who has the current ability to direct those activities and who receives returns from those activities to determine whether the acquisition is a business combination, an acquisition of an asset or an acquisition under common control;

(c) Obtained an understanding of the work of the appointed business valuers and evaluated their competencies, capabilities and objectivities and evaluated the appropriateness of the business valuers' work as audit evidence for the relevant assertion;

INDEPENDENT AUDITOR'S REPORT

To the Members of Serrano Limited

Key Audit Matters (Cont'd)

1. Extinguishment of liabilities under the Schemes of Arrangement and acquisition of Sinbor Company (Private) Limited and its subsidiary ("Sinbor") (Cont'd)

Our response and work performed: (Cont'd)

(d) Through our auditor's expert, read the reports from the appointed business valuers and compared the methodologies and key assumptions used in deriving the allocated values to generally accepted market practices and market data and checked the computations where the appointed business valuers have allocated the purchase price to the different assets acquired and liabilities assumed in the business combination which was determined on a provisional basis;

(e) Evaluated whether our auditor's expert has the necessary competencies, capabilities and objectivity for the auditor's purpose;

(f) Evaluated the appropriateness of the accounting treatment of the gain on bargain purchase arising from the common control transaction entered with the Lead Investors in respect of the acquisition of Sinbor; and

(g) Considered the adequacy of disclosure for the business combination in the consolidated financial statements.

2. Provision for slow-moving and obsolete inventories

As at 31 December 2018, the carrying amount of the Group's inventories was $2.84 million, comprising natural stone, ceramic tiles, engineered wood and bathroom products, which are subject to changing consumer demands due to product design, trends, inventory and market conditions at the reporting date. Inventories are measured at the lower of cost and net realisable value ("NRV").

Management carried out an assessment to determine if there are inventories that had to be written down to net realisable value as at the end of the financial year. This may happen if inventories were damaged, become obsolete, or if their selling prices have declined. In making this determination, management takes into account a combination of factors, which include the age of the inventories, historical and subsequent selling prices and committed orders of the Group's products.

The level of judgement involved in determining whether a provision for inventory obsolescence should be recognised and how it should be measured, coupled with the fact that provision movements impact earnings is one of the key judgemental areas that our audit concentrates on.

Our response and work performed:

In respect of the audit procedures performed on the valuation of the inventories, we have identified specific audit procedures to address the risk:

(a) Tested the reliability of the inventory ageing report which management uses as a basis to identify inventories with net realisation issues on a sample basis and assessed whether there were any significant built up of aged inventories;

(b) Attended and observed management's physical stock count process, including identification of damaged inventories; and

(c) Held discussions with management to understand management's assessment and basis for the estimated net realisable value of inventories and evaluated the reasonableness of management's assessment against historical selling prices, actual subsequent sales or committed sales orders, as appropriate, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

To the Members of Serrano Limited

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Serrano Limited

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Kong Chih Hsiang Raymond.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 9 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	The Group **31 December 2018** **$**	 31 December 2017 $	 1 January 2017 $	The Company **31 December 2018** **$**	 31 December 2017 $	 1 January 2017 $
ASSETS							
Non-Current							
Property, plant and equipment	5	**2,758,455**	–	–	**–**	–	–
Intangible assets	6	**–**	–	–	**–**	–	–
Investments in subsidiaries	7	**–**	–	–	**4,893,889**	–	–
Investment in associate	8	**–**	–	–	**–**	–	–
Available-for-sale financial asset	9	**–**	–	–	**–**	–	–
		2,758,455	–	–	**4,893,889**	–	–
Current							
Inventories	10	**2,836,406**	–	174,347	**–**	–	–
Trade and other receivables	11	**1,713,575**	234,503	261,336	**342,861**	60,001	14,193
Contract assets	12	**147,346**	–	116,616	**–**	–	–
Cash and bank balances	13	**2,005,690**	17,068	308,499	**1,540,463**	6,206	30,645
		6,703,017	251,571	860,798	**1,883,324**	66,207	44,838
Non-current assets held-for-sale	14	**–**	4,500,000	6,720,000	**–**	–	–
Total Assets		**9,461,472**	4,751,571	7,580,798	**6,777,213**	66,207	44,838
EQUITY AND LIABILITIES							
Capital and Reserves							
Share capital	15	**43,783,692**	33,029,183	33,029,183	**43,783,692**	33,029,183	33,029,183
Reserves	16	**(8,740,051)**	(8,496,296)	(8,496,296)	**–**	–	–
Accumulated losses		**(32,863,556)**	(146,565,949)	(137,405,796)	**(38,402,986)**	(97,431,768)	(92,270,276)
		2,180,085	(122,033,062)	(112,872,909)	**5,380,706**	(64,402,585)	(59,241,093)
Non-controlling interests		**1,607,290**	–	–	**–**	–	–
Total Equity		**3,787,375**	(122,033,062)	(112,872,909)	**5,380,706**	(64,402,585)	(59,241,093)
LIABILITIES							
Non-Current							
Borrowings	17	**561,527**	–	–	**–**	–	–
Finance lease liabilities	18	**139,646**	–	–	**–**	–	–
Deferred tax liabilities	19	**42,590**	–	–	**–**	–	–
		743,763	–	–	**–**	–	–
Current							
Trade and other payables	20	**4,151,059**	56,083,080	53,083,485	**1,396,507**	64,468,792	59,285,931
Contract liabilities	12	**122,001**	86,542	251,272	**–**	–	–
Borrowings	17	**612,575**	67,578,716	63,951,408	**–**	–	–
Finance lease liabilities	18	**44,699**	3,036,295	3,167,542	**–**	–	–
		4,930,334	126,784,633	120,453,707	**1,396,507**	64,468,792	59,285,931
Total Liabilities		**5,674,097**	126,784,633	120,453,707	**1,396,507**	64,468,792	59,285,931
Total Equity and Liabilities		**9,461,472**	4,751,571	7,580,798	**6,777,213**	66,207	44,838

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

The Group	Note	Year ended 31 December 2018 $	Year ended 31 December 2017 $
Revenue	21	**1,436,404**	1,195,146
Cost of sales		**(854,066)**	(2,556,850)
Gross profit/(loss)		**582,388**	(1,361,704)
Other income	22	**114,138,314**	1,015,807
Selling and distribution costs		**(40,910)**	(42,645)
Administrative expenses		**(2,044,117)**	(1,978,873)
Other operating expenses		**(30,561)**	(3,165,430)
Finance costs	23	**(23,881)**	(3,627,308)
Share of result of associate, net of tax		**–**	–
Profit/(loss) before taxation	24	**112,581,233**	(9,160,153)
Taxation	26	**–**	–
Profit/(loss) for the year representing total comprehensive income for the year		**112,581,233**	(9,160,153)
Total comprehensive income attributable to:			
Owners of the Company		**112,760,551**	(9,160,153)
Non-controlling interest		**(179,318)**	–
		112,581,233	(9,160,153)
Profit/(loss) per share (cents)			
- basic and diluted	27	**4.85**	(3.36)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Share capital	Asset revaluation reserve	Merger reserve	Capital reserve	Accumulated losses	Total equity attributable to equity holders of the company	Non-controlling interests	Total
	$	$	$	$	$	$	$	$
Balance at 1 January 2017	33,029,183	941,842	(9,438,138)	–	(137,405,796)	(112,872,909)	–	(112,872,909)
Loss for the year	–	–	–	–	(9,160,153)	(9,160,153)	–	(9,160,153)
Total comprehensive income for the year	–	–	–	–	(9,160,153)	(9,160,153)	–	(9,160,153)
Balance at 31 December 2017	**33,029,183**	**941,842**	**(9,438,138)**	**–**	**(146,565,949)**	**(122,033,062)**	**–**	**(122,033,062)**
Profit for the year	**–**	**–**	**–**		**112,760,551**	**112,760,551**	**(179,318)**	**112,581,233**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**112,760,551**	**112,760,551**	**(179,318)**	**112,581,233**
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Acquisition of a subsidiary (Note 7(B))	**–**	**–**	**–**	**698,087**	**–**	**698,087**	**1,786,608**	**2,484,695**
Disposal of non-current assets held-for-sale	**–**	**(941,842)**	**–**	**–**	**941,842**	**–**	**–**	**–**
Issue of ordinary shares pursuant to debt restructuring exercise (Note 4 & 15)	**10,754,509**	**–**	**–**	**–**	**–**	**10,754,509**	**–**	**10,754,509**
Total contributions and distributions to owners	**10,754,509**	**(941,842)**	**–**	**698,087**	**941,842**	**11,452,596**	**1,786,608**	**13,239,204**
Balance at 31 December 2018	**43,783,692**	**–**	**(9,438,138)**	**698,087**	**(32,863,556)**	**2,180,085**	**1,607,290**	**3,787,375**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

The Group	Note	Year ended 31 December 2018 $	Year ended 31 December 2017 $
Cash Flows from Operating Activities			
Profit/(loss) before taxation		**112,581,233**	(9,160,153)
Adjustments for:			
Allowance for impairment loss on retention receivables written back	22	**–**	(74,502)
Allowance for impairment loss on plant and equipment written back	22	**–**	(131,247)
Depreciation of property, plant and equipment	5,24	**164,239**	–
Gain on liquidation of subsidiaries	22	**(885,585)**	–
Gain on extinguishment of Scheme Liabilities	22	**(113,252,729)**	–
Impairment loss on non-current assets held-for-sale	24	**–**	2,220,000
Finance costs	23	**23,881**	3,627,308
Operating cash flows before working capital changes		**(1,368,961)**	(3,518,594)
Working capital changes:			
Inventories		**(303,837)**	174,347
Trade and other receivables		**431,274**	101,335
Contract assets		**(147,346)**	116,616
Contract liabilities		**35,460**	–
Trade and other payables		**(609,706)**	2,352,149
Net cash used in operating activities		**(1,963,116)**	(774,147)
Cash Flows from Investing Activity			
Acquisition of a subsidiary, net of cash acquired	7(B)	**270,392**	–
Net cash generated from investing activity		**270,392**	–
Cash Flows from Financing Activities			
Cash distribution to Scheme Creditors		**(4,145,765)**	–
Interest paid		**(23,881)**	–
Proceeds from issuance of shares	4	**8,000,000**	–
Repayment of borrowings (Note A)		**(144,608)**	–
Repayment of finance lease liabilities (Note A)		**(4,400)**	–
Net cash generated from financing activities		**3,681,346**	–
Net change in cash and cash equivalents		**1,988,622**	(774,147)
Extinguishment of bank overdrafts under Schemes	17	**12,602,146**	–
Cash and cash equivalents at beginning of financial year		**(12,585,078)**	(11,810,931)
Cash and cash equivalents at end of financial year	13	**2,005,690**	(12,585,078)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

Note A: Reconciliation of liabilities arising from financing activities, excluding equity items:

	At 1 January 2018	Extinguishment of debts under debt-restructuring (Note 4)	Acquisition of subsidiary (Note 7B)	Repayments	At 31 December 2018
	$	$	$	$	$
Borrowings	67,578,716	(67,578,716)	1,318,710	(144,608)	1,174,102
Finance lease liabilities	3,036,295	(3,036,295)	188,745	(4,400)	184,345
	70,615,011	(70,615,011)	1,507,455	(149,008)	1,358,447

Other non-cash transactions:

As disclosed in Note 20 to the financial statements, the Group's trade and other payables amounting to $54,115,106 were part of the Schemes of Arrangement which had been extinguished at an agreed sum, following the adjudication process by the Scheme Manager.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1 General Information

The financial statements of the Group and of the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company and domiciled in Singapore and is listed on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") since 28 October 2014. Trading in the Company's securities on the SGX-ST has been voluntarily suspended by the Company on 16 June 2017. The Company has submitted a resumption of trading proposal to SGX-ST pursuant to Rule 1304 of the Catalist Rules on 31 October 2018.

The registered office and principal place of business are located at 7 Sungei Kadut Crescent, Singapore 728696.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are as stated in Note 7.

2 Going Concern

The Group and the Company underwent a period of consolidation and restructuring including changes to the Company's Board of Directors and senior management team pursuant to the completion of the Investment Agreement and the respective Schemes of Arrangement in August 2018.

On 17 September 2018, the Company completed the subscription of a 51% equity interest in Sinbor (Company) Private Limited and its subsidiary whose business activities are synergistic and complementary to the Group's existing core business. The Group's interior fit-out projects typically require substantial outlays during the initial stages and it usually take at least five to six months after the award of the contract before monthly progress claims to its customers can be made. Accordingly, as a result of the general mismatch in the timing of the Group's cash flow movements between the outlays and the receipts collected from the Group's customers, the Group will experience negative operating cash flows in the next twelve months from the end of the reporting date based on the profit and cashflow projection prepared by management.

The Company had submitted a resumption of trading proposal to SGX-ST pursuant to Rule 1304 of the Catalist Rules on 31 October 2018. As at the date of this audit report, SGX-ST is still reviewing the Company's application for its resumption of trading. Further delays in the approval by SGX-ST may limit the Company's fund-raising options as it may not be able to raise fresh funds from the capital market to fund the operational needs of the Group and the Company. In the meanwhile, the Group and the Company manages the liquidity risk by ensuring that there are sufficient cash to meet all their normal operating commitments in a timely and cost-effective manner.

The Company has obtained an undertaking from its controlling shareholder to provide the necessary financial support of up to $3 million for the next twelve months from the date of the audit report so as to enable the Group and the Company to meet its debts as and when they fall due. The source of the financial guarantee provided by the controlling shareholder will be in the form of liquid assets which can be converted into cash easily, when called upon by the Company. Based on management's assessment, the use of going concern assumption is appropriate. Accordingly, the financial statements have been prepared on a going concern basis, taking into consideration of the above factor.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(a) Basis of preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) and International Financial Reporting Standards (“IFRS”). SFRS(I) are issued by the Accounting Standards Council and comprise standards and interpretations that are equivalent to International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”). All references to SFRS(I) and IFRS are subsequently referred to as SFRS(I) in these financial statements unless otherwise stated. These are the Group’s first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (“FRS”).

These consolidated financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

The financial statements are presented in Singapore Dollar which is the Company’s functional currency. All financial information is presented in Singapore Dollar (“S$”), unless otherwise stated.

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant judgements made in applying accounting policies

(i) Acquisition of a subsidiary – fair values measured (Note 7(B))

Acquisitions of subsidiaries are complex in nature and can be material to the financial statements. Assessment is required to determine the most appropriate accounting treatment for the acquisition and potential contractual arrangements relating to the acquisitions. The acquisition of Sinbor Company (Private) Limited (“Sinbor”) as set out in Note 7(B) was accounted for as a business combination in accordance with SFRS(I) 3 *Business Combinations*. There were various valuation techniques used in the measurement of the fair values of material assets acquired and liabilities assumed. Furthermore, the Lead Investors of the Company are also common and controlling shareholders in Sinbor, both before and after the business combination.

The purchase consideration of the 51% equity interest in the enlarged share capital of Sinbor was $1.2 million, settled in cash. No contingent consideration or indemnification asset was recognised at the acquisition date.

A gain on bargain purchase of $0.70 million was recorded in equity as a capital contribution from the common shareholders of the Company and Sinbor on completion of the purchase price allocation exercise determined on a provisional basis, being the difference between consideration transferred and the fair values of the identifiable net assets acquired.

There were significant judgements involved in determining the fair values of material assets acquired and liabilities assumed. Changes in the parameters used in the determination of the fair values of the assets acquired and liabilities assumed would affect the quantum of bargain purchase recognised in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(a) Basis of preparation (Cont'd)

Significant judgements made in applying accounting policies (Cont'd)

(ii) Net realisable value of inventories (Note 10)

The Group states inventories at the lower of cost and net realisable value. The Group records a write-down for inventories of products which have become obsolete or are in excess of anticipated demand or net realisable value. A review is made for excess inventory and declines in net realisable value below cost and a provision is recorded against the inventory balance for any such decline. The review requires management to consider the future demand for the products. In any case, the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting period and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgment and materially affects the carrying amount of inventories at the end of the reporting period. Possible changes in these estimates could result in revisions to the stated value of the inventories. A 10% reduction in the carrying amount of inventories. The carrying amount is disclosed in the Note 10 to the financial statements.

(iii) Income taxes (Note 26)

Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Critical accounting estimates and assumptions used in applying accounting policies

(i) Useful lives and depreciation of property, plant and equipment (Note 5)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The net carrying amount of the property, plant and equipment as at 31 December 2018 and the annual depreciation charge for the financial year ended 31 December 2018 are disclosed in Note 5 to the financial statements. A reduction/ extension in useful lives of the property, plant and equipment by one year would not be material (2017 – Nil).

(ii) Impairment of investments in subsidiaries (Note 7)

Management recorded an impairment loss of $3.54 million on its investment in a subsidiary in the current financial year. Determining whether investment in its subsidiaries is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating unit determined at an appropriate growth rate and discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates. As at 31 December 2018, an increase/decrease in the discount rate by 1% with Nil growth rate would result in an increase/(decrease) in impairment loss in the subsidiary by approximately $0.27 million/ ($0.33) million respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(b) Adoption of SFRS(I)

In December 2017, the Accounting Standards Council ("ASC") issued the SFRS(I). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s amendments to and, interpretations of SFRS(I)s which are mandatorily effective from the same date.

Reference	Description
SFRS(I) 1	*First-time adoption of Singapore Financial Reporting Standards (International)*
SFRS(I) 9	*Financial Instruments*
SFRS(I) 15	*Revenue from Contracts with Customers*
Amendments to SFRS(I) 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to SFRS(I) 1-40	*Transfer of Investment Property*
Amendments to SFRS(I) 4	*Applying SFRS(I) 9 – Financial Instruments with SFRS(I) 4 – Insurance Contracts*
SFRS(I) INT 22	*Foreign Currency Transactions and Advance Consideration*

The application of the above standards and interpretations does not have a significant impact on the financial statements for the current or prior financial years.

(i) SFRS(I)1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017). Additional disclosures are made for specific transition adjustments if applicable.

(ii) SFRS(I) 9 *Financial Assets*

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate comparative information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. There is no significant impact arising from the measurement of these instruments under SFRS(I) 9 since the available-for-sale financial assets had been fully impaired as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(b) Adoption of SFRS(I) (Cont'd)

(ii) SFRS(I) 9 *Financial Assets* *(Cont'd)*

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments*: *Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively.

Impairment

SFRS(I) 9 requires management 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 loss based on the incurred loss model when there is an objective evidence that a financial asset is impaired. There is no financial impact to the Group's financial statements on adoption of SFRS(I) 9 using the expected credit loss model.

(iii) SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). SFRS(I) 15 replaces the previous revenue standards, FRS 18 – *Revenue* and FRS 11 – *Construction Contracts*, and the related interpretations on revenue recognition, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 Revenue – *Barter Transactions Involving Advertising Services*.

SFRS(I) 15 establishes a five-step model that will apply to revenue arising from contracts with customers. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SFRS(I) 15 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018. On adoption of SFRS(I) 15, the Group changed the presentation of "amounts due from contract customers" and "advances received from customers" to "contract assets" and "contract liabilities" respectively. Contract assets represent the Group's right to consideration for work completed but not billed at the reporting date in respect of its interior fit-out business while contract liabilities relate to advance consideration received from customers.

At 1 January 2017	FRS Framework	SFRS(I) 15 adjustment	SFRS(I) Framework
	$	$	$
Current assets:			
Amounts due from contract customers	116,616	(116,616)	–
Contract assets	–	116,616	116,616
Current liabilities:			
Advances received from customers	(251,272)	251,272	–
Contract liabilities	-	(251,272)	(251,272)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(b) Adoption of SFRS(I) (Cont'd)

(iii) SFRS(I) 15 *Revenue from Contracts with Customers* *(Cont'd)*

The accounting policies set out in Note 3(d) have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions under SFRS(I) 1.

3(c) Standards issued but not yet effective

The following are the new or amended SFRS(I) and INT SFRS(I) issued in 2018 that are not yet effective but may be early adopted for the current financial year.

Reference	**Description**	**Effective date (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
SFRS(I) 1-1, SFRS(I) 1-8	*Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material*	1 January 2020

SFRS (I) 16 *Leases*

SFRS (I) 16 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 *Leases* that are no longer considered fit for purpose and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. SFRS(I) 16 *Leases* will be effective for accounting periods beginning on or after 1 January 2019.

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. The Group currently leases office equipment, dormitories, warehouses and office spaces under non-cancellable operating leases. The leases have lease term ranging from 1 to 2 years, with renewal option included in the contracts. The Group expects these operating leases to be recognised as "Right of Use" ("ROU") assets with corresponding lease liabilities under the new standard. Management does not plan to early adopt the above new SFRS(I) 16.

SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(c) Standards issued but not yet effective (Cont'd)

SFRS(I) 1-1, SFRS(I) 1-8 *Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material*

The amendments clarify that the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in SFRS(I)s. Materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary user.

The amendments to SFRS(I) 1-1 and SFRS(I) 1-8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively, and earlier application is permitted.

3(d) Summary of significant accounting policies

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 continues to be consolidated until the date that such control ceases. Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

Subsidiary

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.

Thus, the Group controls an investee if, and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Subsidiary (Cont'd)

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

Acquisitions

The Group applies the acquisition method to account for business combinations, including a business combination involving entities under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the statement of comprehensive income. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with SFRS(I) 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Bargain purchase

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income. However, in situation which involves a common control transaction, to the extent that the acquisition accounting gives rise to an apparent gain or loss on a bargain purchase, the amount is recognised in equity as a capital contribution from the shareholders of the acquirer.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Disposal

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

When the Group losses control of a subsidiary, a gain or loss is recognised in the statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9 when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Transactions with Non-Controlling Interest

Non-controlling interest represents the equity in subsidiary not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Acquisition of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Changes in the Company owners' 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 the 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.

Subsidiaries

Subsidiaries are entities controlled by the Company. In the Company's separate statement of financial position, subsidiaries are stated at cost less any impairment losses on an individual subsidiary basis.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Leasehold properties	Over the remaining lease of 7.42 years
Furniture, fittings and office equipment	3 to 10 years
Motor vehicles	10 years
Plant and machinery	5 to 10 years
Renovation	5 to 10 years

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation (Cont'd)

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready to use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at end of each reporting period as a change in estimates.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the statement of comprehensive income.

Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

Goodwill on acquisition of subsidiaries on or after 1 January 2017 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire cover the fair value of the net identifiable assets acquired.

Acquisitions before 1 January 2017

As part of the transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisition prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in the statement of comprehensive income on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Intangible assets (Cont'd)

Trade name

Trade name was acquired through business combinations and measured at fair value as at the date of acquisition. Subsequently, trade name is carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in statement of comprehensive income on a straight-line basis over 3 years.

Trade name is assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful life and amortisation method are reviewed at the end of each reporting period to ensure that the period of amortisation and amortisation method are consistent with previous estimates and the expected pattern of consumption of the future economic benefits.

Associates

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

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss, on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of comprehensive income.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Associates (Cont'd)

Upon loss of significant influence or joint control over the associate, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in the consolidated statement of comprehensive income.

The Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if that associate or joint venture had directly disposed of the related assets or liabilities.

When an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to the consolidated statement of comprehensive income the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to the statement of comprehensive income on the disposal of the related assets or liabilities.

Financial instruments

Financial assets

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

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

Financial assets, other than hedging instruments, can be divided into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

As at 31 December 2017, the Group carried loans and receivables and available-for-sale financial assets. The Group does not have financial assets at fair value through profit or loss and held-for-maturity investments as at 31 December 2017.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables include trade and other receivables and cash and cash equivalents. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment loss was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

The accounting for financial assets before 1 January 2018 is as follows: (Cont'd)

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting period to determine whether there is any objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has been occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. All individually significant financial assets are assessed for specific impairment on an individual basis.

All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has incurred but not yet identified. The remaining financial assets that are not individually significant are collectively assessed for impairment by grouping together such instruments with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than that suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected as an allowance account against receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

The accounting for financial assets after 1 January 2018 is as follows:

At initial recognition

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, transactions 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 the statement of comprehensive income.

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.

At 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 is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

The accounting for financial assets after 1 January 2018 is as follows: (Cont'd)

Impairment of financial assets

The Group assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and FVOCI, and financial guarantee contracts. For trade receivables, the Group applies the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group applies the general approach of 12-month ECL at initial recognition for all other financial assets. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrow or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy of other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from customer. If customer pays consideration before the Group transfers good or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Financial liabilities

The Group's financial liabilities include borrowings, finance lease liabilities and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the statement of comprehensive income. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial liabilities (Cont'd)

Financial assets and financial liabilities are offsetted and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of borrowing using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are de-recognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the reporting date are included in current borrowings in the statement of financial position even though the original terms were for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date. Other borrowings due to be settled more than 12 months after the reporting date are included in non-current borrowings in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and fixed deposits.

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 at purchased costs on a first-in first-out basis for trading inventories. Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of the inventories to the lower of cost and net realisable value.

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

Share capital

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

Borrowings 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Leases

Where the Group is the lessee,

Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as "finance charges" which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

Operating leases

Rentals on operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the statement of comprehensive income when incurred. Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the statement of comprehensive income when incurred.

Income taxes

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

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

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

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

Deferred income tax is measured:

- at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

- based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

3(d) Summary of significant accounting policies (Cont'd)

Income taxes (Cont'd)

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, provided they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Employee benefits

Defined contribution plans

The Group and the Company participate in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated companies in the Group contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the statement of comprehensive income in the period to which the contributions relate.

Employee leave entitlements

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

Employee Share Option Scheme

The Company has an employee share option plan for the granting of non-transferrable options.

The Group issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the statement of comprehensive income with a corresponding increase in the "employee share options reserve" over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant.

Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to be exercisable on the vesting date. At the end of each reporting period, the Group revises its estimate of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimate in the statement of comprehensive income, with a corresponding adjusting to the "employee share options reserve" over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the "employee share options reserve" are credited to share capital account, when new ordinary shares are issued.

In the Company's separate financial statements, the fair value of options granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

Key management personnel

Key management are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. Directors and certain executive officers are considered key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Impairment of non-financial assets

The carry amounts of the Group's and the Company's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or whose not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash generating units, to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the statement of comprehensive income unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decrease.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading "asset revaluation reserve". However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statement of comprehensive income, a reversal of that impairment loss is recognised as income in the statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of reporting period.

Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in the statement of comprehensive income.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore Dollars, which is also the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3(d) Summary of significant accounting policies (Cont'd)

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates at the reporting date are recognised in the statement of comprehensive income.

However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the "translation reserve".

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to the statement of comprehensive income, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance cost". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense, depending on whether foreign currency movements are in a net gain or net loss position.

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

Revenue recognition

(i) Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3(d) Summary of significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

(ii) Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised on an accrual basis based on the effective interest method.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group President (the Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and to assess its performance, and expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

4 Debt restructuring exercise

Since March 2016, the Group and the Company have received various letters of demand and/or has had writs of summon and/or seizures and sale served on them by financial institutions and creditors. In September 2016, the Company and Serrano Holdings Pte. Ltd. ("SHPL") commenced the original Schemes of Arrangement (the "Original Schemes") that involved certain creditors (known as the "Phase One Scheme Creditors") which was approved by these Phase One Scheme Creditors in October 2016. The Original Schemes were sanctioned by the Court on 2 February 2017 in accordance with Section 210(3) of the Companies Act, Cap. 50.

In January 2017, pursuant to the Original Schemes, the Company entered into an Investment Agreement with the Lead Investors, pursuant to which the Lead Investors will subscribe for New Investor Shares for a cash consideration of $8,000,000. The Court Orders in respect of the sanction of the Original Schemes were lodged with the Accounting Corporate and Regulatory Authority of Singapore ("ACRA") in February 2017 and became binding on the Company, SHPL and the Phase One Scheme Creditors from February 2017.

In the course of conducting their due diligence on the Company and SHPL, the Lead Investors identified certain non-scheme liabilities of the Company and SHPL, which comprised hire purchase liabilities and professional fees, which were not covered and included under the Original Schemes.

In September 2017, the Company appointed a new Scheme Manager, in place of the predecessor firm, which has resigned due to a conflict of interest because the non-scheme liabilities included their professional fees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4 Debt restructuring exercise (Cont'd)

The Phase One Scheme Creditors subsequently approved the extension of the effective date of the Original Schemes from 28 September 2017 to 31 December 2017, giving the Group and the new Scheme Manager more time to amend the Original Schemes and applied to the Court for leave to convene creditors' meetings to enter into negotiations with the Lead Investors on the non-scheme liabilities, and to amend the Original Schemes. The Lead Investors subsequently agreed to fulfil their obligations under the Investment Agreement provided that the Original Schemes were amended and/or revised to introduce new creditors in respect of the non-scheme liabilities (the "Phase Two Scheme Creditors") and provided for settlement of these non-scheme liabilities on the same terms and conditions that the Phase One Scheme Creditors were entitled to under the Original Schemes. In November 2017, the Court granted liberty to the Company and SHPL to convene meetings of each class of its creditors on or before 20 December 2017 for them to consider and approve the amended Schemes (the "Amended Schemes"). The Amended Schemes were subsequently approved by the Phase One and Phase Two Scheme Creditors (collectively known as the "Scheme Creditors") at the Court Meetings on 20 December 2017.

On 23 February 2018, the Amended Schemes were granted approval and sanctioned by the Court pursuant to Section 210(3) of the Companies Act, Cap. 50 and the Company and SHPL subsequently lodged the court orders with ACRA on 6 March 2018 (also known as the "Commencement Date"), upon which they have taken effect and binding on the relevant parties. With the commencement of the Amended Schemes, the Original Schemes were terminated.

On 3 April 2018, the Company entered into a supplemental agreement with the Lead Investors to amend the terms of the Investment Agreement for consistency with the Schemes and to adjust the proportions of investment between the Lead Investors.

In April 2017, the Company had received the listing and quotation notice from Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing of the new shares to be issued to the Investors and Scheme Creditors, on the Catalist. At an extraordinary general meeting held on 24 May 2018, the shareholders of the Company approved (i) the allotment and issuance of new ordinary shares to the Scheme Creditors pursuant to a debt-to-equity conversion under the Amended Schemes, (ii) the allotment and issuance of new ordinary shares to the Investors for an aggregate consideration of $8 million and (iii) the waiver by the independent shareholders of the Company of their rights to receive a mandatory general offer from Winmark Investment Pte. Ltd. for all the issued shares in the capital of the Company not already owned, controlled or agreed to be acquired by them.

The Amended Schemes comprised the following:

(a) The subscription by the Investors for shares amounting to approximately 68.95% of the enlarged share capital of the Company for a cash consideration of $8,000,000. The cash consideration will be used to (i) contribute to the general working capital of the Group, (ii) effect the Phase One Cash Distribution to Phase One Scheme Creditors under the Schemes and (iii) effect the Phase Two Cash Distribution to Phase Two Scheme Creditors under the Schemes;

(b) The Phase One Cash Distribution, amounting to $4,000,000, to the Phase One Scheme Creditors on a pro-rata basis;

(c) The Phase Two Cash Distribution, amounting to $169,945 to the Phase Two Scheme Creditors on a pro-rata basis;

(d) The Phase One Share Distribution, amounting to 25% of the enlarged share capital of the Company to the Phase One Scheme Creditors on a pro-rata basis in accordance with the balance remaining of the approved claims after giving credit for any Phase One Cash Distribution received; and

(e) The Phase Two Share Distribution, amounting to 1.05% of the enlarged share capital of the Company to the Phase Two Scheme Creditors on a pro-rata basis in accordance with the balance remaining of the approved claims after giving credit for any Phase Two Cash Distribution received.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4 Debt restructuring exercise (Cont'd)

The terms of the Amended Schemes require the Company to, *inter alia*:

- Effect the first tranche of each of the Phase One Cash Distribution and Phase Two Cash Distribution to the Phase One Scheme Creditors and Phase Two Scheme Creditors, respectively, within four weeks from 24 May 2018, i.e. by 21 June 2018; and

- Effect the first tranche of each of the Phase One Share Distribution and Phase Two Share Distribution to the Phase One Scheme Creditors and Phase Two Scheme Creditors, respectively, within six weeks from 24 May 2018.

On 21 June 2018, the Company announced that the Lead Investors have requested for and the Company has agreed to, a deferment of the completion date of the Investment Agreement. The Lead Investors require more time to fulfil the completion deliverables under the Investment Agreement, due to an administrative delay in procuring the necessary funds. Consequent to the Investment Agreement not having been completed as described, the Phase One Cash Distribution and Phase Two Cash Distribution has not been made on or before 21 June 2018.

The Amended Schemes provide that in the event of any breach or non-compliance of any terms of the Amended Schemes, the Company shall rectify such breach or non-compliance within thirty (30) business days from the date of such breach or non-compliance. No breach of the Amended Schemes shall be regarded as having occurred if rectified within such time period.

On 1 August 2018, the Company announced that pursuant to the completion of the Investment Agreement on that date, 3,755,363,113 new ordinary shares in the Company was issued and allotted to the Lead Investors for an aggregate consideration of $8.0 million (the "Investor Shares"). The Company made cash distribution of $4.15 million to both Phase One and Phase Two Scheme Creditors. On 15 August 2018, the Company issued and allotted 1,293,022,434 new ordinary shares in the Company to the Phase One and Phase Two Scheme Creditors amounting to approximately $2.76 million (the "Shares Distribution"). Consequently, the total issued and paid-up share capital of the Company has increased from $33.0 million comprising 272,360,574 ordinary shares as at 1 January 2018 to $43.78 million comprising 5,320,746,121 ordinary shares as at 31 December 2018.

On 24 January 2019, further to the First Tranche Share Distribution, the Company completed a further share issuance of an additional 27,991,291 shares to the Phase One and Phase Two Scheme Creditors. Following this, the debt restructuring exercise of the Company has been substantially completed. The Second Tranche Share distribution to a Scheme Creditor of 8,059,072 ordinary shares and a costs distribution of $24,000 is expected to take place in May or June 2019. Following the completion of the debt restructuring exercise, the relevant changes to the Company's share capital are disclosed as follows:

Allotment and issuance of new ordinary shares

	Note	Number of shares	$
At 1 January 2018		272,360,574	33,029,183
Add:			
Investor Shares[1]		3,755,363,113	8,000,000
Shares Distribution[2]		1,293,022,434	2,754,509
At 31 December 2018	15	5,320,746,121	43,783,692

[1] Issued and allotted 3,755,363,113 new ordinary shares at $0.00213 per share to the Lead Investors (the "Investor Shares")
[2] Issued and allotted 1,293,022,434 new ordinary shares at $0.00213 per share to the Scheme Creditors (the "Shares Distribution")

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4 Debt restructuring exercise (Cont'd)

Waiver of debts

Total net debts amounting to $120.23 million due and payable by the Group (including accrued interests and contingent liabilities attributed to the corporate guarantees provided by the Company) were settled and discharged by way of a combination of settlement in equity amounting to $2.81 million (through the issuance of new ordinary shares in the Company) and in cash of $4.15 million. Consequently, through the issuance of Investor Shares, Shares Distribution to Scheme Creditors and payment of the cash distribution to the Scheme Creditors, a gain on extinguishment of liabilities arising from the Schemes amounting to $113.3 million was recorded in the consolidated statement of comprehensive income (Refer to Note 22 to the financial statements).

5 Property, plant and equipment

	At Valuation	←	At Cost		→	
The Group	**Leasehold property**	**Furniture, fittings and office equipment**	**Motor vehicles**	**Plant and machinery**	**Renovation**	**Total**
	$	$	$	$	$	$
Cost or valuation						
At 1 January 2017	–	1,016,699	203,346	3,936,448	743,980	5,900,473
Written-off	–	(1,016,699)	(203,346)	(3,936,448)	(743,980)	(5,900,473)
At 31 December 2017	–	–	–	–	–	–
Acquisition through business combination (Note 7B)	**2,166,466**	**94,575**	**289,873**	**175,240**	**196,540**	**2,922,694**
At 31 December 2018	**2,166,466**	**94,575**	**289,873**	**175,240**	**196,540**	**2,922,694**
Accumulated depreciation and impairment loss						
At 1 January 2017	–	1,016,699	203,346	3,936,448	743,980	5,900,473
Written-off	–	(1,016,699)	(203,346)	(3,936,448)	(743,980)	(5,900,473)
At 31 December 2017	–	–	–	–	–	–
Depreciation charge for the year (Note 24)	**112,380**	**17,996**	**15,176**	**1,875**	**16,812**	**164,239**
At 31 December 2018	**112,380**	**17,996**	**15,176**	**1,875**	**16,812**	**164,239**
Net carrying amount						
At 31 December 2018	**2,054,086**	**76,579**	**274,697**	**173,365**	**179,278**	**2,758,455**
At 1 January 2017 and 31 December 2017	**–**	**–**	**–**	**–**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5 Property, plant and equipment (Cont'd)

In the previous financial year, management wrote-off its fully impaired property, plant and equipment as the Group's leasehold properties, plant and equipment, motor vehicles under hire purchase and other immovable plant and machinery, furniture, fittings and office equipment and renovation located at No. 16 Sungei Kadut Way, Singapore 728793 and No. 49 Sungei Kadut Loop, Singapore 792492 respectively, had been repossessed by the financial institutions and finance companies. The Group subsequently relocated its office to its present office at No. 7 Sungei Kadut Cresent, Singapore 728696 from 4 December 2017 onwards.

6 Intangible assets

The Group	**Goodwill $**	**Trade name $**	**Total $**
Cost			
At 1 January 2017	518,237	141,120	659,357
Written-off	(518,237)	(141,120)	(659,357)
At 31 December 2017 and 2018	–	–	–
Accumulated amortisation and impairment loss			
At 1 January 2017	518,237	141,120	659,357
Written-off	(518,237)	(141,120)	(659,357)
At 31 December 2017 and 2018	–	–	–
Net carrying amount			
At 1 January 2017, 31 December 2017 and 2018	–	–	–

Goodwill arising on consolidation related to the acquisition of a subsidiary, Sanzio Space Planner Pte. Ltd. ("Sanzio"). In the previous financial year, the Group wrote-off its fully impaired goodwill and trade name as Sanzio had been placed under provisional liquidation subsequent to the balance sheet date.

7 Investments in subsidiaries

The Company	**31 December 2018 $**	31 December 2017 $	1 January 2017 $
Unquoted equity shares, at cost	**1,200,000**	18,268,138	18,268,138
Capital contributions	**7,232,889**	13,634,245	13,634,245
	8,432,889	31,902,383	31,902,383
Allowance for impairment losses	**(3,539,000)**	(31,902,383)	(31,902,383)
	4,893,889	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7 Investments in subsidiaries (Cont'd)

Pursuant to a directors' resolution dated 31 December 2018, the Company capitalised a non-trade balance amounting to $7.23 million due from SHPL, arising from the shares and cash distributions made on its behalf to the Phase One and Phase Two Scheme Creditors in respect of the Schemes of Arrangement as set out in Note 4 to the financial statements, as part of the Company's net investment in the subsidiary.

The non-trade amounts due from the subsidiary is an extension of the Company's net investment in the subsidiary. The amounts are unsecured, interest-free and are not expected to be repaid within one year. They are stated at cost, less impairment losses, if any.

As at 31 December 2018, management carried out an impairment assessment on the recoverable amount of its net investment in SHPL. The recoverable amount was determined based on value-in-use (VIU) approach. Cash flow projection used in the VIU calculations are based on financial budgets approved by management covering a three-year period.

Cash flows beyond the three-year period was extrapolated using Nil growth rate. A pre-tax discount rate of 12.6% was applied to the cash flow projection. As the estimated value-in-use or recoverable amount was lower than the carrying amount of the net investment in SHPL, an impairment loss of $3,539,000 was recognised in the Company's statement of comprehensive income in the current financial year.

Movement in allowance for impairment losses was as follows:

The Company	**31 December 2018**	31 December 2017
	$	$
Balance at beginning of year	**31,902,383**	31,902,383
Impairment loss recognised during the year	**3,539,000**	–
Allowance utilised during the year	**(31,902,383)**	–
Balance at end of year	**3,539,000**	31,902,383

In the current financial year, management wrote-off its fully-impaired investments in subsidiaries following the completion of the Schemes of Arrangement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7 Investments in subsidiaries (Cont'd)

The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ principal place of business	Principal activities	Proportion of effective ownership interest held		
			31 Dec 2018	31 Dec 2017	1 Jan 2017
			%	%	%
Held by the Company					
Serrano Holdings Pte Ltd ("SHPL")[(1)]	Singapore	Non-building construction and wholesale of furniture for projects purposes	**100**	100	100
Sinbor (Company) Private Limited ("Sinbor")[(1)]	Singapore	Supply and installation of building materials for residential and commercial projects	**51**	–	–
Artiwood Supervina Pte Ltd ("ASPL")[(2)(3)] (Note A)	Singapore	Manufacturing, wholesale and retailing of furniture and other related products	**–**	100	100
Serrano Design Pte. Ltd. ("SDPL")[(2)(3)] (Note A)	Singapore	Project work, interior design and related services	**–**	100	100
Sanzio Space Planner Pte. Ltd. ("SSPL")[(2)(3)] (Note A)	Singapore	Wholesale of furniture and fittings, renovation and interior design	**–**	100	100
Held by Sinbor					
Euroasia Facade Pte Ltd ("Euroasia")[(1)]	Singapore	Supply and installation of aluminium glazing works	**41**	–	–

(1) Audited by Foo Kon Tan LLP
(2) Audited by Foo Kon Tan LLP for consolidation purposes in FY 2017
(3) On 30 January 2018, the subsidiaries have been placed under Provisional Liquidation

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7 Investments in subsidiaries (Cont'd)

Note A – Subsidiaries under liquidation

On 30 January 2018, ASPL, SSPL and SDPL, which are wholly-owned subsidiaries of the Company were placed under Provisional Liquidation.

Analysis of assets and liabilities over which control was lost:

	2018
	$
Trade and other receivables	55,361
Trade payables and accruals	(940,946)
Net liabilities disposed of	**(885,585)**

Gain on liquidation of subsidiaries

		2018
	Note	$
Consideration received		–
Net liabilities disposed of		(885,585)
Gain on liquidation of subsidiaries, net	22	885,585

There were no cash flows arising from the liquidation of the subsidiaries.

Note B – Acquisition of Sinbor Group

On 5 September 2018, the Company entered into a sale and purchase agreement (the "S&P Agreement") with Sinbor Company (Private) Limited, to subscribe for a 51% equity interest in the enlarged share capital of Sinbor for a total cash consideration of $1.2 million. Sinbor in turn holds an 80% equity interest in Euroasia.

The S&P Agreement also includes a call option pursuant to which the Company has the right to require the existing shareholders of Sinbor to sell their collective interest of the remaining 49.0% equity interest in Sinbor to the Company (the "Call Option"). On the same date, a put option is also granted to each existing shareholder who has the right to require the Company to acquire their respective interests in Sinbor (the "Put Option"). The Put Option expires on 31 December 2020 and is exercisable only if the Company does not exercise the Call Option which expires on 31 December 2019. The consideration for both Call and Put Options is to be determined by an independent valuer to be mutually agreed by the Company and the existing shareholders of Sinbor. As the Lead Investors of the Company are also the common and controlling shareholders in Sinbor, management is of the view that the fair value of both Call and Put Options is not material.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7 Investments in subsidiaries (Cont'd)

Note B – Acquisition of Sinbor Group (Cont'd)

The following summarised the major classes of consideration transferred, and fair value of the recognised amount of identifiable assets acquired and liabilities assumed of the Sinbor Group at the acquisition date:

(a) Consideration transferred

The Group	$
Cash consideration	**800,000**
Deferred consideration	**400,000**
Extinguishment of pre-existing contractual relationships	**(38,557)**
Total consideration	**1,161,443**

Subsequent to the balance sheet date, the Company injected $200,000 into Sinbor, as part of the deferred consideration.

(b) Fair value of identifiable assets acquired and liabilities assumed as at acquisition date

	Note	$
Property, plant and equipment	5	**2,922,694**
Inventories		**2,532,569**
Trade and other receivables		**1,927,150**
Cash and cash equivalents		**270,392**
Deferred tax liabilities	19	**(42,590)**
Borrowings		**(1,318,710)**
Finance lease liabilities		**(188,745)**
Trade and other payables		**(2,456,622)**
Total identifiable net assets acquired at fair value		**3,646,138**
Less: Non-controlling interests (49%)		**(1,786,608)**
Less: Gain on bargain purchase		**(698,087)**
Total consideration		**1,161,443**

The gain on bargain purchase amounting to $698,087 is recognised in the "capital reserve" within the consolidated statement of changes in equity.

(c) Acquisition-related costs

The Group incurred acquisition-related costs of $73,855 on legal fees, audit fees, valuation, purchase price allocation and due diligence costs. These expenses have been included in administrative expenses in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7 Investments in subsidiaries (Cont'd)

Note B – Acquisition of Sinbor Group (Cont'd)

(d) Determination of fair values on a provisional basis

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair values of the property, plant and equipment were determined by an independent valuer using the market approach and cost approach, using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

(ii) Inventories

The fair value of certain inventories with a carrying amount of $320,973 has not been finalised by an independent valuer as at the acquisition date. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional adjustments that existed at the acquisition date, then the acquisition accounting will be revised.

(iii) Trade and other receivables

The fair values of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(iv) Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

(iv) Non-controlling interest

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7 Investments in subsidiaries (Cont'd)

Note B – Acquisition of Sinbor Group (Cont'd)

Non-controlling interests

The following summaries the financial information of each of the Company's subsidiaries with material non-controlling interest, based on their respective financial statements prepared in accordance with SFRS(I). The information is before inter-company eliminations with other entities in the Group and has not been adjusted for the percentage ownership held by the Group.

Sinbor Group

Summarised statement of financial position:

	31 December 2018 $
Non-current assets	3,532,798
Current assets	5,032,418
Non-current liabilities	(743,763)
Current liabilities	(4,541,269)
Equity attributable to owners of the Company	3,280,184

Summarised statement of comprehensive income:

	For the period from 1 October 2018 to 31 December 2018 $
Revenue	1,469,937
Expenses	(1,835,892)
Loss for the year	(365,955)
Cash flows from:	
- Operating activities	(529,812)
- Financing activities	250,993
Net cash outflows	(278,819)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8 Investment in associate

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	$	$	$	**$**	$	$
Unquoted equity shares, at cost	**–**	108,066	108,066	**–**	108,066	108,066
Share of post-acquisition results	**–**	(108,066)	(108,066)	**–**	–	–
Allowance for impairment losses	**–**	–	–	**–**	(108,066)	(108,066)
	–	–	–	**–**	–	–

Movement in allowance for impairment losses was as follows:

The Company	**31 December 2018**	31 December 2017
	$	$
Balance at beginning of year	**108,066**	108,066
Allowance utilised during the year	**(108,066)**	–
Balance at end of year	**–**	108,066

In the current financial year, management wrote-off its fully-impaired investment in the associate, following the completion of the Schemes of Arrangement.

The details of the associate are as follows:

Name of associate	**Country of incorporation/ principal place of business**	**Principal activities**	**Effective equity interest**		
			31 Dec 2018	31 Dec 2017	1 Jan 2017
			%	%	%
Serrano (Thailand) Co., Ltd.[1]	Thailand	Project management and interior fit-out	**49**	49	49

[1] Not considered as a significant associate as defined under Rule 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9 Available-for-sale financial asset

The Group and The Company	**31 December 2018**	31 December 2017	1 January 2017
	$	$	$
Unquoted equity investment, at cost	**–**	–	1,800,000
Allowance for impairment losses	**–**	–	(1,800,000)
	–	–	–

Movement in allowance for impairment losses was as follows:

The Group and The Company	31 December 2017
	$
Balance at beginning of year	1,800,000
Allowance utilised during the year	(1,800,000)
Balance at end of year	–

The available-for-sale financial assets represented the 30% equity interest in J-Plan Associates Pte Ltd ("J-Plan"). The remaining equity interest of 70% was held by the then director and Chief Executive Office of J-Plan. The shareholding interest exceeded 20% of the total shareholding in the investee company but the Group considered that it does not have the power to exercise any influence over the entity as the Group has no representation on the Board of Directors. The investment was intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

In FY2017, the Group wrote-off its the fully impaired investment in unquoted investments as J-Plan was placed under liquidation on 6 October 2017.

10 Inventories

The Group	**31 December 2018**	31 December 2017	1 January 2017
	$	$	$
Raw materials, at cost	**2,448,354**	–	–
Finished goods, at cost	**100,000**	–	–
Finished goods, at net realisable value	**288,052**	–	174,347
	2,836,406	–	174,347

The cost of inventories recognised as an expense and included in "cost of sales" line item in the Group's statement of comprehensive income for the financial year ended 31 December 2018 amounted to $422,708 (2017 - $ Nil).

As at the balance sheet date, the fair value of certain inventories with a carrying amount of $288,052 held by Sinbor has not been finalised by the independent valuer at the date of acquisition. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the said inventories, then the carrying amount of the inventories will be revised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 Trade and other receivables

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	$	$	$	**$**	$	$
Trade receivables	**795,514**	100,000	7,121,386	**–**	–	–
Allowance for impairment losses	**–**	–	(6,986,110)	**–**	–	–
	795,514	100,000	135,276	**–**	–	–
Other receivables	**32,678**	–	1,912	**–**	–	13,293
Amounts due from a related party (non-trade)	**92,860**	–	–	**92,860**	–	–
Amount due from a subsidiary (non-trade)	**–**	–	–	**100,000**	–	–
Loan to a third party	**–**	–	3,575,775	**–**	–	–
	921,052	100,000	3,712,963	**192,860**	–	13,293
Allowance for impairment losses:						
- Amount due from a subsidiary (non-trade)	**–**	–	–	**(100,000)**	–	–
- Loan to third party	**–**	–	(3,575,775)	**–**	–	–
	921,052	100,000	137,188	**92,860**	–	13,293
Retention receivable	**304,318**	74,502	74,502	**–**	–	–
Deposits	**324,221**	60,001	13,687	**250,001**	60,001	–
Financial assets at amortised cost	**1,549,591**	234,503	225,377	**342,861**	60,001	13,293
Prepayments	**67,761**	–	35,959	**–**	–	900
Advances to suppliers	**96,223**	–	–	**–**	–	–
Trade and other receivables	**1,713,575**	234,503	261,336	**342,861**	60,001	14,193

Trade receivables are unsecured, non-interest bearing and generally do not have credit terms (2017 - 30 to 120) days' credit terms. Included in deposits is a refundable amount of $250,000 placed with a third party in respect of an investment in an unquoted investment.

The non-trade amounts due from a related party and a subsidiary are unsecured, non-interest bearing and repayable on demand.

The loan extended to a third party amounting to $3.58 million was unsecured and bore effective interest at 6.14% per annum and was written-off in FY2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 Trade and other receivables (Cont'd)

Movements in allowance for impairment losses on trade and other receivables were as follows:

The Group	31 December 2018 $	31 December 2017 $
Balance at beginning of the year	–	10,561,885
Reversal of impairment loss (Note 22)	–	(74,502)
Allowance utilised during the year	–	(10,487,383)
Balance at end of year	–	–

The Company	31 December 2018 $	31 December 2017 $
Balance at beginning of the year	–	–
Impairment loss recognised	100,000	–
Balance at end of year	100,000	–

The Group's and the Company's exposure to credit risk is disclosed in Note 31 to the financial statements.

Trade and other receivables are denominated in the following currencies:

	The Group			The Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Singapore Dollar	1,713,575	234,503	215,982	342,861	60,001	14,193
United States Dollar	–	–	45,354	–	–	–
	1,713,575	234,503	261,336	342,861	60,001	14,193

12 Contract assets/ Contract liabilities

The Group	31 December 2018 $	31 December 2017 $	1 January 2017 $
Contract assets	147,346	–	4,655,717
Allowance for impairment losses	–	–	(4,539,101)
	147,346	–	116,616
Contract liabilities	122,001	86,542	251,272

Contract assets relate primarily to the Group's right to consideration for work completed but not billed at the reporting date in respect of its interior fit-out works. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer. The changes in contract assets are due to the differences between the agreed payment schedule and progress of the service rendered.

There were no contract assets as at 31 December 2017 as the Group was under the Schemes of Arrangement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12 Contract assets/ Contract liabilities (Cont'd)

Movements in allowance for impairment losses on contract assets were as follows:

The Group	**31 December 2018**	31 December 2017
	$	$
Balance at beginning of the year	**–**	4,539,101
Allowance utilised during the year	**–**	(4,539,101)
Balance at end of year	**–**	–

Contract liabilities relate primarily to advance consideration received from customers and they are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer.

The significant changes in the contract liabilities during the year are as follows:

The Group	**FY 2018**	FY 2017
	$	$
Revenue recognised that was included in contract liabilities at the beginning of the year	**(214,936)**	(164,730)
Increases due to cash received, excluding amounts recognised as revenue during the year	**250,395**	–

Contract assets and contract liabilities are denominated in Singapore dollar.

13 Cash and bank balances

	The Group			**The Company**		
	31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	$	$	$	**$**	$	$
Cash at bank	**1,632,915**	17,068	308,499	**1,540,463**	6,206	30,645
Fixed deposits	**372,775**	–	–	**–**	–	–
Cash and bank balances	**2,005,690**	17,068	308,499	**1,540,463**	6,206	30,645

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13 Cash and bank balances (Cont'd)

For the purposes of the consolidated cash flow statement, the year-end cash and cash equivalents comprise of the followings:

The Group	**31 December 2018**	31 December 2017	1 January 2017
	$	$	$
Cash and bank balances	**2,005,690**	17,068	308,499
Less: Bank overdrafts (Note 17)	**–**	(12,602,146)	(12,119,430)
Cash at bank	**2,005,690**	(12,585,078)	(11,810,931)

The currency profiles of cash and cash equivalents on the Group's and the Company's statements of financial position as at the end of the reporting period were as follows:

	The Group			**The Company**		
	31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	$	$	$	**$**	$	$
Singapore Dollar	**2,005,625**	17,068	293,031	**1,540,463**	6,206	30,645
United States Dollar	**65**	–	15,468	**–**	–	–
	2,005,690	17,068	308,499	**1,540,463**	6,206	30,645

14 Non-current assets held-for-sale

The Group	**31 December 2018**	31 December 2017
	$	$
Balance at beginning of the year	**4,500,000**	6,720,000
Disposal of non-current assets held-for-sale	**(4,500,000)**	–
Impairment loss recognised during the year (Note 24)	**–**	(2,220,000)
Balance at end of the year	**–**	4,500,000

Pursuant to the completion of the respective Schemes of Arrangement in August 2018, the Group's leasehold properties classified as "non-current assets held-for-sale" with a carrying amount of $4.5 million were set-off against the final claim amounts due to certain financial institutions.

In FY2017, the Group recorded an impairment loss of $2,220,000 based on the bank indicative valuations of the Group's leasehold properties as stated in the Proof of Debts submitted by the financial institutions to the Scheme Manager.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14 Non-current assets held-for-sale (Cont'd)

As at 31 December 2017, borrowings with a carrying amount of $3,851,849 were secured against the Group's leasehold properties classified under "non-current assets held for sale" as disclosed in Note 17 to the financial statements.

As at 1 January 2017, the Group classified its leasehold properties and renovation with a net carrying amount of $6,720,000 from "property, plant and equipment" to "non-current assets held for sale" as the management has committed to sell these properties within the next financial year as part of the Schemes of Arrangement to settle its bank obligations.

15 Share capital

The Group and the Company	**Number of ordinary shares**	**Amount**
		$
Issued and fully paid with no par value:		
At 1 January 2017 and 31 December 2017	272,360,574	33,029,183
Issue of ordinary shares arising from debt restructuring exercise	5,048,385,547	10,754,509
At 31 December 2018	**5,320,746,121**	**43,783,692**

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

16 Reserves

The Group	**31 December 2018**	31 December 2017	1 January 2017
	$	$	$
Asset revaluation reserve	**–**	941,842	941,842
Merger reserve	**(9,438,138)**	(9,438,138)	(9,438,138)
Capital reserve	**698,087**	–	–
	(8,740,051)	(8,496,296)	(8,496,296)

Asset revaluation reserve

The asset revaluation reserve arises from the revaluation of leasehold properties and is not available for distribution. Pursuant to the completion of the Schemes of Arrangement, the leasehold properties were disposed of and the balance in the asset revaluation reserve was recycled to accumulated losses in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 Reserves (Cont'd)

Merger reserve

Merger reserve represents the differences between the consideration paid and the issued share capital of subsidiaries under common control that are accounted for by applying the "pooling-of-interest" method.

Capital reserve

Capital reserve relates to the gain on bargain purchase arising from the acquisition of an entity under common control.

17 Borrowings

The Group	**31 December 2018**	31 December 2017	1 January 2017
	$	$	$
Current			
- Bank borrowing (secured) (Note A)	**612,575**	–	–
- Bank borrowings under Schemes of Arrangement (Note B)	**–**	67,578,716	63,951,408
	612,575	67,578,716	63,951,408
Non-current			
- Bank borrowing (secured) (Note A)	**561,527**	–	–
Total borrowings	**1,174,102**	67,578,716	63,951,408

Note A: Bank borrowing

The term loan is repayable over 60 months from 30 September 2015 to 28 September 2020 and is secured over a legal mortgage over the leasehold property at 7 Sungei Kadut Crescent Singapore 728696; and a personal guarantee provided by a shareholder of the subsidiary, and bears interest between 4.00% and 6.25% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17 Borrowings (Cont'd)

Note B: Bank borrowings under Schemes of Arrangement

The Group	31 December 2017	1 January 2017
	$	$
Current liabilities		
Secured		
Term loan I	104,799	104,799
Term loan II	392	392
Term loan III	8,567,615	8,015,520
Term loans IV	2,406,668	2,406,668
Term loan V	1,167,088	1,167,088
Term loans VI	3,475,172	3,475,172
Term loan VII	1,940,116	1,940,116
Term loan VIII	3,747,050	3,477,724
Term loan IX	3,756,957	3,527,606
Term loan X	156,380	143,483
Term loan XI	1,088,426	998,617
Term loan XII	326,825	299,871
Term loan XIII	201,414	184,802
Term loan XIV	651,893	599,445
Term loan XV	242,357	222,369
Term loan XVI	7,948	7,948
Term loan XVII	170,549	170,549
Term loan XVIII	1,008,917	1,008,917
Term loan XIX	315,151	315,151
Term loan XX	1,562,676	1,416,362
Term loan XXI	3,455,596	2,847,498
Term loan XXII	1,860,000	1,860,000
Term loan XXIII	379,748	350,677
Factoring loans	655,567	655,567
Bank overdrafts (Note 13)	12,602,146	12,119,430
Trust receipts	17,727,266	16,635,637
	67,578,716	63,951,408

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17 Borrowings (Cont'd)

Note B: Bank borrowings under Schemes of Arrangement (Cont'd)

In the previous financial year, the average effective interest rates per annum of the borrowings were as follows:

The Group	2017
	%
Terms loan I to XXIII, except for term loan XXII	3.00 - 7.85
Term loan XXII	26.00
Bank overdrafts	5.25 - 6.50
Trust receipts	6.25 - 6.50

Borrowings are arranged at floating rates, thus exposing the Group to interest rate risk.

As at the end of the reporting period, the fair values of borrowings approximate the carrying amounts due to floating rates charged.

Since March 2016, the Group had received letters of demand from financial institutions to demand for immediate payment for its borrowings. As disclosed in Note 4 to the financial statements, the Group was under the Amended Schemes and the borrowings form part of the arrangement which have been settled at an agreed sum, following the adjudication process by the Scheme Manager. The carrying amount of the borrowings as at 31 December 2017 reflected the adjudicated amounts.

Following the completion of the debt restructuring exercise in August 2018, all borrowings as at 31 December 2017 were fully extinguished by the issuance of new ordinary shares of the Company and cash payments to the financial institutions as disclosed in Note 4.

Term loan I was repayable over 120 months commencing from May 2008 to 2018.

Term loan II was repayable over 48 months commencing from April 2012 to March 2016.

Term loan III was repayable over 18 months commencing from January 2015 to June 2016 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loans IV were repayable over 15 months commencing from December 2014 to May 2016 and was further extended by 30 months from February 2016 to May 2017 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loan V was repayable over 11 months commencing from December 2014 to October 2015 and was further extended from October 2015 to April 2016 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loans VI were repayable over 11 months commencing from December 2014 to October 2015 and was further extended from October 2015 to July 2016 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loan VII was repayable in May 2016 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loan VIII was repayable over 96 months commencing from July 2015 to June 2023 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17 Borrowings (Cont'd)

Note B: Bank borrowings under Schemes of Arrangement (Cont'd)

Term loan IX was repayable over 37 months commencing from January 2015 to January 2018 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loan X was repayable over 18 months commencing from January 2015 to June 2016 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loan XI was repayable over 24 months commencing from January 2015 to December 2016 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loan XII was repayable over 19 months commencing from January 2015 to July 2016 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loan XIII was repayable over 17 months commencing from April 2015 to August 2016 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loan XIV was repayable over 33 months commencing from May 2015 to March 2017 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loan XV was repayable over 14 months commencing from July 2015 to August 2016 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loan XVI was repayable over 36 months commencing from May 2015 to April 2018 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loan XVII was repayable over 15 months commencing from April 2015 to June 2016 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes).

Term loans XVIII and XIX were repayable over 36 months and 18 months commencing from January 2015 to December 2017 and from August 2015 to May 2017 respectively (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes). As at 31 December 2017, term loans XVIII and XIX are supported by corporate guarantees provided by the Company.

Term loan XX was repayable over 24 months commencing from July 2015 to July 2017 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes). As at 31 December 2017, term loan XX was secured by fixed deposit, and supported by joint and several guarantees of certain shareholders of the Company, corporate guarantee provided by a corporate shareholder of the Company and corporate guarantee provided by the Company.

Term loan XXI was repayable over 15 months commencing from March 2015 to May 2016. As at 31 December 2017, term loan XXI is supported by legal assignment of a contract proceeds and corporate guarantees provided by the Company.

Term loan XXII which was due to a corporate shareholder of the Company and is repayable over 11 months commencing from January 2016 to November 2016 (inclusive of interest servicing in arrears up to 28 November 2017, as stipulated in the Schemes). As at 31 December 2017, term loan XXII is supported by a corporate guarantee from a shareholder of the Company.

Term loan XXIII was repayable over 36 months commencing from July 2015 to June 2018. As at 31 December 2017, term loan XXIII is supported by joint and several guarantees of certain shareholders of the Company and corporate guarantee provided by a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17 Borrowings (Cont'd)

Note B: Bank borrowings under Schemes of Arrangement (Cont'd)

Factorings are repayable over 1 to 3 months.

As at 31 December 2017, term loans I, II, IV, V, VI, VII, VIII, XVII and factorings were secured as follows:

(a) legal mortgage over the leasehold property of the Group (Notes 5 and 14);

(b) fixed deposits;

(c) personal guarantee by a shareholder of the Company amounting to $45,700,000;

(d) corporate guarantee provided by a corporate shareholder of the Company, amounting to $42,400,000; and

(e) corporate guarantee provided by the Company to its subsidiaries, amounting to $31,968,000.

As at 31 December 2017, term loans III, IX, X, XI, XII, XIII, XIV, XV and XVI were secured as follows:

(a) legal mortgage over the leasehold property of the Group (Notes 5 and 14);

(b) fixed deposits;

(c) personal guarantee by a shareholder of the Company;

(d) corporate guarantee provided by the Company to its subsidiaries; and

(e) corporate guarantee provided by a corporate shareholder of the Company.

Trust receipts have maturities of between 120 to 150 days (2016 - 120 to 150 days). As at 31 December 2017, the bank overdrafts and trust receipts facilities were secured by the legal mortgage over the leasehold properties of the Group (Note 14), supported by joint and several guarantees of certain ex-key management personnel and ex-controlling shareholders of the Company, corporate guarantees provided by the Company, corporate guarantees provided by a corporate shareholder of the Company and corporate guarantees provided by a subsidiary.

All the borrowings are denominated in Singapore Dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18 Finance lease liabilities

The Group	31 December 2018	31 December 2017	1 January 2017
	$	$	$
Minimum lease payments payable:			
Within one year	**54,516**	3,036,295	3,167,542
After one year but not more than five years	**131,106**	–	–
More than five years	**30,634**	–	–
	216,356	3,036,295	3,167,542
Finance charges allocated to future periods	**(32,011)**	–	–
Present value of minimum lease payments	**184,345**	3,036,295	3,167,542

As at 31 December 2018, the lease terms range from between 3 to 7 years and the fair values of the Group's finance lease liabilities approximated their carrying amounts. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The property, plant and equipment under finance leases as at 31 December 2017 had been repossessed by the finance companies.

The Group's obligations under finance leases are secured by the leased assets, which will be reverted to the lessors in the event of default by the Group.

Since March 2016, the Group had received letters of demand from finance companies to demand for immediate payment for the finance lease liabilities. As disclosed in Note 4 to the financial statements, the Group was under the Amended Schemes and the finance lease liabilities form part of the arrangement which have been settled at an agreed sum, following the adjudication process by the Scheme Manager. The carrying amount of the finance lease liabilities as at 31 December 2017 reflected the adjudicated amounts. There was no interest charge by the finance companies who were the Scheme Creditors in the previous financial year.

Following the completion of the debt restructuring exercise in August 2018, all financial lease liabilities as at 31 December 2017 were fully extinguished by the issuance of new ordinary shares of the Company and cash payments to the finance companies as disclosed in Note 4.

All the finance lease liabilities are denominated in Singapore Dollar.

19 Deferred tax liabilities

The Group	31 December 2018
	$
Balance at beginning of year	**–**
Acquisition of a subsidiary (Note 7B)	**42,590**
Balance at end of year	**42,590**

The effect on the fair value adjustments on property, plant and equipment arising from the acquisition of a subsidiary was set off against the gain on bargain purchase recorded in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20 Trade and other payables

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	$	$	$	**$**	$	$
Trade payables	**1,209,689**	44,962,109	44,064,996	**–**	–	–
Other payables	**568,554**	4,618,741	2,926,000	**169,443**	1,474,306	811,281
Amounts due to related parties (non-trade)	**197,650**	–	25,089	**–**	–	–
Amounts due to directors of subsidiaries	**222,705**	–	–	**–**	–	–
Accrued directors' fees	**504,000**	336,000	168,000	**504,000**	336,000	168,000
Accrued salary and related costs	**700,264**	238,964	–	**–**	–	–
Accrued professional fees	**323,064**	708,569	84,900	**323,064**	708,569	84,900
Accrued operating expenses	**324,346**	180,185	775,988	**–**	–	–
Deferred consideration (Note 7B)	**–**	–	–	**400,000**	–	–
Liabilities arising from corporate guarantees	**100,787**	5,038,512	5,038,512	**–**	61,949,917	58,221,750
Financial liabilities at amortised costs	**4,151,059**	56,083,080	53,083,485	**1,396,507**	64,468,792	59,285,931

Trade payables are unsecured, non-interest bearing and are normally settled between 30 to 120 days (2017 - 30 to 120 days). Liabilities arising from corporate guarantees arose from letters of demand from banks related to financial guarantee contracts provided by the Group and the Company in respect of loans taken up by a third party and subsidiaries. As at 31 December 2018, these liabilities comprised (i) shares to be distributed on 24 January 2019 of $59,621; and (ii) Second Tranche cash and shares distribution of approximately $41,166 expected to take place in May or June 2019.

As disclosed in Note 4 to the financial statements, the Company and SHPL were under the Amended Schemes and certain of the Group's and the Company's trade and other payables amounting to $54.1 million and $63.0 million as at 31 December 2017 respectively, formed part of the Schemes, and these liabilities had been extinguished at an agreed sum, following the adjudication process by the Scheme Manager.

Trade and other payables are denominated in Singapore Dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21 Revenue

The Group	2018 $	2017 $
Singapore		
Sales of goods, at a point in time	**20,221**	264,041
Services rendered, at a point in time	**–**	2,806
Project revenue, recognised over time	**1,416,183**	928,299
	1,436,404	1,195,146

22 Other income

The Group	2018 $	2017 $
Bad debts written back	**–**	152,250
Gain on foreign exchange	**–**	118,338
Gain on extinguishment of Scheme liabilities (Note 4(A))	**113,252,729**	–
Gain on liquidation of subsidiaries (Note 7(A))	**885,585**	–
Government grants	**–**	368,604
Impairment loss on retention receivable written back (Note 11)	**–**	74,502
Reversal of impairment loss on property, plant and equipment	**–**	131,247
Sale of materials	**–**	112,150
Others	**–**	58,716
	114,138,314	1,015,807

23 Finance costs

The Group	2018 $	2017 $
Interest expenses		
- bank overdrafts	**–**	482,716
- finance leases	**2,934**	–
- interest charges	**2,320**	–
- term loans	**18,627**	2,052,963
- trust receipts	**–**	1,091,629
	23,881	3,627,308

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24 Profit/(loss) before taxation

The Group	2018 $	2017 $
Profit/(loss) before taxation has been arrived at after charging:		
Cost of sales:		
Cost of goods purchased	**422,708**	–
Salary and related costs	**–**	450,896
Operating lease expenses on motor vehicles	**–**	21,220
Subcontractor charges	**388,676**	65,442
Additional liabilities recognised pursuant to the completion of the adjudication process of the Schemes	**–**	1,929,090
Selling and distribution costs:		
Advertisement costs	**13,142**	–
Telephone charges	**9,307**	24,461
Travelling expenses	**12,199**	2,816
Administrative expenses:		
Audit fees payable to auditors of the Company	**65,000**	45,000
Non-audit fees payable to auditors of the Company	**44,480**	–
Advisor fee paid/payable to an ex-Director of the Company	**–**	172,694
Depreciation of property, plant and equipment	**164,239**	–
Directors' fees	**168,000**	168,000
Legal and professional fees	**346,528**	–
Printing and stationery fees	**31,665**	–
Operating lease expenses	**70,872**	
Repair and maintenance costs	**31,665**	–
Salary and related costs	**797,204**	523,038
Other expenses:		
Impairment loss on non-current assets held-for-sale (Note 14)	**–**	2,220,000
Late payment interest and fines	**–**	8,109
Additional liabilities recognised pursuant to the completion of the adjudication process of the Schemes	**–**	1,148,311

Employee benefits expense includes the remuneration of key management personnel of the Group as disclosed in Note 25 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25 Staff costs

The Group	2018 $	2017 $
Directors of the Company		
- fees	**168,000**	168,000
Key management personnel		
- salaries, bonus and other benefits	**192,258**	267,217
- defined contribution plans	**16,320**	33,723
	208,578	300,940
Other than directors and key management personnel		
- salaries, bonus and other benefits	**532,355**	608,192
- defined contribution plans	**56,271**	64,802
	588,626	672,994
	965,204	1,141,934

26 Taxation

The Group	2018 $	2017 $
Current taxation	**–**	–

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the applicable tax rate on profit before tax as a result of the following:

The Group	2018 $	2017 $
Loss before taxation	**112,581,233**	(9,160,153)
Share of result of associate, net of tax	**–**	–
	112,581,233	(9,160,153)
Tax at applicable tax rates of 17% (2017 - 17%)	**19,138,809**	(1,557,226)
Income not subject to tax	**(12,471,682)**	–
Tax effect on non-deductible expenses	**26,008**	384,056
Utilisation of deferred tax assets previously not recognised	**(6,693,135)**	–
Deferred tax assets not recognised	**–**	1,173,170
	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26 Taxation (Cont'd)

On 19 April 2018, the Company submitted an application to the Comptroller of Income Tax ("CIT") seeking a waiver of the shareholding test under Sections 23(5) and 37(16) of the Income Tax Act in view of the potential substantial change in controlling shareholder of the Company on the completion of the Amended Schemes. The waiver of the shareholding test was granted by CIT on 28 June 2018.

Income not subject to tax relates mainly to the gain on extinguishment of non-trade related Scheme liabilities amounting to $72.5 million and gain on liquidation of subsidiaries amounting to $0.89 million. Non-deductible expenses mainly relate to depreciation on property, plant and equipment.

As at 31 December 2018, the Group has unutilised tax losses of approximately $36,178,000 (2017 - $75,550,000) available for offset against future taxable profits subject to the agreement by the tax authorities and provisions of the tax legislations in which the Group operates. Deferred tax assets of $6,138,000 (2017 - $12,844,000) have not been recognised as it is not certain whether future taxable profits will be available against which the Group can utilise these benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 3 to the financial statements.

27 Earnings per share

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share was based on:

	2018	2017
The Group		
Profit/(Loss) attributable to owners of the parent ($)	**112,760,551**	(9,160,153)
Weighted average number of ordinary shares applicable to earnings per share	**2,325,106,571**	272,360,574
Earnings/(Loss) per share (in cents)		
- Basic	**4.85**	(3.36)
- Diluted	**4.85**	(3.36)

Basic loss per share is calculated by dividing the net loss for the financial year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the diluted loss per share is equivalent to basic loss per share for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions at rates and terms agreed between the Group and the Company and their related parties during the financial year:

	2018	2017
	$	$
The Group and the Company		
With related parties*		
Advances paid on behalf of a related party	92,860	–

* Related parties refer to entities in which the directors of the Company have beneficial interests in.

	2018	2017
	$	$
The Company		
With a subsidiary		
Cash and shares distribution to its Scheme Creditors (Note 7)	7,232,889	–

Compensation of key management personnel

Key management personnel are directors of the Company and those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly and indirectly. Refer to Note 25 for compensation of key management personnel.

29 Commitments

Operating lease commitments (non-cancellable)

Where the Group is the lessee

In the current financial year, the Group leases dormitories, warehouses, office space and office equipment under non-cancellable operating leases. The operating lease commitments are based on existing rental rates. The leases have lease terms ranging from 1 to 2 years and rentals are fixed during the lease terms. As at 31 December 2018, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities were as follows:

	2018	2017
The Group	$	$
Not later than one year	184,744	–
Later than one year and not later than five years	116,235	–
Later than five years	–	–
	300,979	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 Operating segments

Management considers the business from both geographical and business segment perspective. Geographically, management manages and monitors the business in Singapore. The Group is engaged in interior fit-out and wholesale and retail furnishings businesses.

Management has determined the operating segment based on the reports reviewed by the chief operating decision maker. For management purposes, the Group is organised into business units based on its services, and has two reportable operating segments as follows:

(a) Interior fit-out business; and

(b) Wholesale and retail furnishings business.

The interior fit-out segment is business derived from property development and refurbishment projects in respect of customisation, manufacture construction and installation of interior fit-out works for interior spaces on a turnkey basis, including the supply and installation of stone, aluminium, sanitary ware, other furnishings, ceilings, floors, partitions, and mechanical and engineering works.

The wholesale and retail furnishings segment relates to the business of sales and distribution of a wide range of furnishings suitable for home, office and commercial use and furniture delivery services.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segment separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by the management on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before income tax expense not including non-recurring gains and losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

Segment assets comprise primarily of property, plant and equipment, inventories, operating receivables, cash and cash equivalents. Segment liabilities comprise operating liabilities and exclude tax liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 Operating segments (Cont'd)

The Group	Interior fit–out business 2018 $	Interior fit–out business 2017 $	Wholesale and retail furnishings business 2018 $	Wholesale and retail furnishings business 2017 $	Eliminations 2018 $	Eliminations 2017 $	Total 2018 $	Total 2017 $
Business segment								
Revenue								
External revenue	**1,436,404**	980,482	**38,177**	214,664	**(38,177)**	–	**1,436,404**	1,195,146
Inter-segment sales	**–**	–	**–**	–	**–**	–	**–**	–
Total revenue	**1,436,404**	980,482	**38,177**	214,664	**(38,177)**	–	**1,436,404**	1,195,146
Results								
Segment results	**112,605,114**	(4,919,636)	**3,107**	(613,209)	**(3,107)**	–	**112,605,114**	(5,532,845)
Finance costs	**(23,881)**	(3,627,308)	**(796)**	–	**796**	–	**(23,881)**	(3,627,308)
Profit/(loss) before taxation	**112,581,233**	(8,546,944)	**2,311**	(613,209)	**(2,311)**	–	**112,581,233**	(9,160,153)
Taxation	**–**	–	**–**	–	**–**	–	**–**	–
Share of results of associate, net of tax	**–**	–	**–**	–	**–**	–	**–**	–
Profit/(Loss) for the year	**112,581,233**	(8,546,944)	**–**	(613,209)	**–**	–	**112,581,233**	(9,160,153)
Non-cash items								
Gain on extinguishment of Scheme liabilities	**113,252,729**	–	**–**	–	**–**	–	**113,252,729**	–
Gain on liquidation of subsidiaries	**885,585**	–	**–**	–	**–**	–	**885,585**	–
Reversal of impairment loss on trade and other receivables	**–**	74,502	**–**	–	**–**	–	**–**	74,502
Impairment loss on assets held-for-sale	**–**	(2,220,000)	**–**	–	**–**	–	**–**	(2,220,000)
Depreciation of property, plant and equipment	**(164,239)**	–	**–**	–	**–**	–	**(164,239)**	–
Reversal of impairment loss on property, plant and equipment	**–**	131,247	**–**	–	**–**	–	**–**	131,247
Assets and liabilities								
Segment assets	**9,261,753**	4,751,571	**199,719**	–	**–**	–	**9,461,472**	4,751,571
Segment liabilities	**(5,461,793)**	(125,843,687)	**(212,304)**	(940,946)	**–**	–	**(5,674,097)**	(126,784,633)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 Operating segments (Cont'd)

Geographical information

The Group's revenue was generated from customers located in Singapore. Non-current assets are located in Singapore.

Major customers

Revenue from 3 (2017 - 3) major customers of the Group's interior fit-out business represents approximately $863,496 (2017 - $516,284) or 60.1% (2017 - 43.2%) of the total revenue for the financial year ended 31 December 2018.

31 Financial risk management objectives and policies

The Group and the Company have documented financial risk management policies. These policies set out the Group's and the Company's overall business strategies and its risk management philosophy. The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

There has been no change to the Group's exposure to financial risks or the manner in which it manages and measures the risks. Market risk exposures are measured using sensitivity analysis indicated below.

The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

It is, and has been throughout the years under review, the Group's and the Company's policy that no trading in derivative financial instruments shall be undertaken.

The Group's and the Company's principal financial instruments comprise proceeds from subscription of the Company's shares by the Lead Investors pursuant to the Schemes of Arrangement and cash and short-term deposits. The main purpose of these financial instruments is to provide funds for the Group's and the Company's operations. The Group and the Company has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's and the Company's financial instruments are interest rate risks (both fair value and cash flow), liquidity risk, and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

31.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For trade receivables recorded at amortised cost, the Group has guidelines governing the process of granting credit. Transactions with these counterparties are restricted to those that meet the appropriate credit criteria.

The principal risk to which the Group is exposed to in respect of trade receivables and contract assets relate to debtors that are in significant difficulties and have defaulted on payments. To mitigate the risk, management continually monitors the risk and has established processes including performing credit evaluations of the parties it extends credit to. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as disclosed in Note 11 and Note 12.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial risk management objectives and policies (Cont'd)

31.1 Credit risk (Cont'd)

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets. In measuring the expected credit losses, trade receivables and contract assets are grouped based on similar credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers under each business.

Trade receivables and contract 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. The Group generally considers a financial asset to be in default if the counterparty fails to make contractual payments when the amounts fall due and management writes off the financial asset when the Group assesses that the debtor fails to make contractual payments. When receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. When recoveries are made, they are recognised in the statement of comprehensive income.

As at the end of the reporting period, the age analysis of trade receivables past due but not impaired was as follows:

The Group	**2018** **$**	2017 $
Past due less than 1 month	**497,399**	–
Past due 1 to 2 months	**209,073**	–
Past due over 2 to 3 months	**19,829**	–
Past due over 3 months	**54,998**	–

31.2 Market risks

31.2.1 Foreign currency risks

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than the functional currency of entities within the Group. Exposure to foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

As at 31 December 2018, the Group did not have any significant financial assets and financial liabilities that were denominated in currencies other than the respective entity's functional currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial risk management objectives and policies (Cont'd)

31.2 Market risks (Cont'd)

31.2.2 Interest rate risks

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 their bank balances, borrowings and finance lease liabilities. The Group and the Company do not enter into derivative financial instrument contracts to hedge interest rate risk. The Group's and the Company's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been $12,000 lower/ higher, arising mainly as a result of higher/lower interest expenses on borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment, showing a significantly higher volatility compared to prior years.

In the previous financial year, the Group did not have further exposure to market risks for changes in interest rates since the Group is currently under the Amended Schemes and the borrowings form part of the arrangement which will be settled at an agreed sum, following the adjudication process by the Scheme Manager.

31.3 Liquidity risk

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial risk management objectives and policies (Cont'd)

31.3 Liquidity risk (Cont'd)

Contractual maturity analysis

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial instruments. The tables have been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to pay.

	Carrying amount $	Contractual cash flows $	Within 1 year $	After 1 year but not more than 5 years $	More than 5 years $
The Group					
31 December 2018					
Financial liabilities:					
Trade and other payables (Note 20)	**4,151,059**	**4,151,059**	**4,151,059**	**–**	**–**
Borrowings (Note 17)	**1,174,102**	**1,247,483**	**714,806**	**532,677**	**–**
Finance lease liabilities (Note 18)	**184,345**	**216,356**	**54,616**	**131,106**	**30,634**
Total undiscounted financial liabilities	**5,509,506**	**5,614,898**	**4,920,481**	**663,783**	**30,634**
31 December 2017					
Financial liabilities:					
Trade and other payables (Note 20)	56,083,080	56,083,080	56,083,080	–	–
Borrowings (Note 17)	67,578,716	67,578,716	67,578,716	–	–
Finance lease liabilities (Note 18)	3,036,295	3,036,295	3,036,295	–	–
Total undiscounted financial liabilities	126,698,091	126,698,091	126,698,091	–	–
The Company					
31 December 2018					
Financial liabilities:					
Trade and other payables (Note 20)	**1,396,507**	**1,396,507**	**1,396,507**	**–**	**–**
Total undiscounted financial liabilities	**1,396,507**	**1,396,507**	**1,396,507**	**–**	**–**
31 December 2017					
Financial liabilities:					
Trade and other payables (Note 20)	64,468,792	64,468,792	64,468,792	–	–
Total undiscounted financial liabilities	64,468,792	64,468,792	64,468,792	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial risk management objectives and policies (Cont'd)

31.3 Liquidity risk (Cont'd)

Contractual maturity analysis (Cont'd)

The Group's and the Company's operations are financed mainly through equity, retained earnings and borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

The repayment terms of the Group's borrowings and finance lease payables are disclosed in Notes 17 and 18 to the financial statements respectively.

31.4 Financial instruments by category

	The Group		The Company	
	2018	2017	**2018**	2017
	$	$	**$**	$
Financial assets				
Financial assets measured at amortised cost:				
Trade and other receivables (Note 11)	**1,549,591**	234,503	**342,861**	60,001
Contract assets (Note 12)	**147,346**	–	**–**	–
Cash and bank balances (Note 13)	**2,005,690**	17,068	**1,540,463**	6,206
	3,702,627	251,571	**1,883,324**	66,207
Financial liabilities				
Financial liabilities measured at amortised costs:				
Borrowings (Note 17)	**1,174,102**	67,578,716	**–**	–
Finance lease liabilities (Note 18)	**184,345**	3,036,295	**–**	–
Trade and other payables (Note 20)	**4,151,059**	56,083,080	**1,396,507**	64,468,792
	5,509,506	126,698,091	**1,396,507**	64,468,792

32 Capital management

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as a going concern;

(b) To support the Group's and the Company's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and

(d) To provide an adequate return to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Capital management (Cont'd)

The Group and the Company actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

The Group and the Company monitor capital using capital net debt ratio, which is net debt divided by total capital plus debt. The Group and the Company include within net debt, provision for restoration cost, financial liabilities and trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company.

	The Group		The Company	
	2018	2017	**2018**	2017
	$	$	**$**	$
Trade and other payables (Note 20)	**4,151,059**	56,083,080	**1,396,507**	64,468,792
Borrowings (Note 17)	**1,174,102**	67,578,716	**–**	–
Finance lease liabilities (Note 18)	**184,345**	3,036,295	**–**	–
Cash and cash equivalents (Note 13)	**(2,005,690)**	(17,068)	**(1,540,463)**	(6,206)
	3,503,816	126,681,023	**(143,956)**	64,462,586
Equity attributable to the owners of the Company	**2,180,085**	(122,033,062)	**5,380,706**	(64,402,585)
Capital and net debt	**5,683,901**	4,647,961	**5,236,750**	(128,865,171)
Capital net debt ratio	**61.6%**	n.m.	**n.m**	n.m.

n.m.: Not meaningful

There were no changes in the Group's approach to capital management during the financial year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

33 Fair value measurement

Accounting classifications and fair values

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

(a) Level 1 : those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 : those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 : those derived from valuation technique that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33 Fair value measurement (Cont'd)

Accounting classifications and fair values (Cont'd)

Fair value measurement of financial instruments

The carrying values of variable rate bank loans approximate their fair values.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings) or those which reprice regularly approximate their fair values because of the short period to maturity or repricing.

Fair value measurement of non-financial assets

Leasehold properties (Note 5)

The fair value of the leasehold properties is determined by independent firms of professional valuers who have appropriate recognised professional qualification and experience in the category of the leasehold properties being valued.

Leasehold properties are valued on a highest and best use basis. Highest and best use basis is used for fair value measurement of non-financial assets. For all of the Group's leasehold properties, the current use is considered to be the highest and best use. The fair value of leasehold properties, classified as Level 3, has been derived using the direct comparison method, which is checked against the fair value derived from the income capitalisation method, and residual method.

The direct comparison method involves the analysis of comparable sales of similar properties with adjustments made to reflect the differences in size, location, physical features, condition, tenure, prevailing market conditions and other relevant factors affecting its fair value. The residual method is based on assessment of the value of the project as if it is completed using a comparison approach and deducting the total costs of the development as well as an appropriate allowance for profit on the development.

The fair value of leasehold properties included in Level 3 is determined as follows:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Direct comparison method	- Price per square meter - Expected average rental growth - Capitalisation rate	The estimated fair value would increase (decrease) if: - Price per square meter was higher (lower); - Expected average rental growth was higher (lower); - Capitalisation rate was lower (higher).
Residual method	- Price per square meter - Discount rate	The estimated fair value would increase (decrease) if: - Price per square meter was higher (lower); - Discount rate was lower (higher).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34 Modification in audit report for financial year ended 31 December 2017

The audit report dated 11 July 2018 on the financial statements for the previous financial year ended 31 December 2017 contained a modified opinion on (i) the completeness, existence, accuracy and classification of project revenue, contract costs, other items of expenses and provision for foreseeable losses and (ii) the appropriateness of impairment loss on plant and equipment, impairment loss on available-for-sale financial assets, write-down of inventories, impairment loss on amounts due from contract customers (retention sums) and write-off of amounts due from contract customers that have been recognised by the Group for the financial year ended 31 December 2016.

The effects of the above qualifications had an impact on the Group's and the Company's statements of financial position as at 1 January 2017 as well as the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow of the Group for the financial year from 1 January 2016 to 31 December 2016.

These qualifications do not have an effect to the audit opinion rendered for the financial statements for the current financial year.

STATISTICS OF SHAREHOLDINGS

As at 25 March 2019

Number of shares issued	:	5,348,737,412
Class of shares	:	Ordinary shares
Voting rights	:	1 vote for each ordinary share
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.25	97	0.00
100 - 1,000	48	5.85	22,400	0.00
1,001 - 10,000	185	22.56	1,022,503	0.02
10,001 - 1,000,000	502	61.22	98,483,744	1.84
1,000,001 AND ABOVE	83	10.12	5,249,208,668	98.14
TOTAL	**820**	**100.00**	**5,348,737,412**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,224,717,891	41.59
2	WINMARK INVESTMENTS PTE LTD	1,612,686,777	30.15
3	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	467,175,057	8.73
4	QUEK WEY LON	140,826,117	2.63
5	UOB KAY HIAN PRIVATE LIMITED	87,549,931	1.64
6	CHIA LAY KIONG (XIE LIJUAN)	44,872,036	0.84
7	SOH HOCK LEONG	40,460,327	0.76
8	IFS CAPITAL LIMITED	40,332,259	0.75
9	TOKIO MARINE INSURANCE SINGAPORE LTD-FUND ACCOUNT	39,401,770	0.74
10	WOH HUP PTE LTD	31,773,386	0.59
11	RHB BANK NOMINEES PTE LTD	31,383,258	0.59
12	CHEN ZHENSHUN	30,651,935	0.57
13	COMPASS INVESTMENT HOLDINGS PTE LTD	28,617,932	0.54
14	YEO HEE LIAN	28,324,475	0.53
15	SINBOR COMPANY (PRIVATE) LIMITED	28,000,000	0.52
16	SINGAPURA FINANCE LTD	24,811,592	0.46
17	KAMAL	21,096,655	0.39
18	THE BANK OF EAST ASIA (NOMINEES) PRIVATE LIMITED	18,921,100	0.35
19	NG CHING YONG	17,639,916	0.33
20	WANG YANQIN	17,127,339	0.32
	TOTAL	**4,976,369,753**	**93.02**

STATISTICS OF SHAREHOLDINGS

As at 25 March 2019

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders as at 25 March 2019

	Direct Interest		Deemed Interest	
Name of Shareholders	No. of Shares	%	No. of Shares	%
Winmark Investments Pte Ltd	3,628,309,426	67.83	28,000,000[(1)]	0.52
Tan Tien Hin Winston[(2)]	–	–	3,656,309,426	68.36
Lim Sioh Tin Amy[(2)]	–	–	3,656,309,426	68.36
Malayan Banking Berhad	467,175,057[(3)]	8.73	–	–
Amanah Raya Berhad[(4)]	–	–	467,175,057	8.73
AmanahRaya Trustees Berhad[(5)]	–	–	467,175,057	8.73

Notes:

(1) Winmark Investments Pte Ltd has an aggregate interest of approximately 63.25% in the issued and paid-up share capital of Sinbor Company (Private) Limited ("Sinbor") and is therefore deemed to have an interest in the shares of the Company held by Sinbor pursuant to Section 7 of the Companies Act, Cap. 50 of Singapore. Under the terms of the subscription agreement dated 5 September 2018, Sinbor shall, as soon as practicable and in any event within twelve (12) months from 17 September 2018 (being the date of completion of the subscription in Sinbor), dispose of the 28,000,000 Shares that it holds in the Company. The disposal has not taken place as at the date of this Annual Report.

(2) Tan Tien Hin Winston, the Executive Chairman of the Company, and his spouse, Lim Sioh Tin Amy, each holds 50.00% of the issued and paid-up capital of Winmark Investments Pte Ltd. Each of them is therefore deemed to have an interest in the shares of the Company held by Winmark Investments Pte Ltd pursuant to Section 7 of the Companies Act, Cap. 50 of Singapore.

(3) This is the aggregate number of shares in the Company held by Maybank Singapore Limited, Malayan Banking Berhad, Singapore Branch, Hanoi Branch and Ho Chi Minh City Branch.

(4) Amanah Raya Berhad is the holding company of AmanahRaya Trustees Berhad ("ARTB"). As such, ARB is deemed to have an interest in the shares of the Company which are held by Malayan Banking Berhad.

(5) ARTB (acting as trustee for Skim Amanah Saham Bumiputera) is a substantial shareholder of Malayan Banking Berhad and ultimate substantial shareholder of Maybank Singapore Limited. As such, ARTB is deemed to have an interest in the shares of the Company which are held by Malayan Banking Berhad.

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 25 March 2019, approximately 22.91% of the issued ordinary shares of the Company is held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). Accordingly, Rule 723 of the Catalist Rules is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Serrano Limited will be held at 50 East Coast Road, Roxy Square, Singapore 428769, Grand Mercure Singapore Roxy, Amber Room on Monday, 29 April 2019 at 3.00 p.m. to transact the following business:-

AS ORDINARY BUSINESS

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

2. To re-elect Mr. Kee Poir Mok who is retiring in accordance with Article 98 of the Company's Constitution, as a Director of the Company. **Resolution 2**

   Mr. Kee Poir Mok shall, upon re-election as a Director of the Company, remain as the Lead Independent Director, the chairman of the Audit and Risk Committee and a member of the Remuneration Committee and the Nominating Committee, respectively. The Board considers Mr. Kee Poir Mok independent for the purpose of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), Section B: Rules of Catalist ("Catalist Rules").

   [See Explanatory Note (i)]

3. To re-elect Mr. Wolfgang Josef Neeser who is retiring in accordance with Article 102 of the Company's Constitution, as a Director of the Company. **Resolution 3**

   Mr. Wolfgang Josef Neeser shall, upon re-election as a Director of the Company, remain as an Independent Director and a member of the Audit and Risk Committee, the Remuneration Committee and the Nominating Committee, respectively. The Board considers Mr. Wolfgang Josef Neeser independent for the purpose of Rule 704(7) of the Catalist Rules.

   [See Explanatory Note (ii)]

4. To note the retirement of Mr. Tan Ngiap Siew as a Director of the Company who retires by rotation pursuant to Article 102 of the Company's Constitution, and who will not be seeking re-election.

   [See Explanatory Note (iii)]

5. To re-appoint Foo Kon Tan LLP as independent auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

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

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as ordinary resolutions, with or without amendments:

7. Authority to allot and issue shares **Resolution 5**

That pursuant to Section 161 of the Companies Act, Cap. 50. ("**Companies Act**") and Rule 806 of the Catalist Rules of the SGX-ST, authority be and is hereby given to the Directors of the Company to:

(A) (1) allot and issue shares in the capital of the Company ("**shares**"), whether by way of rights, bonus or otherwise; and/or

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

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

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

provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculations as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares shall be based on the total number of issued shares excluding treasury shares and subsidiary holdings of the Company at the time this Resolution is passed after adjusting for:-

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

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or sub-division of shares,

NOTICE OF ANNUAL GENERAL MEETING

(iii) 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), all applicable legal requirements under the Companies Act, and otherwise, and the Company's Constitution for the time being; and

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

[See Explanatory Note (iv)]

8. Authority to grant awards and to allot and issue shares under the Serrano Performance Share Plan **Resolution 6**

That pursuant to Section 161 of the Companies Act and the Catalist Rules, approval be and is hereby given to the Directors of the Company to:

a) grant awards in accordance with the provisions of the Serrano Performance Share Plan (the "Plan"); and

b) allot and issue from time to time such number of fully paid-up shares of the Company as may be required to be allotted and issued pursuant to the release of awards under the Plan provided that the aggregate number of shares to be allotted and issued pursuant to the Plan shall not exceed 15% of the total number of issued shares of the Company (excluding treasury shares of the Company and subsidiary holdings) from time to time.

[See Explanatory Note (v)]

Explanatory Notes:

(i) Ordinary Resolution 2, if passed, will re-appoint Mr. Kee Poir Mok as Director of the Company. Pursuant to Rule 720(5) of the Catalist Rules, further information on Mr. Kee Poir Mok is set out in the addendum to the Company's annual report entitled "Additional Information on Directors seeking Re-election pursuant to Rule 720(5) of the Catalist Rules" and in the section of the Company's annual report entitled "Board of Directors".

(ii) Ordinary Resolution 3, if passed, will re-appoint Mr. Wolfgang Josef Neeser as Director of the Company. Pursuant to Rule 720(5) of the Catalist Rules, further information on Mr. Wolfgang Josef Neeser is set out in the addendum to the Company's annual report entitled "Additional Information on Directors seeking Re-election pursuant to Rule 720(5) of the Catalist Rules" and in the section of the Company's annual report entitled "Board of Directors".

(iii) Upon his retirement, Mr. Tan Ngiap Siew will cease as the Chairman of the Remuneration Committee and the Nominating Committee and a member of the Audit and Risk Committee.

(iv) Ordinary Resolution 5, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities, which the Directors may allot and issue under this Resolution shall not exceed 100% of the total number of issued shares of the Company (excluding treasury shares of the Company and subsidiary holdings) at the time of passing this Resolution. For allotment and issue of Shares and convertible securities other than on a pro-rata basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed 50% of the total number of issued shares of the Company (excluding treasury shares of the Company and subsidiary holdings). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting, or by the date by which the next Annual General Meeting is required by law to be held, whichever is earlier.

NOTICE OF ANNUAL GENERAL MEETING

(v) Ordinary Resolution 6, if passed, will empower the Directors to grant awards and to issue and allot Shares pursuant to the Plan. The grant of awards under the Plan will be made in accordance with the provisions of the Plan. The aggregate number of shares which may be issued pursuant to the Plan shall not exceed 15% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings of the Company) from time to time.

(vi) It is noted that no resolution relating to directors' fees will be tabled for approval at this Annual General Meeting. The directors' fees for the financial year ended 31 December 2018 were tabled and approved at the previous annual general meeting of the Company held on 31 July 2018.

By Order Of the Board

Elaine Beh Pur-Lin
Company Secretary

Date: 12 April 2019

Notes:

a) A member entitled to attend and vote at a general meeting is entitled to appoint no more than two proxies to attend, speak and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.

b) Pursuant to Section 181 of the Companies Act (Cap. 50), any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at a general meeting. Relevant intermediary is either:

   (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or

   (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

c) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 7 Sungei Kadut Crescent Singapore 728696 not less than forty-eight (48) hours before the meeting.

d) In view of section 81SJ(4) of the Securities and Futures Act (Cap. 289), a Depositor shall not be regarded as a member of the Company entitled to attend the meeting and to speak and vote thereat unless his/her name appears in the Depository Register maintained by the CDP at least seventy-two (72) hours before the meeting. Any Shareholder who is holding his shares via the CDP and whose name is not registered with the CDP seventy-two (72) hours before the meeting will not be entitled to attend and vote at the meeting. Accordingly, even if he deposits his proxy form forty-eight (48) hours before the meeting, his proxy will not be entitled to attend and vote at the meeting.

e) A proxy need not be a member of the Company.

Personal Data Privacy:

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

SERRANO LIMITED

(Company Registration No: 201223004Z)
(Incorporated in the Republic of Singapore
on 18 September 2012)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. This Proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold ordinary shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. Please read the notes to the Proxy Form.

PROXY FORM

I/We* ______________________________ (Name), NRIC/Passport number* ____________________

of ____ (Address)

being a member/members* of Serrano Limited (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)	
			No. of Shares	%

and/or*

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)	
			No. of Shares	%

as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 50 East Coast Road, Roxy Square, Singapore 428769, Grand Mercure Singapore Roxy, Amber Room on Monday, 29 April 2019 at 3.00 p.m. and at any adjournment thereof.

(If you wish to exercise all your votes For or Against, please tick with "√" within the relevant box. Alternatively, please indicate the number of votes For or Against each resolution. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	Number of Votes For	Number of Votes Against
ORDINARY BUSINESS			
1	To receive and adopt the Directors' Statements and Audited Financial Statements for the financial year ended 31 December 2018 together with the Auditors' Report thereon		
2	To re-elect Mr. Kee Poir Mok as Director of the Company		
3	To re-elect Mr. Wolfgang Josef Neeser as Director of the Company		
4	To re-appoint Foo Kon Tan LLP as Independent Auditors and to authorise the Directors to fix their remuneration		
5	To authorise the Directors to allot and issue shares		
6	To authorise the Directors to grant awards and to allot and issue shares in accordance with the provisions of the Serrano Performance Share Plan		

* Please delete accordingly

Note: Please note that the short descriptions given above to the Resolutions to be passed do not in any way whatsoever reflect the intent and purposes of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of Annual General Meeting for the full purpose and intent of the Resolutions to be passed.

Dated this __________ day of ____________________ 2019

Total number of Shares held

____

Signature(s) of member(s) or common seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

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), 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the Meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy.

3. Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Meeting. Relevant intermediary is either:

   (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or

   (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 7 Sungei Kadut Crescent Singapore 728696 not later than forty-eight (48) hours before the time set for the Meeting.

5. In view of section 81SJ(4) of the Securities and Futures Act (Cap. 289), a Depositor shall not be regarded as a member of the Company entitled to attend the Meeting and to speak and vote thereat unless his/her name appears in the Depository Register maintained by the CDP at least seventy-two (72) hours before the Meeting. Any Shareholder who is holding his shares via the CDP and whose name is not registered with the CDP seventy-two (72) hours before the Meeting will not be entitled to attend and vote at the Meeting. Accordingly, even if he deposits his proxy form forty-eight (48) hours before the Meeting, his proxy will not be entitled to attend and vote at the Meeting.

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

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting.

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

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.

www.serrano.com.sg

SERRANO LIMITED
(Company Registration No.: 201223004Z)
(Incorporated in the Republic of Singapore on 18 September 2012)

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