



SOILBUILD
CONSTRUCTION GROUP LTD



**LAYING THE
FOUNDATION
*FOR FUTURE
GROWTH***

ANNUAL REPORT 2014

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CORPORATE PROFILE ■

We are a general construction group with over 38 years of experience during which we have handled a wide range of projects, from residential buildings to conservation houses, schools, churches, industrial buildings and business parks. Projects in which our subsidiary, Soil-Build (Pte.) Ltd., acted as the main contractor, have won several architectural and environmental awards over the years.

As at 31 December 2014, our order books based on letters of intent, secured contracts and variation orders amounted to approximately S\$785.4 million. Our on-going projects include, amongst others, four public housing projects with Singapore's Housing and Development Board ("HDB") in Ang Mo Kio, Yishun, Sembawang and Bukit Batok, a multiple-user general industrial development at Jalan Lam Huat, a Global Distribution Center at Pioneer Turn and various ramp-up industrial buildings at Bukit Batok, Mandai Link, Yishun and Tuas Crescent respectively.

Soil-Build (Pte.) Ltd. is graded A1 by the Singapore's Building and Construction Authority. This allows us to tender for public sector projects in Singapore of unlimited contract value. Our track record in public sector projects also put us in good stead as we compete in future tenders by HDB and other public agencies.

In connection with the expansion of our construction business into Myanmar, up to the date of this Annual Report, we have secured several contracts to provide professional consultancy and project management services for developments in Myanmar. We intend to further strengthen our presence in Myanmar.





■ VISION & MISSION STATEMENT

VISION

TO BE THE PREFERRED
MULTI-DISCIPLINARY
CONSTRUCTION COMPANY
FIRST IN ASIA PACIFIC,
THEN GLOBAL

MISSION

TO DELIVER OPTIMAL
CONSTRUCTION AND
MANAGEMENT SOLUTIONS
TO OUR PARTNERS AND
CUSTOMERS, AND TO
ENHANCE SHAREHOLDER
VALUE

LAND MARK

**TO CONSTRUCT
LANDMARKS
THAT PROMOTE
GREEN
FEATURES**



■ CHAIRMAN'S STATEMENT



DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the annual report of Soilbuild Construction Group Ltd. (the "Group") for the financial year ended 31 December 2014 (FY2014).

2014 was a challenging but exciting year for the Group. During the year under review, the Singapore construction sector grew at a slower pace compared to the previous year, with more construction contracts

awarded in the public sector than the private sector. In spite of this, business remained resilient, with the Group securing 11 new construction contracts worth S\$743.5 million during the year. This represented a remarkable 164% increase in new order book when compared with the eight construction contracts secured in FY2013 worth S\$281.1 million. As at 31 December 2014, the Group stands on a record order book of S\$785.4 million which not only provided earning visibility to the Group for the next two years, but also positioned the Group favourably to succeed in future tenders.

Further Portfolio Diversification

The Group adopts a multi-property sector approach in selecting construction projects so as to diversify risk. This approach provides us flexibility to shift focus to other sectors when one particular sector experiences a slowdown in demand. The Group has also continued to broaden our portfolio by securing more construction projects from external clients in the public and private space, reducing reliance from our parent company, Soilbuild Group Holdings Ltd. ("Soilbuild Group"). In

FY2014, 62% of the Group's revenue contribution was derived from external clients with the remaining 38% derived from Soilbuild Group. This compared favourably to the 44%:56% revenue split between external clients and Soilbuild Group in the prior year. Additionally, the Group has continued to achieve a satisfactory revenue contribution split of 67%:33% (FY2013 – 66%:34%) from the business space sector and residential property sector, respectively. Moving forward, the Group is committed to further strengthen its construction project portfolio by focusing on its core competencies, expand its overseas footprint in markets such as Myanmar, as well as to venture into the civil engineering space.

Focus in Myanmar

Since the Group's entry into the Myanmar market in 2012, we have steadily established a foothold, securing the award of six professional consultancy and project management service contracts worth S\$3.8 million in FY2014. In the year ahead, the Group is set to achieve a new milestone for its operations in Myanmar through tendering and executing construction projects locally.



Higher Productivity Improvement

The Group places great importance on productivity improvements by investing in construction technology, quality, safety and most importantly its human capital. We strongly believe that the investment and professional development of the skills, knowledge and expertise of our staff will enable us to enhance our building capabilities, operational efficiencies and ultimately our corporate sustainability. During the year under review, the Group set up various dedicated teams (consisting building quality professionals, ISO-certified specialists, building information modelling specialists as well as plant and equipment staff) to support the increased focus in quality and efficiency standards; and enhance the Group's productivity through investment in productive technologies, methods of construction and targeted automation process. Moving forward, we are confident that our investment in these areas would enable us to execute construction projects more efficiently – through the provision of greener,

higher quality and more effective cost management solutions.

Review of Financial Performance

The Group's revenue of S\$285.2 million in FY2014, was 13.9% lower than the prior year mainly due to the completion of several major construction projects whilst contributions from the newly secured construction projects had just started to contribute revenue to the Group. Net profit of S\$20.9 million in FY2014, was corresponding 13.1% lower than the previous year. The Group also took up a lower share of profits of joint ventures, following completion of a development project and a construction project undertaken by the joint ventures. Meanwhile, the Group's balance sheet remained healthy with cash and cash equivalents amounting to S\$51.2 million and zero gearing on its books as at 31 December 2014. The Group will work towards managing and executing its current order book efficiently with the target to achieve greater returns for the shareholders in the year ahead.

Appreciation

In view of the Group's financial performance for the year, we are pleased to recommend a final dividend of S\$0.005 per share and a special dividend of S\$0.010 per share for FY2014. The final and special dividend, once approved by the shareholders in the forthcoming second annual general meeting of the Company, together with the interim dividend declared and paid to shareholders, would make up a total dividend of S\$0.020 per share for FY2014.

On behalf of the Board, I would like to express our sincere appreciation to our management and staff for their commitment and contribution through a challenging year, and to our shareholders, clients and business partners for their continuous support and belief in us.

Lim Chap Huat
Executive Chairman

25 March 2015



FIVE-YEAR FINANCIAL HIGHLIGHTS

BREAKDOWN OF REVENUE	FY2014		FY2013		FY2012		FY2011		FY2010	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Business space projects	190,608	66.8	219,663	66.3	147,098	68.9	90,264	76.9	96,354	83.1
Residential projects	94,052	33.0	110,683	33.4	65,800	30.8	25,990	22.1	17,526	15.1
Project management	589	0.2	986	0.3	603	0.3	1,092	1.0	2,072	1.8
Total	285,249	100.0	331,332	100.0	213,501	100.0	117,346	100.0	115,952	100.0
Internal projects ¹	109,120	38.3	186,234	56.2	124,680	58.4	98,200	83.7	115,952	100.0
External projects ²	176,129	61.7	145,098	43.8	88,821	41.6	19,146	16.3	–	–
Total	285,249	100.0	331,332	100.0	213,501	100.0	117,346	100.0	115,952	100.0

FINANCIAL RESULTS	FY2014	FY2013	FY2012	FY2011	FY2010
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	285,249	331,332	213,501	117,346	115,952
Gross profit	31,175	31,562	28,074	15,613	9,701
Profit before income tax	23,778	27,500	25,683	10,249	4,606
Profit after income tax	20,887	24,037	22,027	9,132	3,692
Profit attributable to shareholders	20,885	24,036	22,027	9,132	3,692

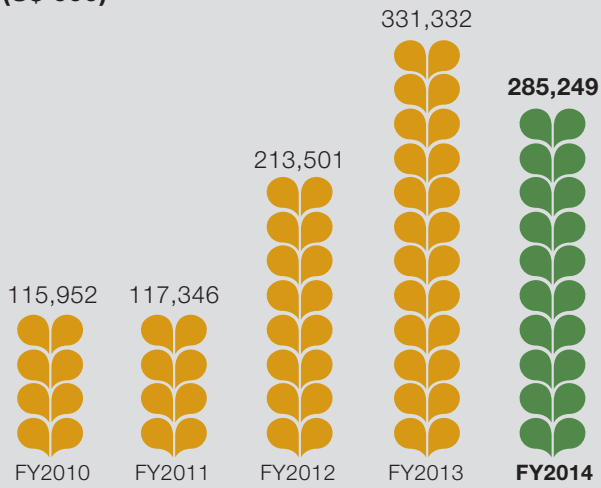
STATEMENT OF FINANCIAL POSITION	FY2014	FY2013	FY2012	FY2011	FY2010
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Property, plant and equipment	13,664	11,377	4,724	5,150	5,740
Cash and cash equivalents	51,247	75,956	5,267	3,844	4,822
Current assets	124,892	134,598	56,358	84,589	94,938
Total assets	168,251	161,534	71,460	102,669	113,390
Current liabilities	83,320	87,545	55,112	64,935	83,608
Total liabilities	83,782	88,398	55,960	67,227	87,080
Working capital	41,572	47,053	1,246	19,654	11,330
Equity attributable to owners of the Company	84,469	73,136	15,500	35,442	26,310

RATIOS	FY2014	FY2013	FY2012	FY2011	FY2010
	Current ratio (times)	1.50	1.54	1.02	1.30
Return on equity attributable to owners of the Company (%) ³	26.51	54.24	86.48	29.58	15.25
Return on assets (%) ³	12.67	20.63	25.30	8.45	3.26
Basic earnings per share ("EPS") (cents) ⁴	3.15	4.02	4.44	1.84	0.74
Net asset value per share ("NAV") (cents) ⁴	12.72	11.01	3.13	7.15	5.30

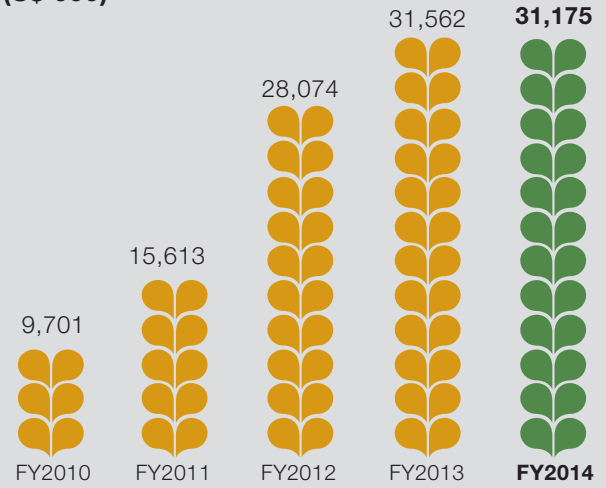
Notes:

- Internal projects refer to projects awarded by (i) our Parent Group, Soilbuild Group Holdings Ltd., its subsidiaries and associated companies, excluding our Company, our subsidiaries and joint ventures, and/or (ii) our Parent Group's controlling shareholder and his Associates
- External projects refer to projects awarded by third parties
- In calculating return on equity attributable to owners of the Company and return on assets, the average basis has been used
- Basic EPS and NAV in cents are calculated based on the net profit and net asset value attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the financial year. The weighted average number of ordinary shares in issued has been adjusted for the Share Split (as mentioned in the prospectus of the company), as if the Share Split had occurred at the beginning of the respective years.

**REVENUE
(S\$'000)**



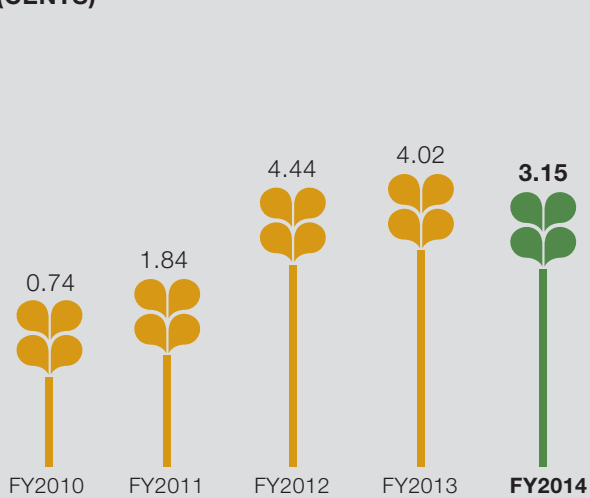
**GROSS PROFIT
(S\$'000)**



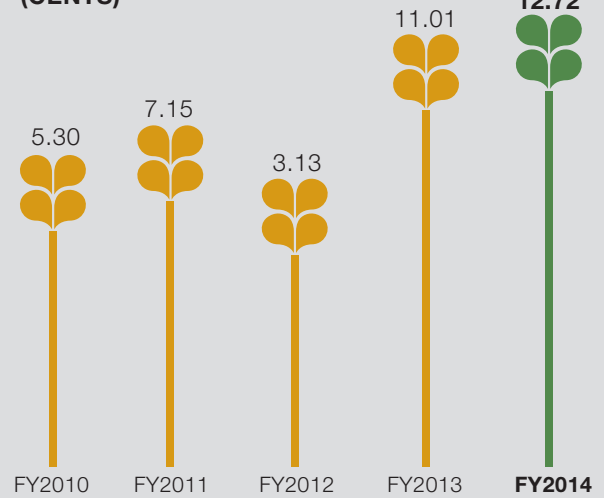
**NET PROFIT
(S\$'000)**



**BASIC EARNINGS PER SHARE
(CENTS)**



**NET ASSET VALUE
(CENTS)**





LANDSCAPE

**TO BUILD A
NEW ERA OF
LANDSCAPE IN
MYANMAR**

OPERATING & FINANCIAL REVIEW



OPERATING REVIEW

(A) Construction Contracts

(I) Completed Projects

During the financial year under review, the Group completed the following construction projects:

	DESCRIPTION	TYPE OF PROJECT	COMPLETION DATE ¹	CONTRACT VALUE (IN MILLION) ²
1	Changi Business Park Vista Project – Erection of a 7-storey research and development building at Changi Business Park Central 1	Business space	January 2014	S\$31.6
2	Lavender Project – Erection of a mixed-used development at Lavender Street/Kallang Avenue	Business space	June 2014	S\$196.6
3	Vector Aerospace Project – Erection of a part single storey & part 2-storey factory building (single user) at 100 Aerospace View	Business space	August 2014	S\$13.6
4	Viking Project – Additions and alterations to existing single user factory at 21 & 23 Kian Teck Road	Business space	November 2014	S\$6.1
5	Angullia Park Project – Erection of a block of 36-storey condominium housing development at Angullia Park	Residential	April 2014	S\$74.4
6	Tampines HDB Project – Erection of a public housing development at Tampines Central 7/Tampines Concourse	Residential	February – July 2014	S\$130.1
7	Ladyhill Project – Erection of 2-storey detached dwelling house at 8 Ladyhill Road	Residential	August 2014	S\$4.5

Notes:

1 Completion date refers to TOP date or date of completion certificate, where applicable.

2 Contract value refers to the contract value of building works, architectural works and/or project management services, as applicable, and includes any variation orders confirmed or expected as at 31 December 2014

OPERATING & FINANCIAL REVIEW

(II) On-going Projects

During the financial year under review, the Group secured a total of 11 new construction projects, comprising six business space construction projects, namely Soo Kee Project, Xin Ming Hua Project, Pepperl + Fuchs

Project, Jalan Lam Huat Excavation and Earthwork Project, Jalan Lam Huat Main Contract Project and ARC 380 Project, and five residential construction projects, namely Rosehill Residences Show Unit Project, Goodwood Grand Project, Hospice Project, Yishun HDB Project and

Sembawang HDB Project. With these new construction projects, the Group's number of on-going construction projects has increased to 17 as at 31 December 2014. The Group expects that these projects will be progressively completed and recognised over the next three years.

	DESCRIPTION	TYPE OF PROJECT	EXPECTED YEAR OF COMPLETION	CONTRACT VALUE (IN MILLION) ¹
1	Northview Bizhub Project – Erection of a multiple-user general industrial development at Yishun Avenue 9	Business space	2015	S\$27.7
2	Bukit Batok BizHub Project – Erection of a multiple-user general light industrial development at Bukit Batok Street 23	Business space	2015	S\$35.6
3	Rigel Project – Erection of a 6-storey light industrial building at Changi Business Park (Plot 18)	Business space	2015	S\$20.2
4	Jalan Lam Huat Excavation and Earthwork Project – Erection of a 7-storey multiple-user general industrial development at Jalan Lam Huat	Business space	2015	S\$21.3
5	Mandai Connection Project – Erection of a 10-storey multiple-user ramp-up light industrial development at Mandai Link	Business space	2015	S\$53.1
6	Xin Ming Hua Project – Design & erection of a single-user ramp-up industrial development at Tuas Crescent	Business space	2015	S\$56.6
7	Soo Kee Project – Erection of a 7-storey industrial building at Changi Business Park Vista	Business space	2015	S\$26.8





	DESCRIPTION	TYPE OF PROJECT	EXPECTED YEAR OF COMPLETION	CONTRACT VALUE (IN MILLION) ¹
8	Pepperl + Fuchs Project – Main building works for a Global Distribution Center at Pioneer Turn	Business space	2015	S\$38.6
9	Jalan Lam Huat Main Contract Project – Erection of a 7-storey multiple-user general industrial development at Jalan Lam Huat	Business space	2016	S\$154.2
10	ARC 380 Project – Erection of a 16-storey commercial development at Jalan Besar/Lavender Street	Business space	2016	S\$61.2
11	Rosehill Residences Show Unit Project – Construction and completion of a single storey show unit and sale office in Yangon, Myanmar	Residential	2015	S\$1.3
12	Bukit Batok HDB Project – Design and build for an upgrading project at Bukit Batok Street 31 and at Bukit Batok West Avenue 8	Residential	2015	S\$24.5
13	Hospice Project – Development of hospice at Thomson Road	Residential	2016	S\$47.6
14	Goodwood Grand Project – Erection of a residential flat development at Balmoral Road	Residential	2016	S\$39.5
15	Ang Mo Kio HDB Project – Erection of a public housing development at Ang Mo Kio Avenue 3/Street 51	Residential	2017	S\$100.3
16	Yishun HDB Project – Erection of a public housing development at Yishun Avenue 4/Yishun Ring Road	Residential	2017	S\$168.4
17	Sembawang HDB Project – Erection of a public housing development at Sembawang	Residential	2017	S\$128.0

Note:

¹ Contract value refers to the contract value of building works, architectural works and/or project management services, as applicable, and includes any variation orders confirmed or expected as at 31 December 2014

■ OPERATING & FINANCIAL REVIEW

(B) Project Management Service Contracts

Leveraging on the Group's experience as a construction company and expertise in the various complementary construction activities, the Group also secured several construction project management service contracts in the local market as well as in Myanmar.

(I) Local Project Management Service Contracts

During the financial year under review, the Group provided project management services to the following construction projects in Singapore:

	DESCRIPTION	TYPE OF PROJECT	CONTRACT VALUE (IN MILLION)
1	Northspring Bizhub Project – Erection of a multiple-user general industrial development at Yishun Industrial Street 1/ Yishun Street 23	Business space	S\$1.0
2	Northview Bizhub Project – Erection of a multiple-user general industrial development at Yishun Avenue 9	Business space	S\$0.3
3	Bukit Batok BizHub Project – Erection of a multiple-user general light industrial development at Bukit Batok Street 23	Business space	S\$0.3
4	Mandai Connection Project – Erection of a 10-storey multiple-user ramp-up light industrial development at Mandai Link	Business space	S\$0.5



(II) Myanmar Project Management Service Contracts

During the financial year under review, the Group has achieved a good progress in Myanmar with six new project management service contracts being awarded to the Group's wholly-owned subsidiary, Soilbuild (Myanmar) Company Limited by third party customers there, with total contract value of approximately S\$3.8 million.

The Group is poised to strengthen its presence in Myanmar in FY2015, through tendering and executing construction projects locally.





FINANCIAL REVIEW

Review of Consolidated Statement of Comprehensive Income

Revenue

In FY2014, the Group's revenue declined by 13.9% from S\$331.3 million in FY2013 to S\$285.2 million. The decrease was attributable to lower revenue contribution from the Lavender Project, Tampines HDB Project, Angullia Park Project and Changi Business Park Vista Project, which were completed during the year under review. The decrease in the Group's revenue was partly offset by the progressive revenue contribution from the Mandai Connection Project and Bukit Batok Bizhub Project, as well as maiden revenue recognised from the Ang Mo Kio HDB Project, Bukit Batok HDB Project, Xin Min Hua Project, Rigel Project and Vector Aerospace Project.

Gross Profit and Gross Profit Margin

Despite recording 13.9% decrease in the Group's revenue in FY2014, the Group's gross profit only decreased marginally by 1.2% from S\$31.6 million in FY2013 to S\$31.2 million in FY2014, due mainly to higher gross profit margin recorded in FY2014.

The Group achieved a higher gross profit margin of 10.9% in FY2014, an increase of 1.4% when compared with the gross profit margin of 9.5% in FY2013. The higher gross profit margin was mainly attributable to the revenue recognised for projects with higher profit margins.

Other Income

The Group's other income increased significantly from S\$0.7 million in FY2013 to S\$1.4 million in FY2014, due mainly to the increase in rental income, interest income and service income in FY2014.

Other Gains

The Group's other gains increased from S\$0.03 million in FY2013 to S\$0.04 million in FY2014, due mainly to the increase in foreign exchange gains.

Administrative Expenses

In FY2014, the Group's administrative expenses increased by S\$1.3 million or 18.1% from S\$7.2 million in FY2013 to S\$8.5 million. The increase in administrative expenses was mainly attributable to the increase in staff payroll, directors' remuneration, rental expenses and staff training expenses following the expansion of the Group's activities. This was partly offset by the absence of share issue expenses in FY2014 which amounted to S\$0.9 million in FY2013.

■ OPERATING & FINANCIAL REVIEW



Finance Expenses

The Group's finance expenses decreased from S\$0.06 million in FY2013 to S\$ Nil in FY2014, following the full repayment of the Group's borrowings in FY2013.

Other Operating Expenses

The Group's other operating expenses increased by S\$0.2 million from S\$0.5 million in FY2013 to S\$0.7 million in FY2014. The increase in other operating expenses was mainly due to higher depreciation charges for computers as well as higher motor vehicles expenses.

Share of Profit of Joint Ventures

The Group's share of profits of joint ventures decreased significantly by S\$2.7 million from S\$3.0 million in FY2013 to S\$0.3 million in FY2014. The decrease was due mainly to the decrease in its share of profits of joint ventures following the completion of the fully sold development project, Solstice Business Centre, undertaken by Solstice Development Pte. Ltd.. The Group's share of profits of Forte Builder Pte. Ltd., which is the main contractor for the Angullia Park Project, also decreased in FY2014

compared with that of FY2013 as a result of the project completion in FY2014.

Profit Before Income Tax

The Group's profit before income tax decreased by S\$3.7 million from S\$27.5 million in FY2013 to S\$23.8 million in FY2014. The decrease in the Group's profit before income tax was attributable to the decrease in the Group's gross profit of S\$0.4 million, the decrease in the Group's share of profit of joint ventures of S\$2.7 million as well as increase in the administrative expenses of S\$1.3 million. These were partially offset by the increase in other income of S\$0.7 million in FY2014.

Income Tax Expenses

The Group's income tax expenses decreased from S\$3.5 million in FY2013 to S\$2.9 million in FY2014.

After adjusting for the Group's share of profits of joint ventures, which was reported net of tax, the Group's effective tax rate for FY2014 and FY2013 were 12.3% and 14.1% respectively. The effective tax rate in FY2014 and FY2013 were lower than the Singapore statutory tax rate of 17% due mainly to the utilisation of tax benefits available to the Group.

Net Profit

The Group's net profit decreased from S\$24.0 million in FY2013 to S\$20.9 million in FY2014 as a result of the decrease in profit before income tax of S\$3.7 million in FY2014, partially offset by the lower income tax expenses in FY2014.

The Group's net profit margin was 7.3% in FY2014, same as the net profit margin achieved for FY2013.

Review of the Group's Balance Sheet

Current Assets

The Group's current assets decreased from S\$134.6 million as at 31 December 2013 to S\$124.9 million as at 31 December 2014. The decrease was mainly attributable to:

- (I) Decrease in cash and cash equivalents by S\$24.7 million. The decrease in cash and cash equivalents was due mainly to cash used in operating activities amounting to S\$11.2 million as well as the payment of dividends during FY2014; and
- (II) Decrease in other current assets by S\$1.5 million as a result of the decrease in deposits which were paid for the purchase of plant and equipment in FY2013.

The decrease in current assets discussed above was partly offset by the increase in trade and other receivables by S\$16.5 million with the increase of construction contracts and progress billings receivable for construction projects.

Non-current Assets

The Group's non-current assets increased from S\$26.9 million as at 31 December 2013 to S\$43.4 million as at 31 December 2014. The increase was mainly attributable to:



(I) Increase in non-current trade and other receivables by S\$4.3 million. The increase was mainly attributable to the increase in the non-current portion of retention receivable from customers for construction projects;

(II) Increase in other non-current assets of S\$10.0 million arising from a security deposit paid in respect of an on-going construction project;

(III) Increase in property, plant and equipment by S\$2.3 million. The increase was mainly attributable to the additions of property, plant and equipment of S\$4.4 million, which was partially offset by the depreciation charge of S\$2.1 million during FY2014.

Current Liabilities

The Group's current liabilities decreased from S\$87.5 million as at 31 December 2013 to S\$83.3 million as at 31 December 2014. The decrease was attributable mainly to the decrease in trade and other payables of S\$4.4 million as well as the marginal decrease in current income tax liabilities of S\$0.2 million.

The decrease in trade and other payables resulted from the decrease in trade payables of S\$4.5 million and the decrease in accrued construction cost of S\$11.3 million, which were partially offset by an increase in accrued operating expenses and other payables.

Non-current Liabilities

The Group's non-current liabilities decreased to S\$0.5 million mainly due to the decrease in deferred income tax liabilities as at 31 December 2014.

Total Equity

The Group's total equity increased by S\$11.3 million from S\$73.1 million as at 31 December 2013 to S\$84.4 million as at 31 December 2014. The increase was attributable to the net profit after tax of the Group for FY2014 which amounted to S\$20.9 million, partially offset by the dividends declared and paid in FY2014 which amounted to approximately S\$10.0 million.



■ CORPORATE SOCIAL RESPONSIBILITY REVIEW



The Group places emphasis on the importance of achieving a good equilibrium between value creation for all stakeholders, including our community, shareholders, customers and employees, and enhancing our role as a leading and responsible corporate citizen.

With an extensive network of all stakeholders, we are committed, amongst others, to:

- (I) create stability in our business and the social environment;
- (II) achieve continual growth in our financial performance for our shareholders;
- (III) deliver quality buildings to our customers; and
- (IV) provide a friendly and encouraging work environment for our employees.

Environmental Awareness

The Group believes in building a greener future and creating a friendlier environment for all our stakeholders by minimising the usage of natural resources and the waste in our operations. We have implemented an environmental management system to identify and manage environmental

aspects. These aspects are managed by setting reduction targets and implementing programmes to achieve these targets.

The Group's effort to preserve our environment includes the following:

- (I) monitoring and analysing energy and water usage in construction sites for all projects under construction for any abnormality, for immediate rectification;
- (II) implementing various measures to reduce energy consumption, including the consideration of energy efficient equipment with the Energy Star1 logo when purchasing new office equipment;
- (III) using rainwater or recycled water to wash vehicles before they leave the construction sites, and using recycled water for washing before casting. Water-saving devices like thimbles in taps are also installed wherever possible in our project sites and our corporate office; and

- (IV) embarking on a paper usage reduction drive by providing our staff with tips on paper conservation such as reducing printing unless necessary, and reusing and recycling used paper by printing on both sides of the page. Construction waste is separated and placed into the appropriate recycling bins at our project sites.

The Group supports the authorities' efforts in promoting sustainability, environmental protection and considerate practices. Some of the key features adopted include:

- (I) using recycled aggregates for non-structural applications like drains, road kerbs and wheel stoppers;
- (II) using recycled aggregates and green cement for structural components, where possible;
- (III) using energy efficient lightings and green label photocopiers in the site offices; and
- (IV) providing covered walkways around the sites where there is heavy usage by the general public.

The Group was awarded the “Green and Gracious Builder Award” by the Singapore Building and Construction Authority (“BCA”) during the year.



Responsibility to Our Shareholders

The Group values corporate transparency and strives to uphold high standards of corporate governance and disclosure, in accordance with the principles and guidelines of the Code of Corporate Governance 2012.

We are committed to delivering accurate and timely disclosure of material corporate developments, quarterly and full year results, which are released on SGXNET as well as on our corporate website: www.soilbuildconstruction.com. Our corporate website provides information on the Group’s background, corporate and management structure, our services as well as our financial information.

We meet up with our shareholders and potential investors at various seminars and briefings as we believe that it is important to provide open and direct communication channels with the shareholder and investor communities in order to facilitate better understanding of the Group’s

business model and growth strategy, and to address their concerns, if any.

During the year under review, the Group received the “Most Transparent Company Award” under Mainboard Small Caps Category at the Securities Investors Association (Singapore) 15th Investors’ Choice Awards 2014.

Commitment to Our Customers

The Group takes pride and places great emphasis on the quality aspects of all projects. We strongly believe in delivering high standards of quality and service levels to our customers which are key to maintaining customer satisfaction.

The Group has established the following quality objectives:

- (I) to comply and continually improve the effectiveness of the quality management system which satisfies all requirements of ISO 9001:2008 standard requirements, or any relevant

statutory and regulatory, customer or other obligations to which the organisation subscribes;

- (II) to provide total customer satisfaction and encourage repeated patronage by consistently exceeding customers’ expectations with reliable quality works;
- (III) to deliver projects on time and operate within an allocated budget; and
- (IV) to constantly provide training to all staff, and upgrading of work processes to improve our work quality procedure so as to improve efficiency and reduce wastage of resources.

As an endorsement of our quality management system, the Group has obtained the ISO 9001:2008 certification for our business operations. The attainment of the above certification will strengthen our customers’ confidence in the quality



CORPORATE SOCIAL RESPONSIBILITY REVIEW

of our products and services and differentiate us from our competitors who have not attained such certification.

People Development and Care for Our Employees

We recognise that our employees are invaluable to the success of our Group. We are committed to cultivating a balanced work-life environment for all our employees, as well as to developing the new workforce in our industry.

Training

We offer training to assist employees in achieving a higher level of competency and safety standards, in order to further enhance the quality of our products and services. Such training also aims to build a well-motivated, stable workforce with a high level of team work.

A key objective of training is to develop competencies which would enable our employees to perform their current or future jobs successfully. All our training programmes are geared towards the following objectives:

- (I) strengthening the job skills/knowledge of employees;
- (II) improving operational efficiency and productivity; and
- (III) developing and maximising the potential of employees, to the mutual benefit of the Group and their own respective selves.

People Development

The Group is committed to develop human capital and industry talent in the built environment through various programmes.

The following are the initiatives that the Group has taken to promote people development during the year under review:

- (I) continued to take part in the BCA-Industry Built Environment Undergraduate Scholarship programme to offer opportunities to potential awardees to take up a career in the built environment;
- (II) worked with BCA and overseas academic institutions to offer internship opportunities to students;
- (III) initiated a staff mentorship programme with the objectives of attracting, retaining and motivating talents.

Employees' Welfare

The Group holds several yearly corporate events, including an annual Chinese New Year lunch, for our staff as part of our efforts to promote a balanced work-life environment.

Health and Safety

Health and safety at our workplace is of utmost importance to the Group. We have regular and continuous audits on our workplace health and

safety practices to ensure compliance on-site at all times.

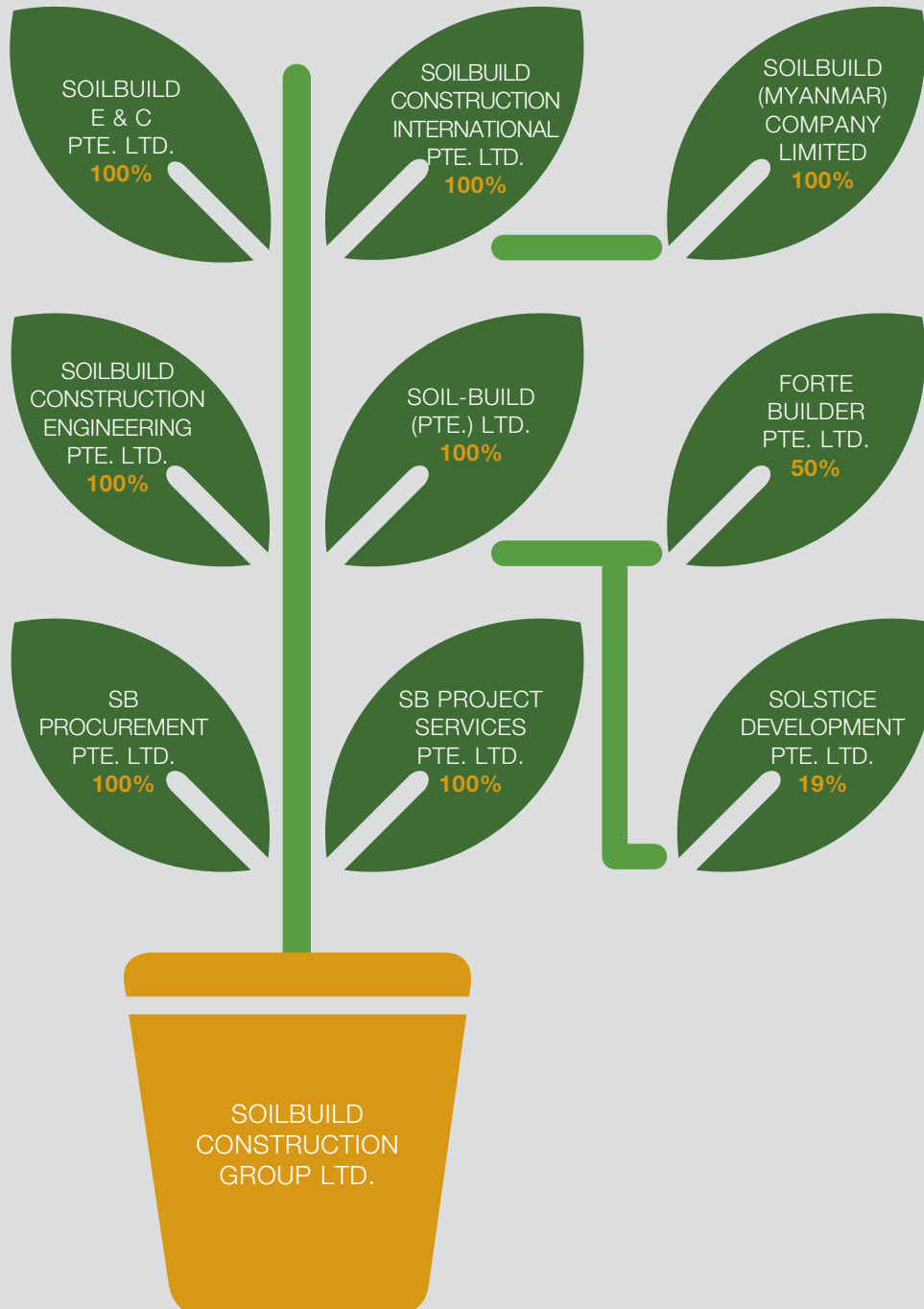
The Group is also actively promoting work safety and good environmental awareness by continuously upgrading the skills of our employees in order to increase their knowledge and efficiency in operational safety supervision and management.

The Group has implemented appropriate procedures and policies to prevent and mitigate the spread of communicable diseases for the corporate office and all construction sites. Furthermore, we are committed to managing occupational health and safety issues, and preference is given to engaging OHSAS 18000-certified or bizSAFE-certified vendors/contractors for our projects. The Group has also been certified by the Workspace Safety and Health Council to have fulfilled the requirements to attain bizSAFE Level Star and obtained the BS OHSAS 18001:2007 certification.

Our employees are encouraged to report any potentially improper and/or unethical conduct that they become aware of at their workplace or in connection with their work. We believe that we have an environment that enables our employees to raise both legitimate and genuine concerns internally.



GROUP STRUCTURE ■



■ BOARD OF DIRECTORS



MR LIM CHAP HUAT
EXECUTIVE CHAIRMAN

Age 61, Mr Lim Chap Huat is the Company's Executive Chairman. Mr Lim was appointed to the Board on 14 January 2013 and was last re-elected as Director on 25 April 2014. He charts the Group's strategic direction, business planning and development as well as succession planning. Leveraging on his extensive industry experience, Mr Lim also oversees the Group's operations and provides guidance in project management and tender submission for the Group's various projects.

Mr Lim is a co-founder of Soilbuild Group with more than 36 years of experience in the construction and property development business. Apart from his role in strategic planning and development of corporate policies, Mr Lim has been involved in all key aspects of the operations and businesses of Soilbuild Group to ensure quality at key planning, design and implementation levels, including the oversight of the tendering and management processes of construction and development projects. He has also established a network of relationships with developers, customers, consultants and architects within the real estate industry.

Prior experience:

- Co-founder of Soilbuild Group with more than 36 years of experience in the construction and property development business

Currently, Mr Lim also serves as the Executive Chairman of Soilbuild Group Holdings Ltd as well as a director on the board of all subsidiaries of Soilbuild Group, including the Group. He is also a non-executive director of SB REIT Management Pte. Ltd., the manager of Soilbuild Business Space REIT which is listed on the SGX-ST.

Mr Lim holds a Technician Diploma (Civil Engineering) from the Singapore Polytechnic. He is active in community service and currently serves as the Chairman of the Chong Pang Community Club Management Committee. In recognition of his contributions to the community, Mr Lim was conferred the Pingat Bakti Masyarakat (Public Service Medal) and the Bintang Bakti Masyarakat (Public Service Star) by the President of the Republic of Singapore in 2003 and 2009 respectively.



MR HO TOON BAH
EXECUTIVE DIRECTOR

Age 52, Mr Ho Toon Bah is the Company's Executive Director, and was appointed to the Board on 14 January 2013. Mr Ho supports the strategic growth of the Group's operations and drives the development and execution of its business strategies, including securing construction contracts through structuring contracts and/or partnerships with potential customers. His responsibilities also include day-to-day operations of the Company, capital management, human resources and investor relations of the Group.

Prior experience:

- 2009 to 2013, Executive Director of Soilbuild Group Holdings Ltd.
- 2008 to 2009, Head of Consumer Banking at Standard Chartered Bank in Malaysia
- 2006 to 2008, Head of Consumer Banking at Standard Chartered Bank in Indonesia
- 2004 to 2005, General Manager of SME Banking at Standard Chartered Bank in Indonesia
- 2002 to 2003, General Manager for Wealth Management at Standard Chartered Bank in Indonesia
- 2001 to 2002, General Manager for Mortgages and Auto at Standard Chartered Bank
- 2000 to 2001, Senior Manager for Branch Banking and Direct Sales at Standard Chartered Bank

Mr Ho is also an independent director of Europtronic Group Ltd, a non-executive director of SB REIT Management Pte. Ltd., the manager of Soilbuild Business Space REIT, and a non-executive director of IREIT Global Group Pte Ltd, the manager of IREIT Global. Europtronic Group Ltd, Soilbuild Business Space REIT and IREIT Global are listed on the SGX-ST.

Mr Ho holds a Bachelor of Business Administration from the National University of Singapore. He is also a Chartered Financial Analyst.

Pursuant to Article 91 of the Company's Articles of Association, Mr Ho Toon Bah will retire by rotation and is eligible for re-election in the forthcoming Second Annual General Meeting of the Company.



MS LIM CHENG HWA
NON-EXECUTIVE DIRECTOR

Age 42, Ms Lim Cheng Hwa is the Company's Non-Executive Director. Ms Lim was appointed to the Board on 8 May 2013 and was last re-elected as Director on 25 April 2014. Ms Lim has more than 18 years of experience, having served in finance departments of various listed companies.

Prior experience:

- Since 2011, Executive Director of Soilbuild Group Holdings Ltd. and also serves as the director of certain subsidiaries of Soilbuild Group Holdings Ltd.
- Since 2010, Director of Capital and Investment Management of Soilbuild Group Holdings Ltd., handling all financial, accounting, tax and treasury matters, business and investment development, corporate communications, human resources and administration of the Group
- 2007 to 2009, Group Financial Controller at Soilbuild Group Holdings Ltd.
- 1999 to 2007, Financial Controller at MTQ Corporation Limited
- 1995 to 1999, Accountant and Senior Accountant at L&M Group Investments Limited

Ms Lim is also a non-executive director of SB REIT Management Pte. Ltd., the manager of Soilbuild Business Space REIT which is listed on the SGX-ST.

Ms Lim holds a Bachelor of Accountancy (Honours) from the Nanyang Technological University.



MR POON HON THANG
LEAD INDEPENDENT DIRECTOR

Age 66, Mr Poon Hon Thang is the Company's Lead Independent Director. Mr Poon was appointed to the Board on 8 May 2013 and was last re-elected as Director on 25 April 2014. Mr Poon is the Chairman of the Audit Committee of the Company, and a member of Nominating and Remuneration Committee of the Company. Mr Poon has more than three decades of experience in the financial industry.

Prior experience:

- 1988 to 2006, worked at UOB Bank where he was responsible for consumer banking, corporate banking, commercial banking, corporate finance and international banking. In 2006, Mr Poon retired as Senior Executive Vice President from UOB Bank
- 1979 to 1988, worked at Citibank N.A. where he was responsible for credit, marketing, remedial management and structured finance

Mr Poon has been an independent director of Enviro-Hub Holdings Ltd., which is listed on the SGX-ST, since 2007 and is currently also an independent director of J.P. Nelson Holdings Ltd. which is listed on the Taiwan Greta Securities Market.

Mr Poon holds a Bachelor of Commerce (Honours) from the Nanyang University of Singapore.

Pursuant to Article 91 of the Company's Articles of Association, Mr Poon Hon Thang will retire by rotation and is eligible for re-election in the forthcoming Second Annual General Meeting of the Company. Upon re-election, Mr Poon Hon Thang will remain as the Chairman of the Audit Committee of the Company, and a member of Nominating and Remuneration Committee of the Company.



MR TAN JEE MING
INDEPENDENT DIRECTOR

Age 56, Mr Tan Jee Ming is the Company's Independent Director. Mr Tan was appointed to the Board on 8 May 2013 and was last re-elected as Director on 25 April 2014. Mr Tan is the Chairman of the Nominating Committee of the Company, and a member of Audit and Remuneration Committee of the Company. Mr Tan has over 26 years of experience in the legal practice.

Prior experience:

- Since 2010, Director at Straits Law Practice LLC, practicing general civil and criminal law
- 1996 to 2010, set up own sole proprietorship law firm, Tan Jee Ming & Partners
- 1989 to 1995, practice at various law firms and then became a Partner at Derrick Jeffrey & Ravi
- 1986, commenced legal practice at RCH Lim & Co

Mr Tan is an independent director of PS Group Holdings Ltd. which is listed on the SGX-ST.

Mr Tan holds a Bachelor of Laws (Honours) from the National University of Singapore and is a member of the Singapore Academy of Law, the Law Society of Singapore Compensation Fund Committee, the Law Society of Singapore Inquiry Panel and the Singapore Institute of Directors.



MR TEO CHEE SENG
INDEPENDENT DIRECTOR

Age 61, Mr Teo Chee Seng is the Company's Independent Director. Mr Teo was appointed to the Board on 8 May 2013 and was last re-elected as Director on 25 April 2014. Mr Teo is the Chairman of the Remuneration Committee of the Company, and a member of Audit and Nominating Committee of the Company. He has been a lawyer in private practice in Singapore for more than 30 years. He is a member of the Law Society of Singapore Inquiry Panel.

Prior experience:

- Since 2006, Managing Director of Able Law Practice LLC
- 1986 to 2006, practicing at Chee & Teo
- 1981 to 1986, practicing at Chee Hee & Teo

Mr Teo is an independent director of Etika International Holdings Limited and Lasseters International Holdings Limited which are listed on the SGX-ST. He is also an independent director of United Overseas Australia Limited, which is listed on both the Australian Securities Exchange and the SGX-ST.

Mr Teo holds a Bachelor of Laws (Honours) from the University of Singapore.

MANAGEMENT TEAM



MR LOH CHYE AIK
DIRECTOR, OPERATIONS

Mr Loh Chye Aik is our Director of Operations and joined the Group in 2012. His responsibilities include strategising operations, managing resources, monitoring of costs, quality assurance and control, environmental sustainability, as well as safety matters. Mr Loh has more than 30 years of experience in the area of construction management in the construction industry.

Prior experience:

- 2011 to 2012, Project Director in charge of construction management at ACP Construction Pte Ltd
- 2008 to 2011, General Manager at Ryobi Kiso Holdings Ltd.
- 2007 to 2008, Business Development Manager at Lai Yew Seng Pte Ltd
- 1997 to 2007, Senior Project Manager at Greatearth Construction Pte Ltd
- 1995 to 1996, General Manager at Kamikaya Sdn Bhd
- 1984 to 1995, Operations Manager at Khian Heng Construction Pte Ltd

Mr Loh Chye Aik graduated from the National University of Singapore with a Bachelor of Engineering (Civil) (First Class Honours) in 1984 and obtained his Master of Business Administration from the National University of Singapore in 1997.



MR WILLIAM KOH HOCK ANN
DIRECTOR, INDUSTRIAL & OVERSEAS

Mr William Koh Hock Ann is our Director, Industrial & Overseas. He joined the Group in 2012 and is responsible for spearheading the Group's expansion beyond Singapore. Mr Koh has been involved in the construction industry and in project management for more than 18 years.

Prior experience:

- 2006 to 2012, Senior Project Manager at Boustead Singapore Limited
- 2002 to 2006, Deputy Construction Manager at Dragages Singapore Pte Ltd
- 2000 to 2002, Assistant Project Manager at First Green Engineering Pte Ltd
- 1995 to 2000, Senior Supervisor at Weltech Construction Pte Ltd

Mr Koh holds a PhD. in Project Management from the University of Canterbury, a Bachelor of Science in Construction Management from Heriot-Watt University, an Advanced Diploma in Building from the University of Technology, Sydney, and a Diploma in Construction Management from MMC Professional Development Centre and Asia Pacific International Institutes.



MR CHOOI YUE CHIONG
DIRECTOR, DESIGN AND PLANNING

Mr Chooi Yue Chiong is our Director, Design and Planning. He is involved in the construction design, specifications and drawings in our construction projects to derive cost savings through improvements in construction methods, sequence and/or material use. Mr Chooi has more than 27 years of related experience in the construction industry, having worked in various engineering and construction companies.

Prior experience:

- 2011 to 2013, worked for SB Procurement Pte Ltd, responsible for driving the Group's procurement planning and spearheading improvements in construction methodologies
- 2007 to 2011, General Manager at Soil-Build (Pte) Ltd, responsible for day-to-day operations of the projects and construction management, and oversees the quantity survey department and the deployment of key staff and project training
- 2006 to 2007, Project Manager at Sunhuan Construction Pte Ltd
- 2003 to 2005, Senior Project Manager at Sanchoon Builder Pte Ltd
- 2001 to 2003, Senior Project Manager at a subsidiary of Soilbuild Group Holdings Ltd, heading the projects and quantity survey departments
- 1992 to 2000, Project Manager at Soil-Build (Pte) Ltd

Mr Chooi holds a Diploma in Civil Engineering from Singapore Polytechnic and a Bachelor of Applied Science (Construction Management) with Honours (First Class) from the Royal Melbourne Institute of Technology.



MR HO CHAN TECK PATRICK
DIRECTOR, PROJECTS

Mr Ho Chan Teck Patrick is our Director, Project and his role includes the overall management of projects to ensure that the relevant project is on time, within budget and adhere to the safety and health standard with acceptable quality, planning and implementing of project work schedules and formulation of construction budgets. Mr Ho has more than 27 years of experience in the construction industry.

Prior experience:

- 2004 to 2012, Deputy General Manager at Soilbuild Group Holdings Ltd and Head of Soilbuild Group Holdings Ltd's development management division
- 1997 to 2004, Manager/Project Manager at Soil-Build (Pte) Ltd
- Prior to 1997, worked in various roles such as a Site Foreman and a Site Manager in various construction companies

Mr Ho obtained a Technician Diploma in Building from Singapore Polytechnic in 1984.



MR NG KWON HONG
DIRECTOR, PROJECTS

Mr Ng Kwoon Hong is our Director, Project and his key focus is on the Group's government related projects. Leveraging on his previous work experiences, he is currently responsible for managing budgets and ensuring the quality, safety and timely delivery of each project. Mr Ng brings to the Group 33 years of industry expertise, having worked in both public and private sectors.

Prior experience:

- 2009 to 2013, General Manager and Project Director at Soilbuild Group Holdings Ltd. and Soil-Build (Pte) Ltd respectively, overseeing projects to ensure quality builds and timely delivery
- 2007 to 2009, Deputy General Manager at SB Development Pte. Ltd, responsible for reviewing and monitoring with architect and structural engineer for PP, WP and BP submission
- 1986 to 2007, held various position at Soil-Build (Pte) Ltd which include Senior Site Foreman, Senior Site Manager and Assistant Project Manager
- 1982 to 1986, Site Foreman at Eka General Construction



MS WINNY MONICA OEI
DIRECTOR, CONTRACT
& PROCUREMENT

Ms Winny Oei is our Director, Contract & Procurement, who leads and monitors the Group's purchasing and procurement procedures in daily operation since 2012. Her other responsibilities include developing and implementing procedures for internal work processes, establishing long-term cooperation with external vendors, maintaining relationship with clients and securing new tenders or jobs for the Group. Having joined the Group in 2000, she brings with her almost 20 years of related experience in the industry.

Prior experience:

- 2000 to Present, since joining the Group, she held a few roles in QS and Contract department and Procurement department
- 1992 to 1994, Senior Cost Estimator at PT Nusa Raya Cipta, Indonesia (previously under Astra Group Indonesia)
- 1990 to 1992, Assistant Project Manager at PT Pan Karib, Indonesia

Ms Winny Oei holds a Bachelor of Science in Civil Engineering (with honours) from the University of HKBP Nommensen Indonesia and is registered as member of Auditor under Ministry of Manpower, Indonesia.

■ MANAGEMENT TEAM



MR LIM THIAM LAY
DIRECTOR, MECHANICAL
& ELECTRICAL

Mr Lim Thiam Lay is our Director, M&E and is responsible for the day-to-day operation of all mechanical and electrical ("M&E") related works which include tender bidding and design development. Having worked in various civil engineering and construction companies, Mr Lim brings to the Group more than 23 years of related experience in the construction industry.

Prior experience:

- 2001 to 2014, since joining the Group, he held various position in the M&E department, including M&E Coordinator, Assistant M&E Manager, M&E Manager, Deputy Head and Senior M&E Manager, and Head of M&E at Soil-Build (Pte) Ltd
- Prior to 2001, he had 6 years of experience as M&E Coordinator/ Assistant Manager liaising and coordinating all M&E, structural and architectural works for Toda Corporation, Tekken Corporation and Arab Malaysian Toda Sdn Bhd

Mr Lim obtained a Diploma in Electrical & Electronics Engineering from the Institute Teknologi Jaya, Malaysia in 1992.



MR WONG YOON THIM
DIRECTOR, CORPORATE SERVICES

Mr Wong Yoon Thim is our Director, Corporate Services and is responsible for the execution and day-to-day operation of various functions of the Group which include finance and accounting, human resource and administration, as well as corporate affairs.

Prior experience:

- 2010 to 2013, Group Chief Financial Officer and Company secretary of OTO Holdings Limited
- 2006 to 2010, Chief Financial Officer of CMZ Holdings Ltd
- 2005 to 2006, Finance Manager of Muhibbah Petrochemical Engineering Sdn. Bhd.

Mr Wong is a member of the Institute of Singapore Chartered Accountants.

CORPORATE GOVERNANCE REPORT ■

The Board of Directors (the “**Board**”) is committed to ensuring the highest standards of corporate governance are practised throughout Soilbuild Construction Group Ltd. (the “**Company**”) and its subsidiaries (together with the Company, the “**Group**”), as a fundamental part of discharging its responsibilities to protect and enhance shareholder value, while seeking to achieve operational excellence and delivering the Group’s long-term strategic objectives. The Board has also established various self-regulatory and monitoring mechanisms, where applicable, to ensure that effective corporate governance is practised.

Set out in the Report are the Group’s corporate governance practices and structures that have been adopted with specific reference to the Code of Corporate Governance 2012 (the “**Code**”) and where applicable, the Listing Manual (“**SGX-ST Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Companies Act (Cap.50 of Singapore) (the “**Companies Act**”) and the Audit Committee Guidance Committee Guidebook, focusing on areas such as internal controls, risk management, financial reporting, internal and external audit.

(A) Board Matters

The Board’s Conduct of Affairs

Principle 1

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

The Board is primarily responsible for overseeing and supervising the management of the business and corporate affairs, and the overall performance of the Group. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group.

The principal functions of the Board are:

- providing entrepreneurial leadership, reviewing and setting the strategic directions and broad policies, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and monitoring the organisational performance towards them;
- approving the Group’s annual budgets, key operational matters, investment and divestment proposals, corporate or financial restructuring, material acquisitions and disposal of assets and making decisions in the interest of the Group, interested person transactions of a material nature, convening of shareholders’ meetings and major funding proposals;
- establishing and reviewing the adequacy and integrity of the Company’s framework of risk management systems, internal controls and financial reporting systems;
- ensuring the Group’s compliance with relevant laws, regulations, policies, directives, guidelines, internal codes of conduct and obligations to shareholders;
- approving all Board appointments or re-appointments and appointments of any persons who have authority and responsibility for planning, directing and controlling the activities of the Company (“**key management personnel**”) as well as evaluating their performance and reviewing their compensation packages;
- ensuring accurate, adequate and timely reporting to, and communication with shareholders;
- setting the Group’s values and standards of conduct and assuming the responsibility for the satisfactory fulfilment of social responsibilities of the Group; and
- reviewing the performance of the Group towards achieving adequate shareholder value including but not limited to the declaration of interim and final dividends, if applicable, approval of financial results of the Group and the audited financial statements and timely announcements of material transactions.

CORPORATE GOVERNANCE REPORT

To facilitate effective management and assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework, the Board has delegated specific responsibilities to three committees namely the Audit Committee (“**AC**”), Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”) (collectively, the “**Board Committees**”), details of which are set out below. These Board Committees have the authority to review and examine particular issues and to report to the Board their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board, which will take into consideration the overall interests of the Company.

The Board has adopted a set of internal guidelines on matters requiring its approval. Matters which are specifically reserved for the Board's decision include those involving corporate plans and budgets, material acquisitions and disposals of assets, corporate strategy, financial restructuring, share issuances, dividend and other returns to shareholders, major financial decisions such as investment and divestment proposals, expenditure beyond a prescribed amount as well as interested person transactions.

The Company conducts an induction programme for newly appointed directors which seeks to familiarise directors with the Group's businesses, board processes, internal controls and governance practices. The induction programme includes meetings with various key management personnel and briefings on key areas of the Company's operations. The Company provides a formal letter to each new director upon his appointment, setting out clearly the director's duties and obligations.

The directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, the management of the Company (“**Management**”) and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, risk management matters and changes in financial reporting standards. The Company also encourages and where it feels appropriate, will arrange for training courses to supplement and keep directors updated on areas such as accounting, legal and industry-specific knowledge. The Company is responsible for funding the training of directors.

The Board meets at least four times a year with additional meetings convened as and when necessary. Fixed meetings are scheduled at the start of each financial year. The Company's Articles of Association (“**Articles**”) allow for Board meetings to be conducted by way of telephone conferencing or other methods of simultaneous communication by telegraphic or electronic means, whereby all persons participating in the meeting are able to communicate as a group without requiring the directors' physical presence at the meeting. Each Board member brings with him independent judgment, diversified knowledge and experience when dealing with issues of strategy, performance, resources and standards of conduct.

The matrix on the frequency of the Board and Board Committee meetings and the attendance of directors at these meetings during the financial year ended 31 December 2014 is disclosed below:

Meeting of	Board	AC	NC	RC
Total meetings held	4	4	1	2
Total meetings attended				
Lim Chap Huat	4	4*	1*	–
Ho Toon Bah	4	4*	1*	–
Lim Cheng Hwa	4	4*	1*	–
Poon Hon Thang	4	4	1	2
Tan Jee Ming	4	4	1	2
Teo Chee Seng	4	4	1	2

*Attendance by invitation of the relevant Board Committee

CORPORATE GOVERNANCE REPORT ■

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 the date of this Annual Report, the Board comprises two Executive Directors, three Independent Directors and one Non-Executive Director. The Board composition is as follows:

Executive Directors:

Mr Lim Chap Huat (Executive Chairman)
Mr Ho Toon Bah (Executive Director)

Non-Executive Directors:

Ms Lim Cheng Hwa (Non-Executive Director)
Mr Poon Hon Thang (Lead Independent Director)
Mr Tan Jee Ming (Independent Director)
Mr Teo Chee Seng (Independent Director)

The size and composition of the Board are reviewed by the NC annually to ensure that the current Board size and number of Board Committees facilitates effective decision making, taking into account the size, nature and scope of the Group's present operations.

The NC, with the concurrence of the Board, is of the opinion that the current Board size of six directors is appropriate and that the Board possesses the appropriate mix of gender, nationality, skills, knowledge, expertise and experience to provide core competencies in areas such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge that are relevant to the direction of the expansion of the Group. Further details on each director, including their academic and professional qualifications, shareholding in the Company and its subsidiaries, Board Committees served on (as a member or Chairman), dates of first appointment and the last re-election as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments or principal commitments, are presented under the "Directors' Report" and "Board of Directors" sections of this Annual Report.

Of the four Non-Executive Directors, three are independent and make up half of the Board. Therefore, no individual or group is able to dominate the Board's decision-making process. There is also an appropriate balance in the Board because of the presence of Independent and Non-Executive Directors who have the calibre necessary to carry sufficient weight in Board decisions.

The Board and Management fully appreciate that an effective and robust Board whose members engage in open and constructive debate and challenge Management on its assumptions and proposals is fundamental to good corporate governance. Although all the directors have equal responsibilities towards the Group's operations, the role of the Independent and Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management team are fully discussed and examined, and take into account the long-term interests of shareholders as well as employees, customers, suppliers, and the various communities which the Group conducts business with. They also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

■ CORPORATE GOVERNANCE REPORT

The Company has adopted initiatives to ensure that the Non-Executive Directors are well supported by accurate, complete and timely information, have unrestricted access to Management, and have sufficient time and resources to discharge their oversight function effectively. These initiatives include regular informal meetings for Management to brief the directors on prospective deals and potential developments at an early stage, and the circulation of relevant information on business initiatives, industry developments, and analyst and media commentaries on matters in relation to the Company and the industries in which it operates.

Non-Executive Directors also meet on a need-to basis without the presence of Management to discuss the matters in relation to the corporate development of the Group to ensure effective and independent review of the Management.

The Board also confirms that there is no director who has served on the Board beyond nine years from the date of his first appointment.

Chairman and Chief Executive Officer/Executive Director

Principle 3

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

The Chief Executive Officer (“**CEO**”) of the Company, Dr Tse Tze Kwong, had resigned on 31 May 2014. His responsibilities, including making strategic proposals to the Board, executing the approved strategies and managing and reviewing the development of strategies, were assumed by the Executive Director, Mr Ho Toon Bah.

There is a clear separation of the roles and responsibilities between the Executive Chairman and the Executive Director of the Company.

Role of the Chairman

Mr Lim Chap Huat is the Executive Chairman of the Company.

The Executive Chairman charts the Group’s strategic direction, and the business planning and development. The Executive Chairman also ensures that Board meetings are held as and when necessary and approves the Board meeting agenda in consultation with the Executive Director, Mr Ho Toon Bah. The Executive Chairman reviews the Board papers together with the Executive Director, before they are presented to the Board, and ensures that Board members are provided with complete, adequate and timely information. Management staff who have prepared the papers or can provide additional insight into the matters to be discussed are invited to present the papers or attend the relevant Board meetings. The Executive Chairman monitors communications and relations between the Company and its shareholders, between the Board and Management, between Executive and Non-Executive Directors and between Independent and Non-Independent Directors, with a view to encourage constructive relations and dialogue amongst them. The Executive Chairman also works to facilitate the effective contribution of Non-Executive Directors and assists to ensure procedures are introduced to comply with the Company’s guidelines on corporate governance.

Role of the Executive Director

Mr Ho Toon Bah is the Executive Director of the Company.

The role of the Executive Director includes:

- running the day to day operations of the Company; and
- implementing the Company’s strategies and policies.

The Executive Chairman and the Executive Director are not related. In line with the best practices in corporate governance, the duties and responsibilities of the Executive Chairman and the Executive Director have been formalised in writing and approved by the Board.

CORPORATE GOVERNANCE REPORT

Lead Independent Director

As the Executive Chairman and Executive Director are both part of the management team, the Board has appointed Mr Poon Hon Thang as Lead Independent Director to lead and co-ordinate the activities of the Independent Directors of the Company. The Lead Independent Director assists the Board in ensuring effective corporate governance in managing the affairs of the Board and the Company.

Led by the Lead Independent Director, the Independent Directors meet regularly without the presence of other directors to discuss matters such as board processes, corporate governance initiatives, succession and leadership development planning, and remuneration matters. Feedback on the outcomes of these discussions is provided to the Executive Chairman after such meetings.

Board Membership

Principle 4

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

The Company has established an NC to, among other things, make recommendations to the Board on all Board appointments and oversee the Company's succession and leadership development plans.

The NC, regulated by a set of written terms of reference, comprises the following three members, all of whom, including the Chairman, are Independent Directors:

Mr Tan Jee Ming (Chairman)
Mr Poon Hon Thang
Mr Teo Chee Seng

The Lead Independent Director is a member of the NC.

The NC is responsible for the following under its terms of reference:

- reviewing the structure, size and composition of the Board and Board Committees and making recommendations to the Board, where appropriate;
- giving full consideration to succession planning for directors and other key management and senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
- to establish procedures for and make recommendations to the Board on all board nominations and re-nominations;
- reviewing and recommending to the Board the nomination of retiring directors and those appointed during the year standing for re-election at the Company's annual general meeting ("**AGM**"), having regard to the director's contribution and performance;
- reviewing and evaluating whether or not a director is able to and has been adequately carrying out his duties as a director of the Company, particularly when he has multiple board representations;
- reviewing and determine annually if a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
- deciding how the Board's performance may be evaluated and propose objective performance criteria, which allow for comparison with industry peers and address how the Board has enhanced long term shareholders' value, for approval by the Board;
- implementing a process to assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board and for assessing the contribution of the Chairman and each individual Director to the effectiveness of the Board of Directors;

■ CORPORATE GOVERNANCE REPORT

- ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings; and
- such other duties or functions as may be delegated by the Board or required by regulatory authorities.

The NC has had one meeting during the financial year ended 31 December 2014. The matrix on the frequency of meetings and the attendance of directors at these meetings is disclosed on page 26 of this Annual Report.

In its search and selection process for new directors, the NC considers the attributes of the existing Board members, such as balance and diversity of skills, knowledge and experience on the Board, and the requirements of the Group. In the light of such evaluation and in consultation with Management, the NC determines the role and the desirable competencies and experience that an incoming director should possess.

The NC will tap on the resources of directors' personal contacts for recommendations of potential candidates and appraises the nominees independently to ensure that the candidates possess the desirable competencies and experience. Independent external help such as executive recruitment consultants that are not affiliated with the Group or any of its directors may be used to source for potential candidates if required.

New directors are appointed by way of a Board resolution, upon their nomination by the NC. Newly appointed executive directors will be provided with service agreements setting out their term of office and terms of appointment. The service agreement is subject to the RC's recommendations, and may be renewed for such period as the Board may decide after the expiry of its first term of appointment, unless terminated by either party. For Non-Executive Directors, formal letters of appointment setting out their terms of appointment will be issued to new appointees to the Board.

The NC has adopted the Code's definition of an independent director and guidelines as to relationships, 10% shareholding in the Company and the period of the appointment in determining the independence of a director. In addition the NC requires each Non-Executive Director to state whether he considers himself to be independent despite the relationships, 10% shareholding in the Company and the period of appointment identified in the Code which would deem him not to be independent, if any.

During the financial year ended 31 December 2014, the NC has reviewed the independence of the Board members with reference to the guidelines set out in the Code and has determined Mr Poon Hon Thang, Mr Tan Jee Ming and Mr Teo Chee Seng to be independent and free from any of the relationships and relevant shareholding in the Company's shares, as outlined in the Code. Each of the directors has also confirmed his independence. The Board has concurred with the NC's views.

During the financial year ended 31 December 2014, the NC has also conducted an annual review of the performance of Mr Lim Chap Huat, the Executive Chairman of the Company, including whether Mr Lim is able to and has been adequately carrying out his duties as Executive Chairman of the Company, and has made such recommendations to the Board as appropriate. The NC is satisfied and the Board has concurred that Mr Lim Chap Huat had carried out his duties as Executive Chairman of the Company.

Save as disclosed, none of the directors on the Board are related and do not have any relationship with the Company or its related companies or its officers which could interfere or be reasonably perceived to interfere with the exercise of their independent judgement.

The NC is also responsible for making recommendations to the Board on the re-nomination of directors, having regard to the director's contribution and performance including, if applicable, as an independent director.

Pursuant to the Company's Articles, at least one-third of the Board, including executive and non-executive Directors, must retire from office by rotation and are subject to re-election at every AGM. All directors are required to retire at least once every three years. Newly appointed directors are subject to retirement and re-election at the AGM immediately following their appointment. This will enable all shareholders to exercise their rights in selecting all board members.

CORPORATE GOVERNANCE REPORT ■

At the forthcoming AGM, Mr Ho Toon Bah and Mr Poon Hon Thang will retire and seek re-election pursuant to Article 91 of the Company's Articles.

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

The NC also considers annually whether directors who serve on multiple boards are able to commit the necessary time to discharge their responsibilities as directors of the Company. The NC has taken into account the results of the assessment of the effectiveness of the individual director, and the respective director's actual conduct on the Board in making this determination and is satisfied that sufficient time and attention are being given by each director to the affairs of the Group, notwithstanding that some of the directors may have multiple board representations. In view of the foregoing, the NC does not consider it necessary to determine a maximum number of listed company board representations which any director may hold.

The Group recognises that its Executive Directors may be invited to become non-executive directors of other companies and that exposure to such non-executive duties can broaden the experience and knowledge of its Executive Directors which will benefit the Group. Executive Directors are therefore allowed, with the Board's consent, to accept non-executive appointments, as long as these are non-competing companies and are not likely to lead to conflicts of interest. Executive Directors are allowed to retain the fees received.

The directors are also kept updated on revisions to relevant laws and regulations through presentations and workshops organised by the Management. The Board supports directors receiving further relevant training in connection with their duties, particularly on relevant new laws and regulations. In addition, Management facilitates attendance at such training sessions by disseminating information on the availability of such training sessions to each director.

The key information and profile of the directors are disclosed in pages 20 and 21 of this Annual Report.

Board Performance

Principle 5

There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committee and the contribution by each director to the effectiveness of the Board.

The Company has adopted a system to assess the performance of the Board as a whole.

The NC, together with the Board, assesses the effectiveness of the Board as a whole and the Board Committees on an annual basis. In this aspect, both qualitative and quantitative criteria were adopted. The quantitative performance criteria includes return on assets, return on equity and profitability on capital employed. The qualitative measures include the effectiveness of the Board in its monitoring role and the attainment of the strategic and long-term objectives set by the Board. The NC considers the required mix of skills and experience of the members including core competencies which the Non-Executives Directors should bring to the Board, during this assessment. The NC and the Board endorse the performance criteria.

The NC then presents the results and conclusions to the Board and an action plan is drawn up to address any areas for improvement.

The NC is generally satisfied with the results of the board performance for the financial year ended 31 December 2014, which indicated areas of strengths and those that could be improved further. The NC, with the concurrence of the Board, is of the opinion that the Board has met its performance objectives. No significant problems were identified. The NC had discussed the results with Board members who agreed to work on those areas that could be improved further. The NC will continue to evaluate the process for such review and its effectiveness from time to time.

■ CORPORATE GOVERNANCE REPORT

Access to Information

Principle 6

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

Board reports are provided to the directors prior to the Board meetings. This is issued in sufficient time prior to the meeting to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board report includes, among others, the following details:

- minutes of meetings of all Board Committees;
- background and explanations of proposals submitted to the Board for approval;
- relevant budgets, forecasts and projections, including explanations on any material variances between the projections and actual results;
- copies of disclosure documents;
- major operational and financial information issues;
- updates on corporate developments; and
- market responses to the Group's strategies.

All analysts' and media reports on the Group, if any, are forwarded to the directors on an on-going basis. The Board receives financial highlights of the Group's performance and development which are presented on a quarterly basis at Board meetings. The Group's Executive Director and key management personnel are present at these presentations to address any queries which the Board may have.

All directors have separate and independent access to the Group's key management personnel, senior management and the Company Secretary. All directors are provided with complete and adequate information prior to Board meetings and on an on-going basis. The Company Secretary provides secretarial support to the Board and ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary attends all Board and Board Committee meetings. The appointment and removal of the Company Secretary are subject to the approval of the Board.

Where decisions to be taken require expert opinion or specialised knowledge, the directors, whether as a group or individually, may seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointments of such independent professional advisors are subject to approval by the Board.

(B) Remuneration Matters

Procedures for Developing Remuneration Policies

Principle 7

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

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual directors, the CEO and key management personnel.

CORPORATE GOVERNANCE REPORT ■

The RC, regulated by a set of written terms of reference, comprises the following three members, all of whom, including the Chairman, are Independent and Non-Executive Directors:

Mr Teo Chee Seng (Chairman)

Mr Tan Jee Ming

Mr Poon Hon Thang

The RC is responsible for the following under its terms of reference:

- recommending to the Board, in consultation with the Executive Chairman, for endorsement, a comprehensive remuneration policy framework and guidelines for computation of directors' fees, as well as remuneration of Executive Directors and the key management personnel. For Executive Directors and the key management personnel, the framework covers all aspects of executive remuneration (including but not limited to directors' fees, salaries, allowances, benefits in kind, bonuses, incentive payments and share options or other share awards);
- in the case of service agreements, reviewing the Company's obligations arising in the event of termination of the Executive Director and key management personnel's service agreements, to ensure that such service agreements contain reasonable termination clauses which are not overly generous with a view to be fair and avoid rewarding poor performance;
- approve performance targets for assessing the performance of each of the key management personnel and recommend such targets as well as employee specific remuneration packages for each of such key management personnel, for endorsement by the Board;
- periodically consider and review remuneration packages in order to maintain their attractiveness, to retain and motivate (a) the directors to provide good stewardship of the Company and (b) key management personnel to successfully manage the Company, and to align the level and structure of remuneration with the long-term interest and risk policies of the Company, such as through the participation in the respective options plans, share plans and/or other equity based plans (collectively, the "**share plans**") implemented or that may be implemented by the Group;
- administering the performance bonus scheme and share-based schemes for the employees of the Group, in particular, the Soilbuild Construction Employee Share Option Scheme and Soilbuild Construction Performance Share Plan; and
- ensuring that, to the extent applicable, all provisions regarding disclosure of remuneration as set out in the Code are fulfilled.

In setting remuneration packages, the employment and pay conditions within the industry and in comparable companies are taken into consideration. Where necessary, the RC will seek both internal and external expert advice on the remuneration of directors and key management personnel. The remuneration policy recommended by the RC is submitted for approval by the Board.

During the financial year ended 31 December 2014, the RC made recommendations regarding the framework of remuneration for the directors and submitted them for endorsement by the entire Board. The RC's recommendations covered all aspects of remuneration, including but not limited to the directors' fees, salaries and benefits in kind. In setting remuneration packages, the RC has taken into account the performance of the Group, as well as the performance of individual directors and key management personnel in order to align their interests with those of the shareholders and to promote the long-term success of the Company, linking their remuneration to corporate and individual performance. In the course of deliberations, the RC has taken into consideration industry practices and norms in compensation. The RC has also reviewed the remuneration of key management personnel during the year under review. No director was involved in deciding his own remuneration.

The RC has had two meetings during the financial year ended 31 December 2014. The matrix on the frequency of meetings and the attendance of directors at these meetings is disclosed on page 26 of this Annual Report.

■ CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

Principle 8

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

The Company has adopted the objectives as recommended by the Code to determine the framework and levels of remuneration for directors and key management personnel so as to ensure that the Company sets an appropriate level of remuneration to attract, retain and motivate the directors and key management personnel needed to run the Group successfully, without being excessive.

The component parts of remuneration are structured so as to link rewards to the performance of the Group, the respective business units and individual performance, and to align the interests of the directors and key management personnel with those of shareholders. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken and time spent by the particular Non-Executive Director concerned.

Remuneration paid/payable to Executive Directors are determined by the Board after considering the performance of the individual and the Company against comparable organisations. The fees paid/payable to Non-Executive Directors take into account factors such as effort and time spent and responsibilities of these directors. Each director is paid a basic fee. In addition, Non-Executive Directors who serve as members of the Board Committees are paid additional fees, with the Chairman of each Board Committee being paid a higher fee in view of the heavier responsibilities carried by that office.

The Non-Executive Directors do not have service agreements and are required to seek nomination and re-election at regular intervals. If the Non-Executive Director occupies a position for part of the financial year, the fees payable will be pro-rated accordingly. No compensation is payable for the early termination of a Non-Executive Director. The directors' fees for directors are subject to the approval of shareholders at the AGM.

The Company has a service agreement with:

- Mr Lim Chap Huat, which commenced on 27 May 2013 and lasts for a period of three (3) years, unless otherwise terminated by not less than six (6) months' notice in writing by either party; and
- Mr Ho Toon Bah, which commenced on 27 May 2013 and lasts for a period of three (3) years, unless otherwise terminated by not less than six (6) months' notice in writing by either party.

The total remuneration package of Executive Directors and key management personnel comprises a fixed cash component, annual performance incentive and long-term incentive. The annual fixed cash component comprises the annual basic salary, statutory employer's contributions to the Central Provident Fund and other fixed allowances. The annual performance incentive is tied to the performance of the Group, business unit and individual employee. To align the interests of the directors and executives of the Group with the interests of shareholders, the Group also has adopted the Soilbuild Construction Employee Share Option Scheme and Soilbuild Construction Performance Share Plan ("PSP").

During the financial year ended 31 December 2014, share awards in respect of an aggregate of up to 6,269,000 ordinary shares in the Company have been granted under the PSP to the Executive Directors and key management personnel. Details of the share awards granted are set out in pages 46 to 48 of this Annual Report.

The RC has reviewed the level and mix of remuneration for the Executive Directors during the financial year ended 31 December 2014 as well as that of the key management personnel (other than the directors) of the Company to ensure that the levels and mix are appropriate to attract, retain and motivate the required talents for the Group and are sufficiently linked to performance. While the remuneration components are regularly benchmarked against those of comparable companies, the RC remains mindful that there is a general correlation between increased remuneration and performance improvements.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9

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

Level and Mix of Remuneration

The following information relates to the level and mix of remuneration of the directors and key management executives (other than directors) of the Group during the financial year ended 31 December 2014:

Name of directors	Fee S\$'000	Salaries S\$'000	Variable/ Performance bonus S\$'000	Benefits in kind S\$'000	Long-term incentives ¹ S\$'000	Total S\$'000
Executive Directors:						
Mr Lim Chap Huat	70	252	646	10	174	1,152
Mr Ho Toon Bah	40	432	658	64	159	1,353
Non-Executive Directors:						
Mr Poon Hon Thang	60	–	–	–	–	60
Mr Tan Jee Ming	50	–	–	–	–	50
Mr Teo Chee Seng	50	–	–	–	–	50
Ms Lim Cheng Hwa	40	–	–	–	–	40

Name of key management personnel:	Salaries %	Variable/ Performance bonus %	Benefits in kind %	Long-term incentives ² %	Total %
S\$200,000 to S\$400,000					
Dr Tse Tze Kwong ³	57	40	3	–	100
Mr Loh Chye Aik	64	29	4	3	100
Mr William Koh Hock Ann	63	29	5	3	100
Mr Chooi Yue Chiong	63	29	5	3	100
Mr Ho Chan Teck Patrick	65	26	5	4	100
Mr Ng Kwoon Hong	66	26	4	4	100
Ms Winny Monica Oei	58	31	7	4	100
Mr Lim Thiam Lay	59	30	7	4	100
Mr Wong Yoon Thim	65	27	5	3	100
Below S\$200,000					
Ms Lim Hui Hua ⁴	91	–	9	–	100

1 Long term incentives relate to awards granted to the Directors pursuant to the Soilbuild Construction Performance Share Plan during the financial year ended 31 December 2014.

2 Long term incentives relate to awards granted to the employees pursuant to the Soilbuild Construction Performance Share Plan during the financial year ended 31 December 2014.

3 Dr Tse Tze Kwong resigned from the Company on 31 May 2014.

4 Ms Lim Hui Hua stepped down from her appointment as the Chief Financial Officer of the Company on 3 November 2014.

■ CORPORATE GOVERNANCE REPORT

The aggregate total remuneration paid to top eight key management personnel (who are not directors or the CEO of the Company) amounted to S\$2,052,417 for the financial year ended 31 December 2014.

Although Guideline 9.3 of the Code recommends the disclosure of the remuneration of each individual key management personnel in the bands of S\$250,000, the Board believes that disclosure in such detail may be prejudicial to the business interest of the Group given the highly competitive environment it is operating in as well as competitive pressures in the market.

There were no employees of the Group who are immediate family members of a Director or the CEO for the financial year ended 31 December 2014.

(c) Accountability and Audit

Accountability

Principle 10

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

The Board is responsible for providing a balanced and understandable assessment of the Group's financial performance, position and prospects to the shareholders. Financial results are released on a quarterly basis to the shareholders within the timeline stipulated in the SGX-ST Listing Manual. All the financial information presented in the results announcement or Annual Report have been prepared in accordance with the Singapore Financial Reporting Standards and approved by the Board before being released to the SGX-ST and the public through SGXNET.

In line with the SGX-ST Listing Manual, negative assurance statements were issued by the Board to accompany its quarterly financial results announcements, confirming to the best of its knowledge that, nothing had come to their attention which would render the Company's quarterly results to be false or misleading. The Company is not required to issue negative assurance statements for its full year results announcement.

Management provides the Board with information on the Group's performance, position and prospects on quarterly basis to ensure that they effectively discharge their duties. This is supplemented by updates on matters affecting the financial performance and business of the Group, if such event occurs.

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 recognises the importance of sound system of risk management and internal controls for good corporate governance. The Board affirms its overall responsibility for the Group's system of risk management and internal controls, including financial, operational compliance and information technology controls, and risk management policies and systems to safeguard shareholders' interest and maintain accountability of its assets, and for reviewing the adequacy and integrity of those systems on an annual basis. However, due to the inherent nature of risk management and control systems, it should be noted that such systems are meant to provide reasonable and not absolute assurance against material misstatement of loss, safeguarding of assets, maintenance of proper accounting records, reliability of financial information and compliance with relevant legislation.

The Group has adopted a balanced risk approach that spans across the organisational structure, from the Board to all operating business units. In this way, risks can be assessed and managed across the Group by leveraging on the expertise within each business unit and the sharing of best practices.

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While the Board has overall responsibility for establishing the objectives and underlying principles of risk management for the Group, the AC is tasked with providing an oversight for the entire risk management system, including the setting up of risk management strategies, regularly enhancing the risk management assessments and processes, reviewing its comprehensiveness and effectiveness, business continuity planning as well as guiding Management in the formulation of risk policies, procedures and processes to prioritise, manage, mitigate and monitor risks arising from its business. The AC also ensures that adequate resources and expertise are available and allocated for the risk management process and evaluates the need to engage independent external advisers to supplement such efforts.

The AC has set up a risk management team, comprised mainly of key management personnel and led by the Executive Director, to establish and implement the Group's overall risk management framework. Key indicators of such risks will be monitored and reported on a regular basis to the AC and the Board. Where necessary, these will also be circulated outside of the regular Board and AC meetings. Each business unit also identifies the risks pertaining to the respective units and is accountable for the integration and embedding of risk management into their business operations and processes.

The Group's internal and external auditors conduct an annual review of the effectiveness of the Group's material internal controls, including internal financial controls, operational and compliance controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect.

During the financial year ended 31 December 2014, the AC and the Board have reviewed the adequacy and effectiveness of the Group's risk management procedures and internal controls established by the Management and the regular audits, monitoring and reviews performed by the internal and external auditors. Based on the above, the Board, with the concurrence of the AC, is satisfied that the Group's risk management system and internal controls, including financial, operational compliance and information technology controls, are effective and are adequate to meet the needs of the Group in its current business environment.

The Executive Director and the key management personnel have provided their confirmation to the Board that to the best of their knowledge, the risk management and internal control system is effective, the financial records have been properly maintained and the financial statements give a true and fair view of the Group, operations and finances.

The Board, together with the AC and Management, will continue to enhance and improve the existing risk management and internal control framework to identify and mitigate any relevant risks.

Audit Committee

Principle 12

The board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties

The AC, regulated by a set of written terms of reference, comprises the following three members, all of whom, including the Chairman, are Independent and Non-Executive Directors:

Mr Poon Hon Thang (Chairman)

Mr Tan Jee Ming

Mr Teo Chee Seng

The AC meets at least four times a year, as and when deemed appropriate to carry out its function.

The AC has had four meetings during the financial year ended 31 December 2014. The matrix on the frequency of the meetings and the attendance of directors at these meetings is disclosed on page 26 of this Annual Report. The meetings were also attended by the Executive Chairman, Executive Director and Non-Executive Directors, as well as the internal and external auditors.

■ CORPORATE GOVERNANCE REPORT

The AC has explicit authority from the Board to investigate any matter within its terms of reference. It has unrestricted access to any information pertaining to the Group, full access to the internal and external auditors, and all employees of the Group, and has full discretion to invite any director or executive officer to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly and is also authorised by the Board to obtain external legal or other independent professional advice when necessary and at the expense of the Group.

The AC is responsible for the following under its terms of reference:

- reviewing the external auditor's audit plan and audit report, and the external auditor's evaluation of the system of internal accounting controls, with the external auditor, as well as the assistance given by Management to the external auditor, and reviewing and assessing the annual internal audit plan;
- reviewing the procedures to ensure co-ordination between internal and external auditors, co-operation from Management and assistance given to facilitate their respective audits and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the internal and external auditors may wish to discuss (in the absence of Management, where necessary);
- reviewing the quarterly and full year financial results announcements of the Group before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the SGX-ST Listing Manual and other relevant statutory or regulatory requirements;
- reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations which has or is likely to have material impact on the Company's operating results or financial position;
- reviewing annually the cost effectiveness of the audit and the independence, objectivity and performance of the external auditors and reviewing the adequacy and effectiveness of the internal audit function;
- reviewing arrangements under which staff of the Group may in confidence, raise concerns about possible wrongdoing in financial reporting or, other matters;
- nominating and reviewing the appointment or re-appointment of the external auditors and the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced, and matters relating to the resignation or dismissal of the auditors, if any;
- reviewing interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual; and
- reviewing conflicts or potential conflicts of interest, if any, and ensuring that appropriate measures are put in place to mitigate such conflicts of potential conflicts.

The AC has met with the Group's internal and external auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that effective internal control and risk management system are maintained in the Group.

During the financial year ended 31 December 2014, the AC has carried out its functions which included the following:

- reviewed the internal and external audit plans, including the nature and scope of work before commencement of these audits;
- met up with the Group's internal and external auditors without the presence of Management to discuss their findings set out in their respective reports to the AC. Both the internal and external auditors have confirmed that they had access to and received full co-operation and assistance from Management and no restrictions were placed on the scope of auditors;

CORPORATE GOVERNANCE REPORT ■

- reviewed and approved the consolidated statement of comprehensive income, statements of financial position, statements of changes in equity, statement of consolidated cash flows and auditors' reports; and
- conducted a review of the non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors as well as the cost effectiveness of the audit before confirming their re-nomination.

External Auditors

The Company has engaged PricewaterhouseCoopers LLP as its external auditor, to audit the accounts of the Company and its subsidiaries. The report of the external auditor is set out in the Independent Auditor's Report section of this Annual Report.

During the financial year ended 31 December 2014, the aggregate amount of fees paid to the external auditors amounted to S\$233,000, comprising S\$185,000 in audit fees and S\$48,000 in non-audit fees.

The AC has undertaken a review of all the non-audit services provided by the external auditors for the financial year ended 31 December 2014, which pertained mainly to the Company's income tax advisory services. In the AC's opinion, the provision of such non-audit services does not affect the independence and objectivity of PricewaterhouseCoopers LLP as the external auditor.

After considering the adequacy of the resources and experience of the current auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group and the number and experience of supervisory and professional staff assigned to the particular audit, the AC has recommended the re-appointment of PricewaterhouseCoopers LLP as the external auditor for the Company at the forthcoming AGM.

In relation to its appointment of auditing firms, the Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual, as PricewaterhouseCoopers LLP has been appointed as the external auditor for the Company as well as the Company's Singapore-incorporated subsidiaries.

Whistle-blowing Policy

The Group has put in place a whistle-blowing programme ("**Whistle-blowing Policy**") which provides well-defined and accessible channels in the Group through which employees, suppliers, sub-contractors and vendors may in confidence, raise concerns about possible wrongdoing in financial reporting, fraudulent activities, malpractices or improper conduct within the Group, in a responsible and effective manner. There were no whistle-blowing reports received for the financial year ended 31 December 2014.

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 Group has outsourced its internal audit function to a suitably appointed qualified firm of accountants which meets the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal audit function is independent and reports directly to the AC Chairman on audit matters and to the Executive Director on administrative matters. The internal auditor assists the AC in ensuring that the Company maintains a sound system of internal controls through regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular audits of high-risk areas.

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The AC also reviewed and approved the internal auditor's plan during the AC meeting of each financial year to ensure that the scope of the internal auditor's plan is adequate and covers the reviewing of the significant internal controls of the Group, including financial, operational compliance and information technology controls. Audits were carried out on all significant business functions of the Group and all internal audit findings and reports were submitted to the AC for deliberation with copies of these reports extended to the Executive Chairman, Executive Director, and the relevant key management personnel. The internal auditor's summary of findings and recommendations are discussed at the AC meetings.

The AC has reviewed the adequacy and effectiveness of the internal audit function and is satisfied that the team is adequately resourced and has appropriate standing within the Company.

(D) Shareholders' Rights and Responsibilities

Shareholder Rights

Principle 14

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

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.

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.

The Group values dialogue with investors and believes in regular, effective and fair communication with its shareholders, and is committed to hearing shareholders' views and addressing their concerns where possible. The Group adopts the practice of regularly communicating major developments in its business and operations through SGXNET and news releases and, where appropriate also directly to shareholders, other investors, analysts, the media, the public and its employees.

Relevant key management personnel are tasked to deal with all investor relations ("IR") matters of the Group, including managing the dissemination of corporate information to the media, institutional investors and public shareholders and facilitating effective and regular communication with such parties. Contact details of the Group's IR representative are also provided in the news releases and on the Group's website, <http://www.soilbuildconstruction.com>.

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Quarterly and full year results as well as the annual reports are announced or issued within the mandatory period. However, any information that may be regarded as undisclosed material information about the Group will not be given. The Group issues announcements and news releases on an immediate basis where required under the SGX-ST Listing Manual. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that the stakeholders and the public have fair access to the information.

Briefings and meetings for analysts and the media generally coincide with the release of the Group's quarterly and full year results. Presentations are made, as appropriate, to explain the Group's strategies, performance and major developments.

The Group believes in encouraging shareholder participation at general meetings. All shareholders of the Group receive the annual report, circulars and notices of all shareholders' meetings. The notices are advertised in the newspapers and made available on both SGXNET and the Company's website.

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Shareholders are invited during such meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend, the Articles allow the shareholder to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance.

The Board is not implementing absentia voting methods by mail, e-mail or fax until security, integrity and other pertinent issues are satisfactory resolved.

At each general meeting, separate resolutions will be proposed for each substantially separate issue. This is consistent with the Code's recommendation that companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. The Board also encourages shareholders to participate during the question and answer session.

The Executive Chairman of the Board, AC, NC and RC, will be present at the AGM, and other general meetings held by the Company, if any, to address shareholders' queries. The external auditors have also been invited to attend the AGM and will be available to address shareholders' queries on the conduct of the audit and the preparation and content of the auditors' report. Appropriate key management personnel will also be present at general meetings to respond, if necessary, to operational questions from shareholders.

The proceedings of the general meeting will be properly recorded, including substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and Management. Minutes of such meetings will be made available to shareholders upon their request.

The Board noted that the SGX-ST had on 31 July 2013 introduced new listing rules to promote greater transparency in general meetings and support listed companies in enhancing their shareholders' engagement. Pursuant to these rules, the Company would be required to conduct its voting at general meetings by poll effective from 1 August 2015 where shareholders are accorded rights proportionate to the shareholding and all votes are counted. The Board has noted that the new rule will enhance transparency of the voting process and encourage greater shareholder participation. Taking into account of the effective date of the new ruling and considering the cost efficiency and effectiveness, the Company will conduct poll voting for all resolutions to be passed at the forthcoming AGM. The detailed voting results of each of the resolutions tabled will be announced on the same day after the meetings. The total numbers of votes cast for or against the resolutions will also be announced after the meetings via SGXNET.

(E) Other Corporate Governance Matters

Dealing in securities

Pursuant to Rule 1207(19) of the SGX-ST Listing Manual regarding compliance with best practices in respect of dealings in securities, the Group has adopted an internal code of conduct which prohibits the directors, key management personnel of the Group and their connected persons from dealing in the Company's shares during the "black-out" period commencing two weeks and one month immediately preceding the announcement of the Company's quarterly and full-year financial statements respectively, or if they are in possession of unpublished price-sensitive information of the Group. In addition, directors, key management personnel and their connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading periods. They are also discouraged from dealing in the Company's shares on short-term considerations.

Material contracts

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that there were no material contracts of the Group involving the interests of any director or controlling shareholders, either still subsisting at the end of the financial year ended 31 December 2014 or if not then subsisting, entered into since the end of the financial year ended 31 December 2013.

CORPORATE GOVERNANCE REPORT

Interested Person Transactions

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions are subject to review by the AC at its quarterly meetings to ensure that such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the minority shareholders.

The AC with the concurrence of the Board has confirmed that no other interested person transactions have been entered into during the financial year ended 31 December 2014, save for those disclosed below pursuant to the disclosure under Rule 920 of the SGX-ST Listing Manual:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	S\$'000	S\$'000
Construction contract awarded during the financial year		
SB (Rosehill) Development Pte. Ltd.	–	1,320
Renovation/property reinstatement services		
SB Property Services Pte. Ltd.	–	168
Service income		
SB Property Services Pte. Ltd.	–	147
Rental of office premises		
Soilbuild Group Holdings Ltd.	–	724

CORPORATE GOVERNANCE REPORT

Use of Proceeds From The Initial Public Offering (“IPO”)

Pursuant to the IPO, the Company received net proceeds from the issue of the new shares of approximately S\$39.4 million after deducting the actual issue expenses of S\$2.6 million as set out below. The utilisation of the net proceeds from the IPO is as follows:

Use of IPO proceeds	Amount allocated S\$'000	Amount utilised as at 31 December 2014 S\$'000	Amount unutilised as at 31 December 2014 S\$'000
Investment in productivity improvements	Up to 10,000	9,410	590
Expansion of construction business to certain countries in Asia	Up to 5,000	892	4,108
Working capital purposes	24,400	24,400	–
Total	39,400	34,702	4,698

The Company will continue to make periodic announcements on the use of the balance of the proceeds through SGXNET as and when the proceeds are materially disbursed.

Non-Competition Deeds

As disclosed in the Company’s prospectus dated 17 May 2013, to mitigate the potential conflicts of interest arising from Mr Lim Chap Huat’s executive roles in both Soilbuild Group Holdings Ltd and the Company as well as Ms Lim Cheng Hwa’s directorships in both Soilbuild Group Holdings Ltd and the Company, Soilbuild Group Holdings Ltd. entered into a non-competition deed with the Company (“**Parent Non-Competition Deed**”). In addition to the Parent Non-Competition Deed, Mr Lim Chap Huat has a non-competition provision in his service agreement with the Company (“**Service Agreement**”) which is similar to the scope of the Parent Non-Competition Deed. Mr Lim has also provided a personal non-competition deed (“**Personal Non-Competition Deed**”), with the same terms and substance as the non-competition provision in his Service Agreement, which shall be in force for so long as he is a director or controlling shareholder of the Company.

The Board had received and noted the written confirmations of adherence to the terms and conditions of each of the Parent Non-Competition Deed from Soilbuild Group Holdings Ltd. and the Personal Non-Competition Deed from Mr Lim Chap Huat.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and balance sheet of the Company as at 31 December 2014.

Directors

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

Mr Lim Chap Huat
Mr Ho Toon Bah
Ms Lim Cheng Hwa
Mr Poon Hon Thang
Mr Tan Jee Ming
Mr Teo Chee Seng

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share plans" in this report.

Directors' interests in shares or debentures

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

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2014	At 1.1.2014	At 31.12.2014	At 1.1.2014
Company (No. of ordinary shares)				
Mr Lim Chap Huat	800,000	800,000	488,000,000	488,000,000
Mr Ho Toon Bah	8,000,000	8,000,000	-	-
Ms Lim Cheng Hwa	200,000	200,000	-	-
Mr Tan Jee Ming	200,000	200,000	-	-
Mr Teo Chee Seng	200,000	200,000	-	-
Ultimate Holding Company - Soilbuild Group Holdings Ltd.¹ (No. of ordinary shares)				
Mr Lim Chap Huat	526,285,812	-	-	526,285,812
- Dolphin Acquisition Pte. Ltd.¹ (No. of ordinary shares)				
Mr Lim Chap Huat	-	244,946,213	-	-

- 1 On 24 February 2014, Dolphin Acquisition Pte. Ltd. ("Dolphin") completed an amalgamation exercise ("Amalgamation") with Soilbuild Group Holdings Ltd. ("Soilbuild Group"). Prior to the Amalgamation, Dolphin held the entire issued share capital of Soilbuild Group. As Mr Lim Chap Huat held the entire issued share capital of Dolphin, he was deemed to have an interest in the shares held by Dolphin in Soilbuild Group. Following the completion of the Amalgamation, Mr Lim Chap Huat directly holds the entire issued share capital of Soilbuild Group.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Directors' interests in shares or debentures (Continued)

- (b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year were granted contingent awards of performance shares pursuant to the Soilbuild Construction Performance Share Plan, details of which are set out below and under "**Share Plans**" in this report.

	No. of unissued ordinary shares arising from contingent awards of performance shares ¹	
	At 31.12.2014	At 1.1.2014
<u>Mr Lim Chap Huat</u> 2014 PSP Award ²	Up to 2,621,000	–
<u>Mr Ho Toon Bah</u> 2014 PSP Award ²	Up to 2,688,000	–

1 Subsequent to the financial year ended 31 December 2014, the grant of 2014 PSP Awards were reviewed by the RC on 16 February 2015, taking into consideration, among others, the performance of the participants of the 2014 PSP Awards for the financial year ended 31 December 2014. Based on such review, the number of shares awarded under the 2014 PSP Awards amounted to 5,663,952 shares, of which 2,357,712 shares, 2,346,240 shares and 960,000 shares were granted to Mr Lim Chap Huat, Mr Ho Toon Bah and the other participants respectively. More details on the Soilbuild Construction Performance Share Plan are disclosed under "**Share Plans**" in this report.

2 Contingent awards pursuant to the Soilbuild Construction Performance Share Plan granted on 22 August 2014.

- (c) Mr Lim Chap Huat, by virtue of his interest and deemed interest of not less than 20% of the issued share capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries.
- (d) The directors' interests in the shares of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

Directors' contractual benefits

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

Share plans

The Remuneration Committee ("**RC**") comprises the following directors and is responsible for administering the Soilbuild Construction Employee Share Option Scheme and the Soilbuild Construction Performance Share Plan:

Mr Teo Chee Seng (Chairman)
Mr Poon Hon Thang
Mr Tan Jee Ming

(a) Soilbuild Construction Employee Share Option Scheme

The Soilbuild Construction Employee Share Option Scheme ("**Scheme**") was approved by members of the Company at an extraordinary general meeting ("**EGM**") held on 9 May 2013. The Scheme will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

The number of options to be offered to a participant of the Scheme shall be determined by the RC, which takes into account (where applicable) criteria such as the rank, past performance, years of service and potential for future development of the participant.

■ DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Share plans (continued)

(a) Soilbuild Construction Employee Share Option Scheme (continued)

Under the Scheme, share options to subscribe for the ordinary shares of the Company may be granted to executive directors and employees of the Group and its associated companies ("**Group Employees**") and non-executive directors of the Group. Options that are granted under the Scheme may have exercise prices that are, at the RC's discretion, set at a price (the "**Market Price**") equal to the average of the last dealt prices for a share on the Official List of the SGX-ST for the five consecutive market days immediately preceding the date on which an offer to grant an option is made or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price ("**Market Price Option**") may be exercised after the first anniversary of the date on which an offer to grant that option is made while options exercisable at a discount to the Market Price may be exercised after the second anniversary from the date on which an offer to grant that option is made ("**Incentive Option**").

Options granted under the Scheme will have a life span of 10 years for options granted to Group Employees (other than non-executive directors and/or employees of associated companies) and five years for options granted to non-executive directors and/or employees of associated companies.

The aggregate number of shares over which the RC may grant options on any date, when added to the number of shares issued and issuable or transferred and to be transferred in respect of all options granted under the Scheme and the number of shares issued and issuable or transferred and to be transferred in respect of all options or awards granted under any other share option schemes or share schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares) on the day immediately preceding the date on which an offer to grant an option is made.

The Scheme shall continue in operation for a maximum period of ten years commencing from 9 May 2013, and may be continued for any further period thereafter with the approval of our shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Save as provided under the Scheme, the persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company.

No options have been granted under the Scheme since its commencement up to the end of the financial year. Accordingly, there are no share options outstanding as at the end of the financial year.

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

(b) Soilbuild Construction Performance Share Plan

The Soilbuild Construction Performance Share Plan ("**PSP**") was approved by members of the Company at an EGM held on 9 May 2013. It was established to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees and non-executive directors to achieve increased performance and to foster a greater ownership culture amongst key senior management, senior executives and non-executive directors.

Awards represent the right of a participant to receive fully paid shares free of charge, provided that certain prescribed performance targets (if any) are met at the expiry of the prescribed performance period. Executive directors and employees of the Group and its associated companies who have attained the age of twenty-one (21) years and hold such rank as may be designated by the RC from time to time ("**Group Executives**"), and non-executive directors (including the Independent Directors) of the Group, shall be eligible to participate in the PSP. Controlling shareholders of the Company or associates of such controlling shareholders are eligible to participate in the PSP if their participation and awards are approved by independent shareholders in separate resolutions for each such person and for each such award.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Share plans (continued)

(b) Soilbuild Construction Performance Share Plan (continued)

While the RC has the discretion to grant awards at any time in the year, it is currently anticipated that awards would, in general, be made once a year. The selection of a participant and the number of shares which are the subject of each award to be granted to a participant in accordance with the PSP shall be determined at the absolute discretion of the RC, which shall take into account criteria such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, the participant's contribution to the success and development of the Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

Awards granted under the PSP are principally performance-based with performance targets to be set over a performance period and may vary from one performance period to another performance period and from one grant to another grant. Performance targets set by the RC are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. Such performance targets and performance periods will be set according to the specific roles of each participant, and may differ from participant to participant. The performance targets are stretched targets aimed at sustaining long-term growth. These targets will be tied in with our Company's corporate key performance indicators. The RC has the discretion to impose a further vesting period after the performance period to encourage participants to continue serving the Group for a further period of time.

As soon as reasonably practicable after the end of each performance period, the RC shall review the performance targets specified in respect of each award and determine at its discretion whether they have been satisfied and, if so, the extent to which they have been satisfied, and provided that the relevant participant has continued to be a Group Executive or a non-executive director up to the end of the performance period, shall release to the relevant participant all or part (as determined by the RC at its discretion in the case where the RC has determined that there has been partial satisfaction of the performance target) of the shares to which the relevant award relates in accordance with the release schedule specified in respect of the relevant award.

The RC shall have the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the RC shall have the right to make computational adjustments to the audited results of our Company or our Group, to take into account such factors as the RC may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the RC decides that a changed performance target would be a fairer measure of performance.

The total number of shares which may be issued or transferred pursuant to awards granted under the PSP, when aggregated with the aggregate number of shares over which options are granted under any other share option schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares) from time to time.

The PSP shall continue in force at the discretion of the RC, subject to a maximum period of 10 years commencing from 9 May 2013, provided always that the PSP may continue beyond the above stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required.

During the financial year ended 31 December 2014, performance share awards ("**2014 PSP Awards**") in respect of an aggregate of up to 6,269,000 ordinary shares in the Company were granted to the relevant participants on 22 August 2014. The grant of the 2014 PSP Award to Mr Lim Chap Huat, a controlling shareholder of the Company, was conditional on independent shareholders' approval for the participation by and grant of the 2014 PSP Award to him. Such approval was obtained on 10 October 2014. The 2014 PSP Awards are subject to the accomplishment of certain performance targets set over the performance period for the financial year ended 31 December 2014. Arising from the 2014 PSP Awards, ordinary shares will be released provided the respective participants have remained in the employment of the Group up to the respective release dates.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Share plans (continued)

(b) Soilbuild Construction Performance Share Plan (continued)

Details of the awards granted under the PSP are as follows:

	Aggregate number of shares under 2014 PSP Awards granted during the financial year ended 31 December 2014 ¹	Aggregate number of shares under the PSP granted since commencement of the PSP to 31 December 2014 ¹	Aggregate number of shares under the 2014 PSP Awards lapsed during the financial year ended 31 December 2014	Aggregate number of shares under the 2014 PSP Awards released upon vesting during the financial year ended 31 December 2014	Aggregate number of shares under the 2014 PSP Awards outstanding as at 31 December 2014 ¹
Controlling shareholders and/or their associates					
Mr Lim Chap Huat	Up to 2,621,000	Up to 2,621,000	–	–	Up to 2,621,000
Directors of the Company					
Mr Ho Toon Bah	Up to 2,688,000	Up to 2,688,000	–	–	Up to 2,688,000
Other participants	Up to 960,000	Up to 960,000	–	–	Up to 960,000
Total	Up to 6,269,000	Up to 6,269,000	–	–	Up to 6,269,000

1 The aggregate number of ordinary shares to be awarded to the participants will be up to a maximum of 6,269,000 based on the achievement of certain predetermined performance targets as determined by the RC or otherwise in accordance with the rules of the PSP. For the avoidance of doubt, no shares will be awarded to the participants pursuant to the PSP if the Group is unprofitable during the relevant performance period.

Subsequent to the financial year ended 31 December 2014, the grant of 2014 PSP Awards were reviewed by the RC on 16 February 2015, taking into consideration, among others, the performance of the participants of the 2014 PSP Awards for the financial year ended 31 December 2014. Based on such review, the number of shares awarded under the 2014 PSP Awards amounted to 5,663,952 shares and 605,048 shares under the 2014 PSP Awards have lapsed.

The vesting period of the respective tranches of the 2014 PSP Awards amounting to 40%, 30% and 30% is from 22 August 2014 to their release dates which are within one month from the issuance of the audited financial statement of the Group for FY2014, FY2015 and FY2016 respectively. The 2014 PSP Awards will be released provided the respective participants have remained in the employment of the Group up to the respective release dates. As at 31 December 2014, no shares under the 2014 PSP Awards have been released upon vesting.

Other than as disclosed above, none of the participants in relation to the 2014 PSP Awards are controlling shareholders of the Company and their associates and none of the participants have received 5% or more of the total number of shares under the PSP.

No shares have been issued during the financial year by virtue of the release of the awards under the PSP.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Audit Committee

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

Mr Poon Hon Thang (Chairman)
Mr Tan Jee Ming
Mr Teo Chee Seng

All members of the Audit Committee were independent directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act, Cap. 50 of Singapore. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

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

Independent Auditor

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

On behalf of the directors

Lim Chap Huat
Director

Ho Toon Bah
Director

25 March 2015

■ STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 52 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; 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.

On behalf of the directors

Lim Chap Huat
Director

Ho Toon Bah
Director

25 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOILBUILD CONSTRUCTION GROUP LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Soilbuild Construction Group Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 91, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 25 March 2015

■ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$'000	2013 \$'000
Revenue	4	285,249	331,332
Cost of sales		(254,074)	(299,770)
Gross profit		31,175	31,562
Other income	7	1,436	743
Other gains – net	8	36	26
Expenses			
– Administrative		(8,535)	(7,205)
– Marketing		(12)	(13)
– Finance	9	–	(59)
– Others		(658)	(547)
Share of profit of joint ventures		336	2,993
Profit before income tax		23,778	27,500
Income tax expense	10	(2,891)	(3,463)
Net profit		20,887	24,037
Other comprehensive loss, net of tax		(2)	(1)
Total comprehensive income		20,885	24,036
Net profit and total comprehensive income attributable to: Equity holders of the Company		20,885	24,036
Earnings per share attributable to equity holders of the Company (cents per share)			
– Basic	11	3.15	4.02
– Diluted		3.14	4.02

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

BALANCE SHEETS

AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	51,247	75,956	28,073	30,927
Trade and other receivables	13	72,395	55,890	22,936	20,707
Other current assets	15	1,250	2,752	18	17
		124,892	134,598	51,027	51,651
Non-current assets					
Trade and other receivables	13	16,800	12,459	-	-
Other non-current assets		10,000	-	-	-
Investments in subsidiaries	16	-	-	19,770	17,270
Investments in joint ventures	17	2,716	3,026	-	-
Property, plant and equipment	18	13,664	11,377	-	-
Intangible assets	19	179	74	-	-
		43,359	26,936	19,770	17,270
Total assets		168,251	161,534	70,797	68,921
LIABILITIES					
Current liabilities					
Trade and other payables	20	78,761	83,168	1,619	1,833
Current income tax liabilities	10	3,167	3,376	41	10
Provision for other liabilities		1,392	1,001	-	-
		83,320	87,545	1,660	1,843
Non-current liabilities					
Deferred income tax liabilities	21	462	853	-	-
		462	853	-	-
Total liabilities		83,782	88,398	1,660	1,843
NET ASSETS		84,469	73,136	69,137	67,078
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	22	57,490	57,490	57,490	57,490
Capital reserve	23	(1,070)	(1,070)	-	-
Currency translation reserve		(3)	(1)	-	-
Performance share plan reserve	24	408	-	408	-
Retained profits		27,644	16,717	11,239	9,588
TOTAL EQUITY		84,469	73,136	69,137	67,078

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

■ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	← Attributable to equity holders of the Company →				Retained profits \$'000	Total equity \$'000
		Share capital \$'000	Capital reserve \$'000	Currency translation reserve \$'000	Performance share plan reserve \$'000		
2014							
Beginning of financial year		57,490	(1,070)	(1)	–	16,717	73,136
Share-based compensation expenses	24	–	–	–	408	–	408
Dividends relating to 2014 paid	26	–	–	–	–	(9,960)	(9,960)
Total comprehensive income for the year		–	–	(2)	–	20,887	20,885
End of financial year		57,490	(1,070)	(3)	408	27,644	84,469
2013							
Beginning of financial year		15,500	–	–	–	–	15,500
Share swap pursuant to the Restructuring	22	(15,500)	–	–	–	–	(15,500)
Issuance of shares pursuant to the Restructuring	22	16,570	(1,070)	–	–	–	15,500
Issuance of new shares pursuant to the initial public offering	22	42,000	–	–	–	–	42,000
Share issue expenses	22	(1,080)	–	–	–	–	(1,080)
Dividends relating to 2013 paid	26	–	–	–	–	(7,320)	(7,320)
Total comprehensive income for the year		–	–	(1)	–	24,037	24,036
End of financial year		57,490	(1,070)	(1)	–	16,717	73,136

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Net profit		20,887	24,037
Adjustments for:			
– Amortisation of intangible assets		26	18
– Depreciation of property, plant and equipment		2,094	1,260
– Share-based compensation expense		408	–
– Finance expenses		–	59
– Interest income		(292)	(83)
– Income tax expense		2,891	3,463
– Share issue expenses	22	–	889
– Loss on disposal of property, plant and equipment		–	(21)
– Share of profit of joint ventures		(336)	(2,993)
Operating cash flows before working capital changes		25,678	26,629
Changes in working capital:			
– Trade and other receivables		(20,846)	(11,459)
– Other current assets		1,502	(1,900)
– Other non-current assets		(10,000)	–
– Trade and other payables		(4,407)	34,194
– Provision for other liabilities		391	39
Cash (used in)/generated from operations		(7,682)	47,503
Income tax paid		(3,491)	(3,666)
Net cash (used in)/provided by operating activities		(11,173)	43,837
Cash flows from investing activities			
Additions to property, plant and equipment		(4,381)	(7,918)
Additions of intangible assets		(131)	(51)
Proceeds from sale of property, plant and equipment		–	26
Proceeds from sale of investment property		–	2,466
Dividends received from a joint venture		646	1,187
Repayment of loan by a joint venture		–	–
Interest received		292	83
Net cash used in investing activities		(3,574)	(4,207)
Cash flows from financing activities			
Proceeds from issuance of shares	22	–	42,000
Share issue expenses	22	–	(1,969)
Repayment of bank loans		–	(1,338)
Repayments of finance lease liabilities		–	(254)
Dividends paid to equity holders of the Company	26	(9,960)	(7,320)
Interest paid		–	(59)
Net cash (used in)/provided by financing activities		(9,960)	31,060
Net (decrease)/increase in cash and cash equivalents		(24,707)	70,690
Cash and cash equivalents at beginning of financial year	12	75,956	5,267
Effects of currency translation on cash and cash equivalents		(2)	(1)
Cash and cash equivalents at end of financial year	12	51,247	75,956

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

■ NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

1. GENERAL INFORMATION

Soilbuild Construction Group Ltd. (the “Company”) is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) and is incorporated and domiciled in Singapore. The address of its registered office is 25 Changi South Street 1, Singapore 486059.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 16.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

All financial information are presented in Singapore dollars and have been rounded to the nearest thousand, unless otherwise stated.

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

Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations to FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group’s and Company’s accounting policies and had no material effects on the amounts reported for the current or prior financial years except for the following:

FRS 112 Disclosure of Interest in Other Entities

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Ventures*.

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112 and amended for consolidation exceptions for ‘investment entity’ from 1 January 2014. The Group has incorporated the additional required disclosures into the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Revenue from construction contracts*

Please refer to Note 2.7 for the accounting policy for revenue from construction contracts.

(b) *Rendering of services*

Revenue from rendering of project management services is recognised over the period in which the services are rendered.

(c) *Rental income*

Rental income from operating leases on investment properties (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(d) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method.

2.3 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

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

(ii) *Acquisition of businesses*

Other than the acquisition undertaken through the Restructuring as described in Note 32, the acquisition method of accounting is used to account for business combinations by the Group.

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

■ NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Group accounting (cont'd)

(a) *Subsidiaries (cont'd)*

(ii) *Acquisition of businesses (cont'd)*

Acquisition-related costs are expensed as incurred.

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

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

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 net identifiable assets acquired is recorded as goodwill.

(iii) *Disposals of subsidiaries or businesses*

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

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

Please refer to Note 2.8 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) *Joint ventures*

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

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

In applying the equity method of accounting, the Group's share of its joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the joint ventures are adjusted against the carrying amount of the investments. When the Group's share of losses in the joint ventures equals or exceeds its interest in the joint ventures, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the joint ventures. If the joint ventures subsequently reports profits, the Group resumes recognising its shares of those profits only after its share of the profits equals the share of the losses not recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Group accounting (cont'd)

(b) *Joint ventures (cont'd)*

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

Please refer to Note 2.8 for the accounting policy on investments in joint ventures in the separate financial statements of the Company.

(c) *Joint operations*

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

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

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

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

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

The Company applies the same accounting policy on joint operations in its separate financial statements.

2.4 Property, plant and equipment

(a) Measurement

(i) *Property, plant and equipment*

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

■ NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment (cont'd)

(a) Measurement (cont'd)

(ii) *Components of costs*

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

(b) Depreciation

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Plant and equipment	5 – 10 years
Motor vehicles	5 years
Renovation, furniture and equipment	5 years
Computers	3 years
Containers	5 years

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

(c) Subsequent expenditure

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

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains – net".

2.5 Intangible assets

Acquired computer software licences

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as expenses when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses (Note 2.9). These costs are amortised to profit or loss using the straight-line method over the shorter of their estimated economic life of five years and the licence period.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each financial year. The effects of any revision are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.7 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each financial year ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the value of work performed relative to the total contract value as determined by the architects' certificates. The value of work performed is determined by the architects based on physical surveys of the construction works completed. Costs incurred in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the end of each financial year, the aggregated costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts, within "trade and other receivables". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts, within "trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

2.8 Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are stated at cost less accumulated impairment losses (Note 2.9) in the Company's balance sheet. On disposal of investments in such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

Intangible assets

Property, plant and equipment

Investments in subsidiaries and joint ventures

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

■ NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Impairment of non-financial assets (cont'd)

Intangible assets

Property, plant and equipment

Investments in subsidiaries and joint ventures (cont'd)

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

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

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

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.10 Loans and receivables

Cash and cash equivalents

Trade and other receivables

Cash and cash equivalents and trade and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

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

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

2.11 Borrowings

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Trade and other payables

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

2.13 Fair value estimation of financial assets and liabilities

The fair values of financial assets and liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.14 Leases

(a) When the Group is the lessee:

The Group leases motor vehicles and certain plant and equipment under finance leases from non-related parties. The Group also leases a premise comprising of a production area for minor works warehouse, workers' accommodation and office premises from its ultimate holding company, and state lands from a non-related party.

(i) *Finance leases*

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

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

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

(ii) *Operating leases*

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

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

(b) When the Group is the lessor:

The Group leases state lands under operating leases to non-related parties.

Operating leases

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

■ NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 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 financial year.

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

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, 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:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of financial year; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of financial year, to recover or settle the carrying amounts of its assets and liabilities.

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

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

2.16 Provisions

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

2.17 Employee compensation

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

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Short-term compensated absence*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Employee compensation (cont'd)

(c) Profit-sharing and bonus plans

The Group recognised a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to equity holders of the Company after certain adjustments. The Group recognises a provision where contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

(d) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of shares is recognised as an expense with a corresponding increase in the share-based compensation 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 performance shares granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under the share-based compensation plan that are expected to be released on the vesting date. At each balance sheet date, the Group revised its estimates of the number of shares under the share-based compensation plan that are expected to be released on the vesting date and recognises the impact of the revision of the estimates in the statement of comprehensive income, with a corresponding adjustment to the share-based compensation reserve over the remaining vesting period.

When the shares are released, the related balance previously recognised in the share-based compensation reserve are credited to share capital account, when new ordinary shares are issued, or to the treasury shares account, when treasury shares are re-issued to the employees.

2.18 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

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.

■ NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Currency translation (cont'd)

(c) Translation of Group entities' financial statements

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

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to senior management who are responsible for allocating resources and assessing performance of the operating segments.

2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.21 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.

2.22 Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

Significant judgement are used to estimate the estimated total construction contract costs, recoverable variation works and liquidated damages that will affect the revenue and profit margins recognised from construction contracts. In making the judgement, the Group evaluates by relying on past experience.

If the estimated total construction cost of uncompleted contracts increase/decrease by 5% from management's estimates, the effects on the Group's net profit after tax will be as follows:

	Increase/(Decrease)	
	2014	2013
	\$'000	\$'000
Estimated total construction cost		
– increased by 5%	(7,112)	(14,062)
– decreased by 5%	7,511	13,415

If the estimated total construction revenue of uncompleted contracts increase/decrease by 5% from management's estimates, the effects on the Group's net profit after tax will be as follows:

	Increase/(Decrease)	
	2014	2013
	\$'000	\$'000
Estimated total construction revenue		
– increased by 5%	8,556	18,635
– decreased by 5%	(8,156)	(15,333)

4. REVENUE

	Group	
	2014	2013
	\$'000	\$'000
Revenue from construction contracts	284,660	330,346
Revenue from rendering of project management services	589	986
Total revenue	285,249	331,332

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

5. EXPENSES BY NATURE

	Group	
	2014 \$'000	2013 \$'000
Materials, sub-contractors and other construction costs	225,616	276,369
Amortisation of intangible assets (Note 19)	26	18
Depreciation of property, plant and equipment (Note 18)	2,094	1,260
Total depreciation and amortisation	2,120	1,278
Employee compensation (Note 6)	30,462	25,694
Auditors' fees:		
Fees on audit services paid/payable to:		
– Auditor of the Company	185	240
– Other auditors	2	–
Fees on non-audit services paid/payable to:		
– Auditor of the Company	48	167
Less amount deducted against share capital*	–	(64)
	48	103
– Other auditors	46	15
Rental expense	1,048	783
Transportation expenses	442	416
Write back of allowance for trade receivables, net	–	(79)
Bad debts written off	9	89
Other expenses	3,301	2,627
Total cost of sales, administrative, marketing and other operating expenses	263,279	307,535

* The non-audit fees being deducted against the share capital of the Company is included in the share issue expenses of \$1,080,000 in Note 22(d).

6. EMPLOYEE COMPENSATION

	Group	
	2014 \$'000	2013 \$'000
Wages and salaries	28,644	24,422
Employer's contribution to Central Provident Fund	1,410	1,272
Share-based compensation expense	408	–
Employee compensation recognised in profit or loss (Note 5)	30,462	25,694

7. OTHER INCOME

	Group	
	2014 \$'000	2013 \$'000
Income from sale of materials	14	58
Interest income	292	83
Service income	370	178
Rental income from investment property	–	29
Other rental income	333	74
Others	427	321
	1,436	743

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

8. OTHER GAINS – NET

	Group	
	2014 \$'000	2013 \$'000
Gain on disposal of property, plant and equipment	–	21
Foreign exchange gain	36	5
	36	26

9. FINANCE EXPENSES

	Group	
	2014 \$'000	2013 \$'000
Interest expense		
– Bank loans	–	34
– Finance lease liabilities	–	25
Finance expenses recognised in profit or loss	–	59

10. INCOME TAXES

(a) Income tax expense

	Group	
	2014 \$'000	2013 \$'000
Tax expense attributable to profit is made up of:		
Profit from current financial year:		
– Current income tax	3,024	3,280
– Deferred income tax (Note 21)	142	159
	3,166	3,439
Under/(over) provision in prior financial years:		
– Current income tax	258	(172)
– Deferred income tax (Note 21)	(533)	196
	2,891	3,463

■ NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

10. INCOME TAXES (CONT'D)

(a) Income tax expense (cont'd)

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

	Group	
	2014 \$'000	2013 \$'000
Profit before tax	23,778	27,500
Share of profit of joint ventures, net of tax	(336)	(2,993)
Profit before tax and share of profit of joint ventures	23,442	24,507
Tax calculated at tax rate of 17% (2013: 17%)	3,985	4,166
Effects of:		
– different tax rates in other countries	2	(5)
– Singapore statutory stepped income exemption	(129)	(162)
– tax incentives	(910)	(931)
– income not subject to tax	(137)	(58)
– expenses not deductible for tax purposes	352	413
– deferred tax assets not recognised	3	16
– (over)/under provision of tax	(275)	24
Tax charge	2,891	3,463

(b) Movements in current income tax liabilities

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Beginning of financial year	3,376	3,934	10	–
Tax expense	3,024	3,280	41	10
Income tax paid	(3,491)	(3,666)	(12)	–
Under/(over) provision in prior financial years	258	(172)	2	–
End of financial year	3,167	3,376	41	10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2014	2013
Net profit attributable to equity holders of the Company (\$'000)	20,887	24,037
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	664,000	598,462
Basic earnings per share (cents per share)	3.15	4.02

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has a category of dilutive potential ordinary share: Soilbuild Construction Performance Share Plan ("PSP").

For the PSP, the weighted average number of shares on issue has been adjusted as if all dilutive shares were granted and vested. The number of shares that could have been issued upon the vesting of all dilutive share is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

	2014	2013
Net profit attributable to equity holders of the Company (\$'000)	20,887	24,037
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	665,595	598,462
Diluted earnings per share (cents per share)	3.14	4.02

(c) Share split

The weighted average number of shares for the financial year ended 31 December 2013 has been adjusted for the Share Split (Note 22(b)), as if the Share Split had occurred at the beginning of the financial year.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash at bank and on hand	31,065	60,956	7,891	15,927
Short-term bank deposits	20,182	15,000	20,182	15,000
	51,247	75,956	28,073	30,927

The short-term bank deposits with financial institutions have a maturity of less than 6 months (2013: 6 months) from the balance sheet date with weighted average effective interest rate of 1.31% (2013: 0.74%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<u>Current</u>				
Trade receivables				
– Related companies	7,045	9,668	–	–
– A related party*	–	12,803	–	–
– Subsidiaries	–	–	1,691	1,664
– Joint venture	1,275	2,844	–	–
– Non-related parties	25,651	1,692	–	–
	33,971	27,007	1,691	1,664
Less: Allowance for impairment of receivables – non-related parties [Note 28(b)]	(50)	(50)	–	–
Trade receivables – net	33,921	26,957	1,691	1,664
<u>Construction contract</u>				
– Due from customers (Note 14)	14,860	3,763	–	–
– Due from related companies (Note 14)	4,007	8,012	–	–
– Joint venture (Note 14)	–	2,000	–	–
	18,867	13,775	–	–
<u>Retentions</u>				
– Related companies (Note 14)	3,562	3,524	–	–
– A related party* (Note 14)	–	5,256	–	–
– Joint venture (Note 14)	1,952	1,952	–	–
– Non-related parties (Note 14)	6,781	1,931	–	–
	12,295	12,663	–	–
<u>Accrued revenue</u>				
– Related companies	113	547	–	–
– Non-related parties	5,396	21	–	–
	5,509	568	–	–
Amount due from ultimate holding company (non-trade)	2	11	–	–
Amounts due from related companies (non-trade)	203	26	–	–
Amounts due from subsidiaries (non-trade)	–	–	9,579	7,137
Loan due from subsidiaries	–	–	11,573	11,900
Other receivables	1,598	1,890	93	6
	72,395	55,890	22,936	20,707
<u>Non-current</u>				
<u>Retentions</u>				
– Related companies (Note 14)	5,147	4,410	–	–
– A related party* (Note 14)	–	5,256	–	–
– Joint venture (Note 14)	1,952	1,952	–	–
– Non-related parties (Note 14)	9,701	841	–	–
	16,800	12,459	–	–
Total trade and other receivables	89,195	68,349	22,936	20,707

* Related party pertains to a company which is wholly-owned by a director of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13. TRADE AND OTHER RECEIVABLES (CONT'D)

The Group has non-trade amounts due from ultimate holding company and related companies which are unsecured, interest-free and are repayable on demand.

The Company has non-trade amounts due from subsidiaries which are unsecured, interest-free and are repayable on demand, and interest bearing loans due from subsidiaries of \$11,573,000 (2013: \$11,900,000) which bear interest at an average effective interest rate of 2.57% (2013: 2.01%) per annum as at 31 December 2014.

14. CONSTRUCTION CONTRACTS

	Group	
	2014 \$'000	2013 \$'000
Aggregate costs incurred and profits recognised (less losses recognised) to date	206,843	380,611
Less: Progress billings	(192,347)	(369,340)
	14,496	11,271
Presented as:		
Due from customers on construction contracts (Note 13)	14,860	3,763
Due from related companies on construction contracts (Note 13)	4,007	8,012
Due from joint venture on construction contract (Note 13)	-	2,000
Due to customers on construction contracts (Note 20)	(3,975)	(2,154)
Due to a related company on construction contracts (Note 20)	(396)	-
Due to a related party on construction contracts (Note 20)*	-	(350)
	14,496	11,271
Retentions on construction contracts (Note 13)	29,095	25,122

* Related party pertains to a company which is wholly-owned by a director of the Company.

15. OTHER CURRENT ASSETS

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Deposits	1,050	2,681	-	-
Prepayments	200	71	18	17
	1,250	2,752	18	17

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 \$'000	2013 \$'000
<i>Equity investments at cost</i>		
At beginning of financial year or date of incorporation on 14 January 2014	17,270	–
Subscription of new ordinary shares of a subsidiary	2,500	–
Acquisition pursuant to the Restructuring (Note 32)	–	16,570
Incorporation of subsidiaries	–	700
End of financial year	19,770	17,270

During the financial year, the Company increased its investment in the share capital of its wholly-owned subsidiary, SB Procurement Pte. Ltd., by subscribing for an additional 2,500,000 ordinary shares in cash amounting to an aggregate consideration of \$2,500,000.

The subsidiaries in the Group are:

Name of subsidiaries	Principal activities	Country of business/ incorporation	Equity holding	
			2014 %	2013 %
HELD BY THE COMPANY:				
Soil-Build (Pte.) Ltd. ^(a)	Building contractors	Singapore	100	100
SB Procurement Pte. Ltd. ^(a)	Construction and procurement services	Singapore	100	100
SB Project Services Pte. Ltd. ^(a)	Project and construction management services	Singapore	100	100
Soilbuild Construction International Pte. Ltd. ^(a)	Project and construction management services	Singapore	100	100
Soilbuild Construction Engineering Pte. Ltd. ^(a)	Building contractors	Singapore	100	100
Soilbuild E&C Pte. Ltd. ^(a)	Building contractors	Singapore	100	100
HELD BY A SUBSIDIARY:				
Soilbuild (Myanmar) Company Limited ^(b)	Project management	Myanmar	100	100

^(a) Audited by PricewaterhouseCoopers LLP, Singapore

^(b) Audited by U Tin Win Group (Certified Public Accountants, Myanmar)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17. INVESTMENTS IN JOINT VENTURES

	Group	
	2014	2013
	\$'000	\$'000
Beginning of financial year	3,026	1,220
Dividends received from a joint venture	(646)	(1,187)
Share of profits	336	2,993
End of financial year	2,716	3,026

Set out below are the joint ventures of the Group as at 31 December 2014, which, in the opinion of the directors, are material to the Group. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also their principal place of business.

Name of entity	Place of business/ country of incorporation	% of ownership interest
Forte Builder Pte. Ltd. ^(a)	Singapore	50
Solstice Development Pte. Ltd. ^(b)	Singapore	19

^(a) Audited by Nexia TS Public Accounting Corporation

^(b) Audited by Ken Tan & Co.

Forte Builder Pte. Ltd. is a general contractor for construction of buildings, including major upgrading works in Singapore. Forte Builder Pte. Ltd. is a strategic partnership for the Group, providing the Group with access to a construction project for a residential property.

Solstice Development Pte. Ltd. is in the business of investment in properties, development of properties for sale and management of properties in Singapore. Solstice Development Pte. Ltd. is a strategic partnership for the Group, providing the Group with access to a construction contract and the development of an industrial building.

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

Summarised financial information for joint ventures

Set out below are the summarised financial information for Forte Builder Pte. Ltd. and Solstice Development Pte. Ltd..

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17. INVESTMENTS IN JOINT VENTURES (CONT'D)

Summarised balance sheet

	Forte Builder Pte. Ltd.		Solstice Development Pte. Ltd.		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current assets	11,188	14,473	206	5,563	11,394	20,036
Includes:						
– Cash and cash equivalents	5,022	4,572	206	366	5,228	4,938
Current liabilities	5,789	9,681	120	2,247	5,909	11,928
Includes:						
– Other current liabilities (including trade payables)	5,789	9,681	120	2,247	5,909	11,928
Non-current assets	-	-	-	1	-	1
Net assets	5,399	4,792	86	3,317	5,485	8,109

Summarised statement of comprehensive income

	Forte Builder Pte. Ltd.		Solstice Development Pte. Ltd.		Total	
	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue	11,194	42,558	-	50,634	11,194	93,192
Interest income	16	9	1	1	17	10
Profit from continuing operations	699	2,729	228	11,208	927	13,937
Income tax expense	(92)	(379)	(59)	(1,910)	(151)	(2,289)
Post-tax profit from continuing operations	607	2,350	169	9,298	776	11,648
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	607	2,350	169	9,298	776	11,648
Dividends received from joint ventures	-	-	3,400	6,250	3,400	6,250

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17. INVESTMENTS IN JOINT VENTURES (CONT'D)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint ventures.

	Forte Builder Pte. Ltd. As at 31 December		Solstice Development Pte. Ltd. As at 31 December		Total As at 31 December	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net Assets						
At 1 January	4,792	2,442	3,317	269	8,109	2,711
Profit for the year	607	2,350	169	9,298	776	11,648
Dividend paid	-	-	(3,400)	(6,250)	(3,400)	(6,250)
At 31 December	5,399	4,792	86	3,317	5,485	8,109
Interest in joint ventures (50%; 19%)	2,700	2,396	16	630	2,716	3,026
Carrying value	2,700	2,396	16	630	2,716	3,026
Carrying value of Group's interest in joint ventures					2,716	3,026

18. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment \$'000	Motor vehicles \$'000	Renovation, furniture and equipment \$'000	Computers \$'000	Containers \$'000	Total \$'000
Group 2014						
<i>Cost</i>						
Beginning of financial year	15,881	153	214	490	209	16,947
Additions	4,242	-	3	76	60	4,381
End of financial year	20,123	153	217	566	269	21,328
<i>Accumulated depreciation</i>						
Beginning of financial year	4,788	101	214	346	121	5,570
Depreciation charge (Note 5)	1,941	16	1	98	38	2,094
End of financial year	6,729	117	215	444	159	7,664
Net book value End of financial year	13,394	36	2	122	110	13,664

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Plant and equipment \$'000	Motor vehicles \$'000	Renovation, furniture and equipment \$'000	Computers \$'000	Containers \$'000	Total \$'000
<i>Group</i>						
2013						
<i>Cost</i>						
Beginning of financial year	8,131	118	214	388	209	9,060
Additions	7,750	35	–	102	31	7,918
Disposals	–	–	–	–	(31)	(31)
End of financial year	15,881	153	214	490	209	16,947
<i>Accumulated depreciation</i>						
Beginning of financial year	3,654	87	211	273	111	4,336
Depreciation charge (Note 5)	1,134	14	3	73	36	1,260
Disposals	–	–	–	–	(26)	(26)
End of financial year	4,788	101	214	346	121	5,570
<i>Net book value</i>						
End of financial year	11,093	52	–	144	88	11,377

19. INTANGIBLE ASSETS

Acquired computer software licences

	Group	
	2014 \$'000	2013 \$'000
<i>Cost</i>		
Beginning of financial year	182	131
Additions	131	51
End of financial year	313	182
<i>Accumulated amortisation</i>		
Beginning of financial year	108	90
Amortisation charge (Note 5)	26	18
End of financial year	134	108
Net book value	179	74

Amortisation of intangible assets of \$26,000 (2013: \$18,000) was recognised in the statement of comprehensive income under "Expenses – Others".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade payables:				
– non-related parties	37,443	42,072	–	–
– related companies	3	29	–	–
– joint venture	130	27	–	–
	37,576	42,128	–	–
Due to customers on construction contracts (Note 14)	3,975	2,154	–	–
Due to a related company on construction contracts (Note 14)	396	–	–	–
Due to a related party on construction contracts* (Note 14)	–	350	–	–
Rental deposits	–	37	–	–
Accrued operating expenses	9,091	2,250	1,420	1,172
Accrued construction costs	20,087	31,429	–	–
Other payables	7,592	4,663	189	153
Amounts due to				
– ultimate holding company (non-trade)	6	75	–	–
– related companies (non-trade)	38	69	–	–
– a related party (non-trade)*	–	13	–	–
– a subsidiary (non-trade)	–	–	10	508
Total trade and other payables	78,761	83,168	1,619	1,833

* Related party pertains to a company which is wholly-owned by a director of the Company.

The non-trade amounts due to ultimate holding company, a subsidiary, a related party and related companies are unsecured, interest-free and repayable on demand.

21. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position as follows:

	Group	
	2014 \$'000	2013 \$'000
Deferred income tax liabilities		
– To be settled within one year	–	1
– To be settled after one year	462	852
	462	853

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

21. DEFERRED INCOME TAXES (CONT'D)

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax assets

	Provisions \$'000	Unrealised profits on construction contracts \$'000	Tax losses \$'000	Total \$'000
2014				
Beginning of financial year	–	–	(127)	(127)
Credited to profit or loss	(267)	–	(263)	(530)
End of financial year	(267)	–	(390)	(657)
2013				
Beginning of financial year	–	(166)	–	(166)
Charged/(credited) to profit or loss	–	166	(127)	39
End of financial year	–	–	(127)	(127)

Deferred income tax liabilities

	Accelerated tax depreciation \$'000
2014	
Beginning of financial year	980
Charged to profit or loss	139
End of financial year	1,119
2013	
Beginning of financial year	664
Charged to profit or loss	316
End of financial year	980

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of \$16,000 (2013: \$63,000) at the balance sheet date which can be carried forward and used to offset against future taxable income. The tax losses have expiry date of 3 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

22. SHARE CAPITAL

	← Share capital →	
	No. of ordinary shares '000	Amount '000
Group		
2014		
Beginning and end of financial year	664,000	57,490
2013		
Beginning of financial year ^(a)	15,500	15,500
Share swap pursuant to the Restructuring (Note 32)	(15,500)	(15,500)
Issuance of shares pursuant to the Restructuring (Note 32)	15,500	16,570
Share split ^(b)	480,500	–
Issuance of new shares pursuant to the initial public offering ^(c)	168,000	42,000
Share issue expenses ^(d)	–	(1,080)
End of financial year	664,000	57,490
Company		
2014		
Beginning and end of financial year ^(e)	664,000	57,490
2013		
Balance as at date of incorporation on 14 January 2013 ^(e)	–	–
Issuance of shares pursuant to the Restructuring (Note 32)	15,500	16,570
Share split ^(b)	480,500	–
Issuance of new shares pursuant to the initial public offering ^(c)	168,000	42,000
Share issue expenses ^(d)	–	(1,080)
Balance as at 31 December 2013	664,000	57,490

- (a) The share capital of the Group prior to the Restructuring will reflect the share capital of the Company, Soil-Build (Pte.) Ltd., SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd., as if the Group had been in existence throughout the reporting periods.
- (b) On 9 May 2013, the Company undertook a share split exercise pursuant to which each ordinary share in the issued share capital of the Company was sub-divided into thirty-two ordinary shares (the "Share Split").
- (c) On 23 May 2013, the Company allotted 168,000,000 new shares for issuance pursuant to its initial public offering (the "IPO"). The Company was listed on SGX-ST on 27 May 2013.
- (d) Share issue expenses amounted to \$Nil (2013: \$1,080,000) which was directly attributable to the issuance of new shares were deducted against the share capital. The remaining balance of \$Nil (2013: \$889,000) was charged to profit or loss within "administrative expenses".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

22. SHARE CAPITAL (CONT'D)

- (e) Issued and paid up capital as at the date of incorporation of Soilbuild Construction Group Ltd. was S\$1.00 comprising of one ordinary share.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The newly issued shares rank pari passu in all aspects with the previously issued shares.

23. CAPITAL RESERVE

	Group	
	2014 \$'000	2013 \$'000
Beginning of financial year	(1,070)	-
Issuance of shares pursuant to the Restructuring (Note 32)	-	(1,070)
End of financial year	(1,070)	(1,070)

24. PERFORMANCE SHARE PLAN RESERVE

	Group	
	2014 \$'000	2013 \$'000
Beginning of financial year	-	-
Share-based compensation expenses	408	-
End of financial year	408	-

The Soilbuild Construction Performance Share Plan ("PSP") was approved by the members of the Company at an EGM held on 9 May 2013. The details of the plan are as disclosed under "Share Plans" in the Directors' Report.

During the financial year ended 31 December 2014, performance share awards ("**2014 PSP Awards**") in respect of an aggregate of up to 6,269,000 ordinary shares in the Company were granted to the relevant participants on 22 August 2014. The grant of the 2014 PSP Award to Mr Lim Chap Huat, a controlling shareholder of the Company, was conditional on independent shareholders' approval for the participation by and grant of the 2014 PSP Award to him. Such approval was obtained on 10 October 2014. The 2014 PSP Awards are subject to the accomplishment of certain performance targets set over the performance period for the financial year ended 31 December 2014. Arising from the 2014 PSP Awards, ordinary shares will be released provided the respective participants have remained in the employment of the Group up to the respective release dates.

Subsequent to the financial year ended 31 December 2014, the grant of 2014 PSP Awards were reviewed by the Remuneration Committee on 16 February 2015, taking into consideration, among others, the performance of the participants of the 2014 PSP Awards for the financial year ended 31 December 2014. Based on such review, the number of shares awarded under the 2014 PSP Award amounted to 5,663,952 shares.

The vesting period of the respective tranches of the 2014 PSP Awards amounting to 40%, 30% and 30% is from 22 August 2014 to their release dates which are within one month from the issuance of the audited financial statement of the Group for FY2014, FY2015 and FY2016 respectively. The 2014 PSP Awards will be released provided the respective participants have remained in the employment of the Group up to the respective dates. As the release dates are yet to be due, no shares under the 2014 PSP Awards have been released upon vesting.

Further details of the 2014 PSP Awards which include the movement during the financial year ended 31 December 2014 and the number outstanding as at 31 December 2014 are as disclosed under 'Share Plans' in the Directors' Report.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

24. PERFORMANCE SHARE PLAN RESERVE (CONT'D)

The fair value of the 2014 PSP Awards was determined using the Black Scholes Valuation Model. The significant inputs into the model were the share price of \$0.25 and \$0.24 per share at the grant dates of 22 August 2014 and 10 October 2014 respectively, the standard deviation of expected share price returns of 37%, the dividend yield of 6%, the vesting period of the 2014 PSP Awards as disclosed above, and annual risk-free interest rate of 2.3%. The volatility measured as the standard deviation of expected share price returns was estimated based on statistical analysis of share prices from the listing date to 31 December 2014.

25. RETAINED PROFITS

Movement in retained profits for the Company is as follows:

	Company	
	2014 \$'000	2013 \$'000
Beginning of financial year (2013: As at date of incorporation on 14 January 2013)	9,588	–
Total comprehensive income for the year/period	11,611	12,908
Dividends paid (Note 26)	(9,960)	(3,320)
End of financial year/period	11,239	9,588

26. DIVIDENDS

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>Ordinary dividends paid</i>				
Final dividends paid in respect of the prior financial year				
– Soilbuild Construction Group Ltd. of \$0.005 (2013: \$Nil) per share (Note 25)	3,320	–	3,320	–
Special dividends paid in respect of the prior financial year				
– Soilbuild Construction Group Ltd. of \$0.005 (2013: \$Nil) per share (Note 25)	3,320	–	3,320	–
Interim dividends paid in respect of the current financial year				
– Soilbuild Construction Group Ltd. of \$0.005 (2013: \$0.005) per share (Note 25)	3,320	3,320	3,320	3,320
– Soil-Build (Pte.) Ltd. of \$Nil (2013: \$0.24) per share (Note 32(b))	–	3,595	–	–
– SB Procurement Pte. Ltd. of \$Nil (2013: \$0.70) per share (Note 32(b))	–	349	–	–
– SB Project Services Pte. Ltd. of \$Nil (2013: \$56,000) per share (Note 32(b))	–	56	–	–
	9,960	7,320	9,960	3,320

At the Annual General Meeting on 24 April 2015, a final dividend of \$0.005 per share amounting to \$3,320,000 and a special dividend of \$0.010 per share amounting to \$6,640,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits for the financial year ending 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

27. COMMITMENTS

Operating lease commitments – where the Group is a lessor

Operating lease commitments as at 31 December 2014 and 31 December 2013, pertain to lease of state land by the Group to a supplier for the purpose of erecting a concrete batching plant.

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Not later than one year	240	171	-	-

Operating lease commitments – where the Group is a lessee.

The Group leases a premise comprising of a production area for minor works, warehouse, workers' accommodation and office premises for its own use and state land to a supplier.

The future minimum lease payable under operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2014 \$'000	2013 \$'000
Not later than one year	1,326	894
Between one and five years	959	1,374
	2,285	2,268

28. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risks (including interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects from the unpredictability of financial markets on the financial performance of the Group.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. Management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors. Financial risk management is carried out by management in accordance with the policies set.

(a) Market risk

(i) Currency risk

The Group is not exposed to significant currency risk as it mainly operates in Singapore and transacts mainly in Singapore Dollars ("SGD").

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Group is not exposed to any significant price risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group is not exposed to any significant interest rate risks.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises primarily from bank deposits and trade receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral or deposits where appropriate to mitigate credit risk. In addition, receivable balances and payment profile of the debtors are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The trade receivables of the Group comprise 3 debtors (2013: 2 debtors) that individually represented 11 – 22% (2013: 11 – 47%) of the trade receivables.

Exposure to credit risk

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

Financial assets that are past due and/or impaired

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

■ NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

(b) Credit risk (cont'd)

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

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

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Past due 0 to 30 days	6,722	164	-	-
Past due 31 to 90 days	4,198	153	-	-
Past due 91 days	374	124	-	-
	11,294	441	-	-

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

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Gross amount	51	51	-	-
Less: Allowance for impairment (Note 13)	(50)	(50)	-	-
	1	1	-	-
Beginning of financial year	50	129	-	-
Allowance written back	-	(79)	-	-
End of financial year	50	50	-	-

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

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group will constantly raise committed funding from financial institutions and prudently balance its portfolio with some short term funding so as to achieve overall cost effectiveness.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows. Trade and other payables due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Not later than 1 year \$'000	More than 1 year \$'000
<u>Group</u>		
At 31 December 2014		
Trade and other payables	(78,761)	-
At 31 December 2013		
Trade and other payables	(83,168)	-
<u>Company</u>		
At 31 December 2014		
Trade and other payables	(1,619)	-
At 31 December 2013		
Trade and other payables	(1,833)	-

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholder, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on gearing ratio and reports to the Board of Directors on a quarterly basis. The gearing ratio is calculated as net debt divided by shareholder funds. Net debt is calculated as gross borrowings less cash and cash equivalents. Shareholder funds represent all equity attributable to the equity holders of the Company.

The Company has no borrowings and it effectively uses no debt financing in its overall capital structure. The Company is also not subjected to any externally imposed capital requirements.

(e) Financial instruments by category

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Loans and receivables	141,492	146,986	51,009	51,634
Financial liabilities at amortised cost	78,761	83,168	1,619	1,833

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29. RELATED PARTY TRANSACTIONS

- (a) In addition to the related party information shown elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed by the parties:

	Group	
	2014 \$'000	2013 \$'000
Revenue from construction contracts from related companies	74,588	61,414
Revenue from construction contracts from joint ventures	9,099	43,662
Revenue from construction contracts from a related party*	34,106	124,006
Revenue from rendering of project management services to related companies	426	815
Rental expense charged by ultimate holding company	724	672
Renovation/reinstatement services received/receivable from a related company	168	–
Other service income received/receivable from a related company	147	–
Share of common overheads paid/payable to the ultimate holding company	59	30
Share of common overheads received/receivable from the ultimate holding company	6	6

* Related party pertains to a company which is wholly-owned by a director of the Company.

- (b) Key management personnel compensation

The key management personnel compensation is as follows:

	Group	
	2014 \$'000	2013 \$'000
Salaries and other short-term employee benefits	4,629	3,039
Other long term benefits – share based compensation	408	–
Contribution to Central Provident Fund	151	129
	5,188	3,168

Details on directors' remuneration are discussed in the Corporate Governance Report.

30. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by senior management that are used to make strategic decisions. Senior management comprises the Executive Chairman and Executive Director.

Senior management considers the business of the Group from the business segment perspective. The Group derives revenue mainly from the construction segment and there is no other business segregation. There is also no geographical segregation as business operations are currently mainly centered in Singapore.

As the Group operates only in a single business segment and currently operates mainly in a single geographical location, no other segment information is presented.

Senior management assesses the performance of the operating segments based on a measure of profit before income tax.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

30. SEGMENT INFORMATION (CONT'D)

The amounts reported to senior management with respect to total assets, total liabilities and profit before tax have been prepared on the same basis as the financial statements; hence, there are no reconciling items to be disclosed.

31. JOINT OPERATION

On 28 May 2014, SB Procurement Pte. Ltd. ("SB Procurement"), a wholly-owned subsidiary of the Company, under a consortium with Leong Hin Builders Pte. Ltd. ("Leong Hin"), has been awarded a construction contract amounting to approximately \$179,500,000 by Kranji Development Pte. Ltd. in relation to an industrial development at 60 Jalan Lam Huat, Singapore. SB Procurement and Leong Hin had entered into a deed of agreement dated 28 May 2014, to govern their rights and obligations in respect of the construction contract. Based on the deed of agreement, SB Procurement has 60% interest in the rights to the assets and obligations for the liabilities in respect of the construction contract.

As decisions about the relevant activities of the construction contract require the unanimous consent of both SB Procurement and Leong Hin under the deed of agreement, SB Procurement and Leong Hin has joint control under the arrangement. Accordingly, the arrangement is a joint arrangement under FRS 111 *Joint Arrangements*. As the joint arrangement is not carried out through a separate legal entity, the arrangement has been accounted for as a joint operation in the Group's consolidated financial statements.

Please refer to Note 2.3(c) for the accounting policy on joint operations.

32. GROUP RESTRUCTURING

For the purpose of the listing of the Company on the SGX-ST, the Company was incorporated on 14 January 2013 as a new holding company. Thereafter, the Company entered into a restructuring exercise (the "Restructuring") as set out below:

- (a) On 31 December 2012, Soil-Build (Pte.) Ltd., SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd. declared their retained profits as interim dividends in respect of the financial year ended 31 December 2012 amounting to \$36,469,000 (\$2.43 per share), \$2,996,000 (\$5.99 per share) and \$2,504,000 (\$2,504,000 per share) respectively to ultimate holding company Soilbuild Group Holdings Ltd. ("SBGH") which have been settled via netting of intercompany balances.
- (b) On 24 April 2013, Soil-Build (Pte.) Ltd., SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd. declared their retained profits as interim dividends in respect of the financial year ended 31 December 2013 amounting to \$3,595,000 (\$0.24 per share), \$349,000 (\$0.70 per share) and \$56,000 (\$56,000 per share) respectively to SBGH which have been settled via cash as disclosed in Note 26.
- (c) On 6 May 2013, the Company entered into a sales and purchase agreement with SBGH to acquire the entire equity interest of Soil-Build (Pte.) Ltd., SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd. for purchase consideration of \$15,899,000, \$590,000 and \$81,000 respectively, which is entirely satisfied by the allotment and issuance of shares as disclosed in Note 16.

Upon completion of the Restructuring, the Company holds Soil-Build (Pte.) Ltd., SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd. as subsidiaries. The Company and its subsidiaries (the "Group") formed an independent construction group, distinct from the principal property development and investment activities of SBGH and its subsidiaries.

■ NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

32. GROUP RESTRUCTURING (CONT'D)

The acquisition of Soil-Build (Pte.) Ltd., SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd. by the Company has been accounted for as a capital reorganisation as the entities transferred were managed as a single business. Accordingly, the consolidated financial statements of the Group are presented as follows:

- (i) The consolidated balance sheets of the Group as at 31 December 2013, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the financial years ended 31 December 2013 have been prepared as if the Company had been the holding company of the Group throughout the financial years ended 31 December 2013 rather than from the date on which the Restructuring was completed.
- (ii) The assets and liabilities of Soil-Build (Pte.) Ltd., SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd. are brought into the Group's books based on their existing carrying values in the consolidated financial statements of the ultimate holding company, SBGH. No adjustments are made to the carrying values of those assets and liabilities, as the financial statements of the Group, Soil-Build (Pte.) Ltd., SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd. have been prepared using consistent accounting policies.
- (iii) The share capital of the Group would reflect the share capital of the Company on the date which the Restructuring was completed and is measured based on the deemed cost of acquiring Soil-Build (Pte.) Ltd., SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd., being the existing carrying values of the net assets acquired. The retained profits of the Group will be the combined retained profits of Soil-Build (Pte.) Ltd., SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd.. The resulting differences are recognised separately as a component of equity.
- (iv) All significant intra-group transactions and balances have been eliminated on combination.

33. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is Soilbuild Group Holdings Ltd., incorporated in Singapore.

34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2015 or later periods and which the Group has not early adopted:

- FRS 102 Share-based Payment (effective for annual periods beginning on or after 1 July 2014)

The amendment clarifies the definition of vesting condition and separately defines 'performance condition' and 'service condition'. The Group will apply this amendment from 1 January 2015, but this is not expected to have any significant impact on the financial statements of the Group.

- FRS 108 Operating Segments (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

- FRS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross carrying amount of the asset.

This amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 24 Related Party Disclosures (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 113 Fair Value Measurement (effective for annual periods beginning on or after 1 July 2014)

The amendment clarifies that the portfolio exception in FRS 113, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of FRS 39.

This amendment is not expected to have any significant impact on the financial statements of the Group.

35. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of SoilBuild Construction Group Ltd. on 25 March 2015.

■ STATISTICS OF SHAREHOLDERS

AS AT 12 MARCH 2015

Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share
No. of Issued Shares ("Shares")	:	664,000,000

There are no treasury shares held in the issued capital of the Company.

Analysis of Shareholders

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of Issued Share Capital
1 – 99	–	–	–	–
100 – 1,000	268	15.95	267,297	0.04
1,001 – 10,000	541	32.20	3,308,700	0.50
10,001 – 1,000,000	852	50.72	71,953,303	10.84
1,000,001 – and above	19	1.13	588,470,700	88.62
	1,680	100.00	664,000,000	100.00

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Soilbuild Group Holdings Ltd. ¹	488,000,000	73.49	–	–
Lim Chap Huat ²	800,000	0.12	488,000,000	73.49

Notes:

- 1 Soilbuild Group Holdings Ltd. ("Soilbuild Group") is a company incorporated in Singapore. It is a property developer with a development portfolio of residential properties and business space properties.
- 2 Mr Lim Chap Huat holds the entire issued share capital of Soilbuild Group and he is deemed to have an interest in the Shares held by Soilbuild Group.

STATISTICS OF SHAREHOLDERS

AS AT 12 MARCH 2015

Twenty One Largest Shareholders

No.	Name of Shareholders	Number of Shares	% of Issued Share Capital
1.	Soilbuild Group Holdings Ltd.	488,000,000	73.49
2.	DBS Vickers Securities (Singapore) Pte Ltd	27,686,500	4.17
3.	Maybank Kim Eng Securities Pte Ltd	12,450,000	1.88
4.	Lim Han Ren (Lin Hanren)	10,939,600	1.65
5.	Ho Toon Bah	8,000,000	1.20
6.	Lim Han Feng (Lin Hanfeng)	6,300,000	0.95
7.	Lim Han Qin	6,300,000	0.95
8.	Raffles Nominees (Pte) Ltd	5,332,500	0.80
9.	OCBC Securities Private Ltd	4,916,000	0.74
10.	Ho Kiat Chong	2,702,000	0.41
11.	Wong Koon Chue @ Wong Koon Chua	2,645,000	0.40
12.	Ng Siew Lan	2,420,000	0.36
13.	DBS Nominees Pte Ltd	2,083,200	0.31
14.	Tan Hee Nam	2,000,000	0.30
15.	Chong Ah Lan	1,545,000	0.23
16.	Lim Sze Pheng	1,400,000	0.21
17.	Phillip Securities Pte Ltd	1,365,000	0.21
18.	Surja Teruna Bahari	1,200,000	0.18
19.	Citibank Nominees Singapore Pte Ltd	1,185,900	0.18
20.	Chew Chiao Kee	1,000,000	0.15
21.	Chia Cheng Liang	1,000,000	0.15
		<u>590,470,700</u>	<u>88.92</u>

Shareholding Held in the Hands of Public

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 21.55% of the issued share capital of the Company was held in the hands of public as at 12 March 2015. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

■ NOTICE OF SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of Soilbuild Construction Group Ltd. (the “Company”) will be held at 25 Changi South Street 1, Singapore 486059 on Friday, 24 April 2015 at 9.30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts of the Company for the financial year ended 31 December 2014 and the Directors’ Report and Independent Auditor’s Report thereon. **(Resolution 1)**
2. To declare a final (tax exempt one-tier) dividend of 0.50 cents per share and a special (tax exempt one-tier) dividend of 1.00 cents per share for the financial year ended 31 December 2014. **(Resolution 2)**
3. To approve the Directors’ fees of S\$340,000.00 for the financial year ending 31 December 2015. (2014:S\$310,000.00) *(See Explanatory Note 1)* **(Resolution 3)**
4. To re-elect the following Directors retiring by rotation pursuant to Article 91 of the Company’s Articles of Association:
 - (a) Mr Ho Toon Bah (Article 91) *(see Explanatory Note 2(a))* **(Resolution 4a)**
 - (b) Mr Poon Hon Thang (Article 91) *(see Explanatory Note 2(b))* **(Resolution 4b)**

Mr Poon Hon Thang will upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and a Member of the Nominating and Remuneration Committees, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).
5. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:

6. **Authority to allot and issue shares**
 - (a) That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore, and the Listing Rules of the SGX-ST, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
 - (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
 - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
 - (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that
 - (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of

NOTICE OF SECOND ANNUAL GENERAL MEETING

Instruments made or granted pursuant to this resolution) to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company. Unless prior shareholder approval is required under the Listing Rules, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

For the purpose of this resolution, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

- (a) new shares arising from the conversion or exercise of convertible securities, or
 - (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 options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and
 - (c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and
- (ii) such authority shall, unless revoked or varied by the Company at a general meeting, 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 3) (Resolution 6)

7. Authority to grant options and to allot and issue shares under the Soilbuild Construction Employee Share Option Scheme

That authority be and is hereby given to the Directors of the Company to:

- (a) offer and grant options in accordance with the provisions of the Soilbuild Construction Employee Share Option Scheme (the "**Scheme**"); and
- (b) allot and issue from time to time such number of fully-paid ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the Scheme,

provided always that the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, and (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, pursuant to the Scheme and the PSP (as defined below) shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, as determined in accordance with the provisions of the Scheme.

(See Explanatory Note 4) (Resolution 7)

8. Authority to grant awards and to allot and issue shares under the Soilbuild Construction Performance Share Plan

That authority be and is hereby given to the Directors of the Company to:

- (a) grant awards in accordance with the provisions of the Soilbuild Construction Performance Share Plan (the "**PSP**"); and
- (b) allot and issue from time to time such number of fully-paid ordinary shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards granted under the PSP,

provided always that the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, and (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, pursuant to the PSP and the Scheme, shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, as determined in accordance with the provisions of the PSP.

(See Explanatory Note 5) (Resolution 8)

■ NOTICE OF SECOND ANNUAL GENERAL MEETING

9. Proposed Renewal of the General Mandate for Interested Person Transactions

That:

- (a) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual (“**Chapter 9**”) of the SGX-ST, for the Company, its subsidiaries and associated companies that are considered to be “**entities at risk**” (as that term is used in Chapter 9), or any of them to enter into any of the transactions falling within the types of Mandated Interested Person Transactions described in the Appendix to the Notice of Second Annual General Meeting (the “**Appendix**”) which is enclosed with the Company’s Annual Report, with any party who is of the class of Mandated Interested Persons described in the Appendix, provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders, and are in accordance with the review procedures for Mandated Interested Person Transactions (the “**IPT Mandate**”) as set out in the Appendix;
- (b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- (c) the Directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

(See Explanatory Note 6) (Resolution 9)

10. Proposed Grant of Award to a Controlling Shareholder under the Soilbuild Construction Performance Share Plan

That:

- (a) the grant of a contingent award (the “**2015 Award**”) comprising up to 2,730,000 shares to Mr Lim Chap Huat (who is regarded as a controlling shareholder in relation to the Company) by the Remuneration Committee of the Company administering the PSP, be and is hereby approved; and
- (b) the Directors of the Company be and are hereby authorised to allot and issue shares, or transfer existing shares procured by the Company, upon the release of the 2015 Award.

(See Explanatory Note 7) (Resolution 10)

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

BY ORDER OF THE BOARD

Lee Bee Fong (Ms)
Company Secretary

Singapore, 9 April 2015

NOTICE OF SECOND ANNUAL GENERAL MEETING

Explanatory Notes:

1. The ordinary resolution proposed in item 3 above is to seek approval for the payment of Directors' fees for the financial year ending 31 December 2015.

The amount of the Directors' fees has been computed based on the current fees structure reported in the Corporate Governance Report section of the Company's Annual Report 2014.
- 2(a). In relation to the ordinary resolution proposed in item 4(a) above, there is no relationship (including immediate family relationships) between Mr Ho Toon Bah and the other Directors and the Company or its 10% shareholder and the detailed information on Mr Ho Toon Bah is set out in the section entitled "**Board of Directors**" and in the Corporate Governance Report of the Company's 2014 Annual Report.
- 2(b). In relation to the ordinary resolution proposed in item 4(b) above, there is no relationship (including immediate family relationships) between Mr Poon Hon Thang and the other Directors and the Company or its 10% shareholder and the detailed information on Mr Poon Hon Thang is set out in the section entitled "**Board of Directors**" and in the Corporate Governance Report of the Company's 2014 Annual Report.
3. The ordinary resolution in item 6 above is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares excluding treasury shares of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of SGX-ST currently provides that the total number of issued shares excluding treasury shares of the Company for this purpose shall be the total number of issued shares excluding treasury shares at the time this resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
4. The ordinary resolution proposed in item 7 above, if passed, will empower the Directors of the Company to offer and grant options under the Scheme in accordance with and pursuant to the rules of the Scheme and to allot and issue from time to time such number of fully-paid shares in the capital of the Company as may be required to be allotted and issued pursuant to the exercise of such options under the Scheme, provided always that the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, and (ii) existing ordinary shares (including treasury shares) delivered and/or to be delivered, pursuant to options granted or to be granted under the Scheme and awards granted under the PSP shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
5. The ordinary resolution proposed in item 8 above, if passed, will empower the Directors of the Company to grant awards under the PSP in accordance with and pursuant to the rules of the PSP and to allot and issue from time to time such number of fully-paid shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of such awards under the PSP, provided always that the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, and (ii) existing ordinary shares (including treasury shares) delivered and/or to be delivered, pursuant to awards granted under the PSP and options granted or to be granted under the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
6. The ordinary resolution proposed in item 9 above, if passed, will renew, effective until the conclusion of the next Annual General Meeting, the IPT Mandate to enable the Company, its subsidiaries and associated companies which are considered "**entities at risk**" to enter in the ordinary course of business into certain types of interested person transactions with specific classes of the Company's interested persons. Particulars of the IPT Mandate are set out in the Appendix to this Notice of Second Annual General Meeting which is enclosed with the Company's Annual Report 2014.
7. The ordinary resolution proposed in item 10 above, if passed, will empower the Directors of the Company to grant the 2015 Award under the PSP in accordance with and pursuant to the rules of the PSP and to allot and issue from time to time such number of fully-paid shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of such award under the PSP. Particulars of the 2015 Award are set out in the Appendix to this Notice of Second Annual General Meeting which is enclosed with the Company's Annual Report 2014.

■ NOTICE OF SECOND ANNUAL GENERAL MEETING

Notes:

1. The Chairman of the Annual General Meeting will be exercising his right under Article 61 of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members of the Company at the Second Annual General Meeting and at any adjournment thereof. Accordingly, each resolution at the Second Annual General Meeting will be voted on by way of a poll.
2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
3. A proxy need not be a member of the Company.
4. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
5. The instrument appointing a proxy must be deposited at the registered office of the Company at 25 Changi South Street 1, Singapore 486059 not less than 48 hours before the time appointed for the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (a) 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**"), (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), 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 (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS HEREBY GIVEN that the Share Transfer Book and the Register of Members of the Company will be closed at 5.00 p.m. on 6 May 2015, for the purpose of determining members' entitlements to the final (tax exempt one-tier) dividend of 0.50 cents per share and the special (tax exempt one-tier) dividend of 1.00 cents per share for the financial year ended 31 December 2014 (the "**Proposed Dividends**").

Duly completed registrable transfers in respect of Ordinary Shares in the capital of the Company ("**Shares**") received by the Company's Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) of 80 Robinson Road #02-00 Singapore 068898, up to 5.00 p.m. on 6 May 2015 (the "**Book Closure Date**") will be registered to determine members' entitlements to the Proposed Dividends. The Proposed Dividends, if approved at the Annual General Meeting to be held on 24 April 2015, will be paid on 15 May 2015.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on the Book Closure Date will be entitled to the Proposed Dividends.

BY ORDER OF THE BOARD

Lee Bee Fong (Ms)
Company Secretary

Singapore, 9 April 2015

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SOILBUILD CONSTRUCTION GROUP LTD.(Company Registration No. 201301440Z)
(Incorporated in the Republic of Singapore)**IMPORTANT**

- For investors who have used their CPF monies to buy the Company's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

I/We _____

NRIC/Passport No _____ of _____

being *a member/members of SOILBUILD CONSTRUCTION GROUP LTD. (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No	Proportion of shareholdings to be represented by proxy (%)

*and/or, failing him/her

Name	Address	NRIC/ Passport No	Proportion of shareholdings to be represented by proxy (%)

or failing *him/her/them, the Chairman of the meeting as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Second Annual General Meeting of the Company to be held at 25 Changi South Street 1, Singapore 486059 on Friday, 24 April 2015 at 9.30 am and at any adjournment thereof.

*I/We direct *my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as he/she/they will on any other matter arising at the Annual General Meeting.

NOTE: The Chairman of the Annual General Meeting will be exercising his right under Article 61 of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members of the Company at the Annual General Meeting and at any adjournment thereof. Accordingly, each resolution at the Annual General Meeting will be voted on by way of a poll.

No.	Ordinary Resolutions	For	Against
1	To receive and adopt the Audited Accounts for the financial year ended 31 December 2014 and the Directors' Report and Independent Auditor's Report thereon.		
2	To declare a final (tax exempt one-tier) dividend of 0.50 cents per share and a special (tax exempt one-tier) dividend of 1.00 cents per share for the financial year ended 31 December 2014.		
3	To approve the Directors' fees for the financial year ending 31 December 2015.		
4(a)	To re-elect Mr Ho Toon Bah retiring by rotation pursuant to Article 91 of the Company's Articles of Association.		
4(b)	To re-elect Mr Poon Hon Thang retiring by rotation pursuant to Article 91 of the Company's Articles of Association.		
5	To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
6	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore and the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").		
7	To authorise Directors to offer and grant options and to allot and issue shares pursuant to the Soilbuild Construction Employee Share Option Scheme.		
8	To authorise Directors to grant awards and to allot and issue shares pursuant to the Soilbuild Construction Performance Share Plan.		
9	To authorise the Company, its subsidiaries and associated companies and to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST.		
10	To approve the proposed grant of award to a controlling shareholder under the Soilbuild Construction Performance Share Plan.		

Dated this _____ day of _____ 2015

Total Number of Shares Held_____
Signature(s) of Member(s)/Common Seal of Corporate Shareholder

* Delete accordingly

IMPORTANT: Please read notes overleaf

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. 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 under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Cap. 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 25 Changi South Street 1, Singapore 486059 not less than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. 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 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

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 Second Annual General Meeting dated 9 April 2015.

AFFIX
STAMP

The Company Secretary
SOILBUILD CONSTRUCTION GROUP LTD.
25 Changi South Street 1
SB Building
Singapore 486059

If you are in any doubt as to the contents herein or as to the course of action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

**APPENDIX TO THE
NOTICE OF SECOND ANNUAL GENERAL MEETING
DATED 9 APRIL 2015**

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DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

“AGM”	:	The Annual General Meeting of the Company to be held on 24 April 2015
“Associate”	:	An associate as defined under the Listing Manual
“Audit Committee”	:	The audit committee of the Company, comprising Mr Poon Hon Thang, Mr Tan Jee Ming and Mr Teo Chee Seng
“Auditors”	:	The auditors of the Company for the time being
“Award”	:	A contingent award of Shares granted under the Soilbuild Construction Performance Share Plan
“Award Date”	:	In relation to an Award, the date on which the Award is granted under the Soilbuild Construction Performance Share Plan
“Board”	:	The board of directors of the Company
“CDP”	:	The Central Depository (Pte) Limited
“Committee”	:	The Remuneration Committee of the Company
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore
“Company”	:	Soilbuild Construction Group Ltd.
“Control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
“Controlling Shareholder”	:	A person who holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury shares) in the Company (unless otherwise determined by the SGX-ST that a person who satisfies this subparagraph is not a Controlling Shareholder), or in fact exercises Control over the Company
“Director”	:	A director of the Company for the time being
“FY”	:	Financial year ended or, as the case may be, ending 31 December
“Group”	:	The Company and its subsidiaries
“Group Executive”	:	Any employee of the Group (including any Group Executive Director who meets the relevant criteria and who shall be regarded as a Group Executive for the purposes of the Soilbuild Construction Performance Share Plan) selected by the Committee to participate in the Soilbuild Construction Performance Share Plan in accordance with the provisions thereof
“Group Executive Director”	:	A director of the Company and/or any of its subsidiaries and/or any of its associated companies, as the case may be, who performs an executive function
“Latest Practicable Date”	:	2 April 2015, being the latest practicable date prior to the printing of the notice of AGM
“Listing Manual”	:	The listing manual of the SGX-ST
“Market Day”	:	A day on which the SGX-ST is open for trading in securities

■ DEFINITIONS

“Market Value”	: In relation to a Share, on any day: <ul style="list-style-type: none">(a) the volume-weighted average price of a Share on the SGX-ST over the five (5) immediately preceding Trading Days; or(b) if the Committee is of the opinion that the Market Value as determined in accordance with (a) above is not representative of the value of a Share, such price as the Committee may determine, such determination to be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.
“Non-Executive Director”	: A director of the Company and/or its subsidiaries, other than one who performs an executive function
“Participant”	: A Group Executive or a Non-Executive Director who has been granted an Award
“Securities Account”	: Securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shareholders”	: Registered holders of Shares in the Register of Members of the Company except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register maintained by CDP. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts
“Shares”	: Ordinary shares in the capital of the Company
“Soilbuild Construction Performance Share Plan”	: The Soilbuild Construction Performance Share Plan adopted by the Company at an extraordinary general meeting of the Company held on 9 May 2013, as the same may be modified or altered from time to time
“S\$”	: Singapore dollars
“%”	: Percentage or per centum

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

The headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, or any statutory modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

Any discrepancies in figures included in this Appendix between the amounts listed and the totals thereof are due to rounding.

PROPOSED RENEWAL OF THE GENERAL MANDATE
FOR INTERESTED PERSON TRANSACTIONS AND PROPOSED GRANT OF AWARD TO A CONTROLLING
SHAREHOLDER UNDER THE SOILBUILD CONSTRUCTION PERFORMANCE SHARE PLAN

1. INTRODUCTION

- 1.1 The Company refers to Resolutions 9 and 10 of the Notice of Second Annual General Meeting of the Company (“**AGM**”). Resolutions 9 and 10 are ordinary resolutions to be proposed at the AGM for (i) the renewal of the Company’s general mandate for interested person transactions (the “**IPT Mandate**”) and (ii) the approval of a contingent award of shares (“**Award**”) to a Controlling Shareholder, respectively.
- 1.2 The purpose of this Appendix is to provide Shareholders with information relating to Resolutions 9 and 10.

2. PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Background

At the first annual general meeting of the Company held on 25 April 2014 (the “**2014 AGM**”), Shareholders had approved the renewal of the IPT Mandate for the purposes of the Listing Manual of the SGX-ST. The terms of the IPT Mandate were set out in Appendix to the Notice of First Annual General Meeting dated 10 April 2014.

The IPT Mandate enables the Company, its subsidiaries and associated companies that are considered to be “entities at risk” within the meaning of Chapter 9 of the Listing Manual (the “**SBC Group**”), to enter in the ordinary course of business into any of the mandated transactions with specified classes of the Company’s interested persons, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. Soilbuild Group Holdings Ltd. (“**Soilbuild Group Holdings**”), Mr Lim Chap Huat and their respective associates are regarded as “interested persons” of the Company for the purposes of Chapter 9 of the Listing Manual, and each of Soilbuild Group Holdings and Mr Lim Chap Huat is considered a controlling shareholder of the Company.

2.2 Annual Renewal of the IPT Mandate

Pursuant to Rule 920(2) of the Listing Manual, the IPT Mandate renewed at the 2014 AGM was expressed to be effective until the conclusion of the forthcoming AGM of the Company. Hence, the IPT Mandate will continue in force only until the conclusion of the forthcoming AGM, which is to be held on 24 April 2015. Accordingly, it is proposed that the IPT Mandate be renewed at the forthcoming AGM, to take effect until the conclusion of the next annual general meeting of the Company.

2.3 Particulars of the IPT Mandate to be renewed

The nature of the interested person transactions and the classes of interested persons in respect of which the IPT Mandate is sought to be renewed remain unchanged. Particulars of the IPT Mandate, including the rationale for the IPT Mandate, the benefits to be derived by the Company, as well as the review procedures for determining transaction prices with the specified classes of interested persons, are set out in paragraph 2.6 of this Appendix.

2.4 Audit Committee’s Confirmation

Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee confirms that:

- (a) the methods or procedures for determining the transaction prices have not changed since the 2014 AGM; and
- (b) the methods and procedures referred to in sub-paragraph (a) above are sufficient to ensure that the Mandated Transactions carried out thereunder will be on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders.

PROPOSED RENEWAL OF THE GENERAL MANDATE

FOR INTERESTED PERSON TRANSACTIONS AND PROPOSED GRANT OF AWARD TO A CONTROLLING SHAREHOLDER UNDER THE SOILBUILD CONSTRUCTION PERFORMANCE SHARE PLAN

2.5 Chapter 9 of the Listing Manual

2.5.1 Chapter 9 of the Listing Manual governs transactions between a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be “at risk”, with the listed company’s interested persons.

2.5.2 Except for any transaction which is below S\$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9, when this Chapter applies to a transaction with an interested person and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company’s latest audited consolidated net tangible assets (“**NTA**”)), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for the transaction. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:

- (a) 5% of the listed company’s latest audited consolidated NTA; or
- (b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.

Based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2014, the consolidated NTA of the Company was S\$84.4 million. Accordingly, in relation to the Company, for the purposes of Chapter 9 of the Listing Manual, in the current financial year and until the audited consolidated financial statements of the Company for the financial year ending 31 December 2015 are published, 5% of the Company’s latest audited consolidated NTA would be S\$4.2 million.

2.5.3 Chapter 9 of the Listing Manual, however, allows the Company to seek a mandate from its Shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations. These transactions may not include the purchase or sale of assets, undertakings or businesses which are not part of the Company’s day-to-day operations.

2.5.4 For the purposes of Chapter 9 of the Listing Manual:

- (a) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder, includes an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family is a beneficiary, or in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family has or have an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
- (b) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles as Chapter 9;

PROPOSED RENEWAL OF THE GENERAL MANDATE
FOR INTERESTED PERSON TRANSACTIONS AND PROPOSED GRANT OF AWARD TO A CONTROLLING
SHAREHOLDER UNDER THE SOILBUILD CONSTRUCTION PERFORMANCE SHARE PLAN

- (c) an “**associated company**” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;
- (d) an “**entity at risk**” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “listed group”), or the listed group and its interested person(s), has control over the associated company;
- (e) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;
- (f) an “**interested person transaction**” means a transaction between an entity at risk and an interested person;
- (g) a “**transaction**” includes the provision or receipt of financial assistance; the acquisition, disposal or leasing of assets; the provision or receipt of services; the issuance or subscription of securities; the granting of or being granted options; and the establishment of joint ventures or joint investments, whether or not entered into in the ordinary course of business, and whether entered into directly or indirectly; and
- (h) in interpreting the term “**same interested person**” for the purpose of aggregation of the values of all transactions entered into with the same interested person during the same financial year under Rules 905 and 906 of Chapter 9 of the Listing Manual, the following applies:
 - (i) transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person; and
 - (ii) if an interested person (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.

2.6 Renewal of the IPT Mandate

2.6.1 **Introduction.** The Company anticipates that the SBC Group would, in the ordinary course of business, continue to enter into certain transactions with its interested persons (as such term is defined in the Listing Manual), including but not limited to those categories of transactions described below. In view of the time-sensitive and recurrent nature of commercial transactions, it would be advantageous for the Company to obtain an IPT Mandate to enter into certain interested person transactions in the normal course of business, provided that all such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. As the SBC Group is principally engaged in general construction services, such services would fall under the scope of recurrent transactions of a revenue nature, thereby allowing us to obtain an IPT Mandate pursuant to Rule 920(1) of the Listing Manual.

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Chapter 9 of the Listing Manual allows a listed company to obtain a mandate from its shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations. These transactions may not include the purchase or sale of assets, undertakings or businesses which are not part of our day-to-day operations.

The IPT Mandate will take effect from the passing of Resolution 9 relating thereto, and will continue in force until the conclusion of the next annual general meeting of the Company (unless sooner revoked or varied by the Company in general meeting). Approval from Shareholders will be sought for the renewal of the IPT Mandate at the next annual general meeting and each subsequent annual general meeting of the Company, subject to satisfactory review by the Audit Committee of the Company of its continued application to the Mandated Transactions (as defined below).

- 2.6.2 **Rationale for and Benefits of the IPT Mandate.** The SBC Group will benefit from transacting with Mandated Interested Persons, in addition to non-Mandated Interested Persons, in an expeditious manner. The IPT Mandate and its subsequent renewal on an annual basis would eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential interested person transactions with a specific class of Mandated Interested Persons arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the SBC Group.

The IPT Mandate is intended to facilitate transactions in the normal course of the SBC Group's business which are transacted from time to time with the specified classes of Mandated Interested Persons, provided that they are carried out in accordance with the procedures outlined in this Appendix and on normal commercial terms and are not prejudicial to the Company and its minority Shareholders.

In accordance with the requirements of Chapter 9 of the Listing Manual, the Company will: (a) disclose in the Company's annual report the aggregate value of transactions conducted with Mandated Interested Persons pursuant to the IPT Mandate during the financial year (as well as in the annual reports for subsequent financial years that the IPT Mandate continues to be in force); and (b) announce the aggregate value of transactions conducted with Mandated Interested Persons pursuant to the IPT Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Listing Manual (which relates to quarterly reporting by listed companies) within the time required for the announcement of such report.

- 2.6.3 **Entities at Risk.** For the purposes of the IPT Mandate, an "Entity At Risk" means:

- (a) the Company;
- (b) a subsidiary of the Company that is not listed on the SGX-ST or an approved exchange; or
- (c) an associated company of the Company that is not listed on the SGX-ST or an approved exchange, provided that the Company and its interested person(s), have control over the associated company.

- 2.6.4 **Classes of Mandated Interested Persons.** The IPT Mandate will apply to the transactions that are carried out with Soilbuild Group Holdings, the Company's Directors and their respective Associates (the "Mandated Interested Persons").

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2.6.5 **Categories of Mandated Interested Person Transactions.** The types of transactions to which the IPT Mandate will apply (the “**Mandated Transactions**”), and the benefits to be derived therefrom, are set out below:

(a) Construction Transactions

This category of transactions pertains to the construction business of the SBC Group (“**Construction Transactions**”). The transactions within this category comprise:

- (i) the tender by the SBC Group for (whether by way of public tender, invitation or otherwise) and/or obtaining by the SBC Group of the award of contracts from the Mandated Interested Persons as main contractors, subcontractors, suppliers and/or consultants for construction, building, engineering, architectural, retro-fitting and/or alteration and addition works for residential, commercial, industrial, institutional, recreational, infrastructural and other projects, turnkey projects and design and build projects (“**Construction Services**”);
- (ii) the provision of renovation services (such as fitting-out, upgrading and tenancy works) (“**Renovation Services**”) by the SBC Group to the Mandated Interested Persons;
- (iii) the provision and/or obtaining of property-linked services (such as project management, property marketing, property and rental valuation services, building maintenance services and security services) (“**Property-linked Services**”) by the SBC Group to and/or from the Mandated Interested Persons; and
- (iv) the provision and/or obtaining of such other products and services which are incidental to or in connection with the provision or obtaining of products and services in subparagraphs (i) to (iii) above, by the SBC Group to and/or from the Mandated Interested Persons.

(b) General Transactions

This category of transactions pertains to the general business transactions for services and products arising in the day-to-day operations of various companies in the SBC Group (“**General Transactions**”). The transactions within this category comprise:

- (i) the leasing and/or rental of properties, other than as envisaged in any lease agreement in force between the SBC Group and the Mandated Interested Persons; and
- (ii) the provision or obtaining of such other products and services which are incidental to or in connection with the provision or obtaining of products and services in sub-paragraph (a) above.

2.6.6 **Review Procedures for Mandated Transactions with Mandated Interested Persons.** The Company has an internal control system in place to ensure that Mandated Transactions with the Mandated Interested Persons are made on normal commercial terms and consistent with the SBC Group’s usual policies and practices.

(a) The internal control system includes the following procedures:

Provision of Construction Services, Renovation Services and Property-linked Services

In relation to the provision of Construction Services, Renovation Services or Property-linked Services, the payments made by the Mandated Interested Person will be based on the higher tender price determined by the following approaches:

- (i) Comparable third party contracts approach: At least two recent contracts, for the same or substantially the same nature of Construction Services, Renovation Services

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or Property-linked Services, entered into by the SBC Group with third parties will be used as a basis of comparing and determining the tender price and commercial terms (including the credit terms) to be offered to the Mandated Interested Person, after taking into account, *inter alia*, if applicable, factors such as but not limited to, the complexity of the services rendered, the Mandated Interested Person's project specifications, the delivery schedule, the sufficiency and availability of resources, creditworthiness of the Mandated Interested Person, engineering and technical expertise requirements, soil conditions, and prevailing estimated project costs determined by quantity surveyor(s). The Company will compare and determine the tender price in the following manner:

- (1) as the main drivers affecting construction costs are floor area and installations required, the contracts of a similar nature will be analysed on a cost per square feet or cost per installation basis. After analysing the costs in specific detail, the Company will then derive a meaningful contract sum for the Mandated Interested Person. For example in the construction of flatted factories, it is envisaged that the core materials and services required, as well as the construction method will generally be similar, hence, the detailed costing methodology will also be similar;
 - (2) for all projects, the Company will perform the internal costing and budgetary evaluations according to the design and specifications in the technical drawings. This process includes, *inter alia*, quantification and costing of materials, equipment, labour and services requirements, and where necessary, obtaining quotations from external suppliers and/or service providers to justify the costing; and
 - (3) adjustments to the contract sum will be made based on the assessment by the Company to account for differences between the comparable third party contracts and the transaction with the Mandated Interested person, as described above.
- (ii) Appropriate gross profit margins approach: Where it is impractical or impossible to compare against recent contracts entered into by the SBC Group with third parties, the tender price will be determined based on internal costing and budgetary evaluations of the arm's length project costs determined by a project director and quantity surveyor(s) marked up with an appropriate gross profit margin which will not be more favourable to the Mandated Interested Person than those extended to third parties, in line with the SBC Group's usual business and pricing policies (including the SBC Group's gross profit margin policies for contracting with third parties). For instance, it is impractical to adopt the comparable third party contracts approach when there are projects of a unique nature to be awarded by the Mandated Interested Person. In such situations, the Company may not have executed projects of a similar nature with third parties. For example, the Company has not been involved in the construction of major infrastructure projects and there are no meaningful comparable third party contracts available. In such instances, the Company will have to rely on the appropriate gross margins approach which utilises a bottom up methodology to derive a reasonable tender price based on costing and budgetary fundamental factors and market up with an acceptable gross profit margin.

In determining the appropriate gross profit margin, the Company will take into account, *inter alia*, if applicable, factors such as but not limited to, the complexity of the services rendered, the Mandated Interested Person's specifications, the delivery schedule, the sufficiency and availability of resources, creditworthiness of the Mandated Interested Person, engineering and technical expertise requirements, and soil conditions. In addition, the Audit Committee or such other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose will check that the appropriate gross profit margin is in line with those reported by certain construction companies deemed relevant for the purposes of comparison based on the nature of business, business segments and geographical segments of such companies.

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Others

Except for the provision of Construction Services, Renovation Services or Property-linked Services, in relation to Construction Transactions and General Transactions, any transaction proposed to be carried out with a Mandated Interested Person for the obtaining or provision of the services or products described above shall be made at the prevailing rates/prices of the service or product provider which (in relation to services or products to be provided to a Mandated Interested Person) are no more favourable to the Mandated Interested Person than those extended to third parties, or (in relation to services or products to be obtained from a Mandated Interested Person) are no less favourable than those extended by the Mandated Interested Person to third parties, and on the service or product provider's usual commercial terms or otherwise in accordance (where applicable) with industry norms.

For the above purposes, market rates will be reviewed where applicable. As a basis for comparison to determine whether the price and terms offered to the Mandated Interested Person are no more favourable than those extended to third parties, at least two recent contracts for the same or substantially the same types of transactions entered into by our Group with third parties will be used. As a basis for comparison to determine whether the terms offered by the Mandated Interested Person are fair and reasonable (taking into account, where relevant, factors such as pricing, delivery schedule, rebates or discounts accorded for bulk purchases), quotes will be obtained wherever possible from at least two third party suppliers, for the same or substantially similar quantities and quality of products and/or services. Where it is impractical or not possible for such contracts or (as the case may be) quotes to be obtained:

- (i) in relation to the sale of goods or services to the Mandated Interested Person, the terms of supply will be determined in accordance with the SBC Group's usual business practice and consistent with the margins obtained by the SBC Group in its business operations; and
 - (ii) in relation to the purchase of goods or services from the Mandated Interested Person, the terms of supply will be compared to those for the same or substantially the same types of transactions entered into between the Mandated Interested Persons and third parties. The review procedures in such cases may include, where applicable, reviewing the standard price lists provided by the Mandated Interested Person to its customers for such services or products and be based on the commercial merits of the transaction. Where it is impractical or not possible to compare the terms of supply with those for the same or substantially the same types of transactions entered into between the Mandated Interested Persons and third parties, the Relevant Authorised Persons (as referred to in paragraph (b) below) will determine whether the terms of supply are fair and reasonable. This would include taking into account, where known, among other matters as may be necessary, the nature and duration of the transaction, the cost and margins of the relevant project (if any) and the quality of the items or services to be purchased.
- (b) The following review and approval procedures will apply to the Mandated Transactions:
- (i) Transactions equal to or exceeding S\$100,000 each in value but below the Financial Limit (as defined below) each in value, will be reviewed and approved by either our Executive Chairman or our Executive Director, together with the Audit Committee or such other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose (collectively, the "**Relevant Authorised Persons**"), and tabled for review by the Audit Committee on a quarterly basis.
 - (ii) Transactions equal to or exceeding the Financial Limit each in value will be reviewed and approved by the Audit Committee.
 - (iii) Any of the Relevant Authorised Persons, and the Audit Committee, may, as he/it deems

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fit, request for additional information pertaining to the transaction under review from independent sources or advisers, including requesting for an independent financial adviser's opinion and/or the obtaining of valuations from independent professional valuers.

For the purposes of sub-paragraphs (a) and (b) above, the Financial Limit shall be the amount equivalent to 5% of the Group's audited consolidated NTA for the time being, as determined by reference to the Group's latest announced audited consolidated financial statements.

- (c) The following will apply to the review and approval process for all categories of Mandated Transactions:
- (i) If any of the Relevant Authorised Persons has an interest in the transaction or is a nominee for the time being of the Mandated Interested Person, the review and approval process shall be undertaken by the remaining Relevant Authorised Persons who do not have an interest in the transaction or is a nominee for the time being of the Mandated Interested Person, save that if both of Mr Lim Chap Huat, the Executive Chairman of the Company, or Mr Ho Toon Bah, the Executive Director of the Company, has an interest in the transaction or is a nominee for the time being of the Mandated Interested Person, the review and approval process shall be undertaken by the Audit Committee or such other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose.
 - (ii) If all of the Relevant Authorised Persons have an interest in the transaction or are nominees for the time being of the Mandated Interested Person, the review and approval process shall be undertaken by the Chairman of the Audit Committee or another member of the Audit Committee (who is not a nominee of the Mandated Interested Person and has no interest in the transaction) designated by the Chairman of the Audit Committee from time to time for such purpose.
 - (iii) If a member of the Audit Committee has an interest in a transaction or is a nominee for the time being of the Mandated Interested Person, he shall abstain from participating in the review and approval process of the Audit Committee in relation to that transaction.
 - (iv) If a member of the Audit Committee (who is not a nominee of the Mandated Interested Person and has no interest in the transaction) also serves as an independent non-executive director on the board of directors or (as the case may be) an audit or other board committee of the Mandated Interested Person, and he participates in the review and approval process of the Audit Committee in relation to a transaction with that Mandated Interested Person, he will abstain from participating on any decision before the board or committee of that Mandated Interested Person with respect to such transaction.
- (d) The Company will maintain a register of Mandated Transactions carried out with Mandated Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into), and the Company's annual internal audit plan will incorporate a review of all Mandated Transactions entered into in the relevant financial year pursuant to the IPT Mandate.

The Audit Committee will review the internal audit reports on Mandated Transactions to ascertain that the internal control procedures and review procedures for Mandated Transactions have been complied with.

- (e) If during any of the reviews by the Audit Committee, the Audit Committee is of the view that the internal control procedures and review procedures for Mandated Transactions have become inappropriate or insufficient in the event of changes to the nature of, or manner in which, the business activities of the SBC Group or the Mandated Interested Persons are conducted, the

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Company will revert to Shareholders for a fresh general mandate based on new internal control procedures and review procedures so that Mandated Transactions will be carried out at arm's length, on commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

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3.1 On 31 March 2015, the Company announced the grant of an Award ("**2015 Award**") to Mr Lim Chap Huat (the Executive Chairman and who is regarded as a Controlling Shareholder in relation to the Company) under the Soilbuild Construction Performance Share Plan (as defined in Paragraph 3.2 below), subject to the approval by independent Shareholders for the grant of such Award to such Controlling Shareholder.

3.2 Background

The Soilbuild Construction Performance Share Plan, adopted by the Company at an extraordinary general meeting of the Company held on 9 May 2013 (the "**Soilbuild Construction Performance Share Plan**"), was implemented to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate participants, being Group Executives or Non-Executive Directors who have been granted Awards ("**Participants**"), to achieve increased performance and to further strengthen the Company's competitiveness in attracting and retaining superior local and foreign talent. It allows the Company to target specific performance objectives and to provide an incentive for Participants to achieve these targets. It also provides the Company with a flexible approach to provide performance incentives to its Participants, including its staff, and, consequently, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst its Participants, including key management and senior executives.

Under the Listing Manual and the rules of the Soilbuild Construction Performance Share Plan, Controlling Shareholders of the Company or their Associates are eligible to participate in the Soilbuild Construction Performance Share Plan if their participation and Awards are approved by independent Shareholders in separate resolutions for each such person and for each such Award.

One of the objectives of the Soilbuild Construction Performance Share Plan is to motivate Participants to achieve key financial and operational goals of the Company and/or their respective business units. The objectives of the Soilbuild Construction Performance Share Plan apply equally to employees who are Controlling Shareholders or their Associates because the Company believes that all deserving and eligible employees should be motivated, regardless of whether or not they are Controlling Shareholders or their Associates. The Company is therefore of the view that employees who are Controlling Shareholders or their Associates should be entitled to the same benefits as other employees and should not be excluded from benefiting under the Soilbuild Construction Performance Share Plan by virtue of their level of shareholdings in the Company. The Company also believes that the application of the Soilbuild Construction Performance Share Plan would not unduly favour Controlling Shareholders or their Associates over other eligible employees. In respect of the determination of eligibility and grant of Awards, the terms of the Soilbuild Construction Performance Share Plan do not differentiate between employees who are Controlling Shareholders or their Associates and other employees who are not Controlling Shareholders or their Associates.

In accordance with the Listing Manual and the rules of the Soilbuild Construction Performance Share Plan, the participation of Mr Lim Chap Huat, who is a Controlling Shareholder and the Executive Chairman of the Company, has been approved by independent Shareholders at an extraordinary general meeting of the Company held on 10 October 2014.

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3.3 Grant of Award to a Controlling Shareholder under the Soilbuild Construction Performance Share Plan

The Company has granted the 2015 Award to Mr Lim Chap Huat, subject to the approval by independent Shareholders for the grant of such Award to Mr Lim Chap Huat, on the following terms:

<u>Aggregate number of Shares under the 2015 Award</u>	<u>Release and Vesting of the 2015 Award⁽²⁾</u>
Up to 2,730,000 ⁽¹⁾	40% in 2016 ⁽³⁾ , 30% in 2017 ⁽⁴⁾ and 30% in 2018 ⁽⁵⁾

Notes:

- (1) The aggregate number of Shares to be finally awarded to Mr Lim Chap Huat will be based on the achievement of certain predetermined performance targets as determined by the Committee administering the Soilbuild Construction Performance Share Plan or otherwise in accordance with the rules of the Soilbuild Construction Performance Share Plan.
- (2) The Shares which are the subject of the 2015 Award will be released to Mr Lim Chap Huat after the vesting period if certain predetermined performance targets as determined by the Committee administering the Soilbuild Construction Performance Share Plan are achieved or otherwise in accordance with the rules of the Soilbuild Construction Performance Share Plan. The Committee may determine to make a release of the 2015 Award, wholly or partly, in the form of cash rather than Shares which would otherwise have been released to Mr Lim Chap Huat on the relevant vesting date, in which event the Company shall pay to Mr Lim Chap Huat as soon as practicable after such vesting date, in lieu of all or part of such Shares, the aggregate Market Value of such Shares on such vesting date.
- (3) Within one month from the issuance of the Group's audited financial statements for FY2015.
- (4) Within one month from the issuance of the Group's audited financial statements for FY2016.
- (5) Within one month from the issuance of the Group's audited financial statements for FY2017.

As is the case for other Participants, the aggregate number of Shares under the 2015 Award has been determined after taking into account, *inter alia*, Mr Lim Chap Huat's rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his contribution to the success and development of the Group and the extent of effort and resourcefulness required to achieve the performance targets within the performance period.

The Shares which are the subject of the 2015 Award will be released to Mr Lim Chap Huat after the vesting period if certain predetermined performance targets as determined by the Committee are achieved or otherwise in accordance with the rules of the Soilbuild Construction Performance Share Plan.

Awards granted under the Soilbuild Construction Performance Share Plan are principally performance-based with performance targets to be set over a performance period. Performance targets set are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. Such performance targets will be set according to the specific roles of each Participant, and may differ from Participant to Participant. The performance targets are stretched targets aimed at sustaining long-term growth. These targets will be tied in with the Company's corporate key performance indicators.

The performance targets for Mr Lim Chap Huat will be based on, *inter alia*, (a) the Group's profit for FY2015; (b) the Group's return on equity for FY2015; (c) the Group's order books and new construction contracts secured in FY2015; and (d) various qualitative non-financial performance targets such as the expansion of the Group business in Myanmar as well as in civil engineering sector in the local market and demonstration of leadership in securing and executing projects.

As soon as reasonably practicable after the end of the relevant performance period, the Committee shall review the performance targets and determine at its discretion whether they have been satisfied and, if so, the extent to which they have been satisfied, and provided that Mr Lim Chap Huat has continued to be in

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the employment of the Group from the Award Date up to the end of the relevant performance period, shall release to Mr Lim Chap Huat all or part (as determined by the Committee at its discretion in the case where the Committee has determined that there has been partial satisfaction of the performance targets) of the Shares to which the 2015 Award relates in accordance with the release schedule specified in respect of the 2015 Award.

The Committee may determine to make a release of the 2015 Award, wholly or partly, in the form of cash rather than Shares which would otherwise have been released to Mr Lim Chap Huat on the relevant vesting date, in which event the Company shall pay to Mr Lim Chap Huat as soon as practicable after such vesting date, in lieu of all or part of such Shares, the aggregate Market Value of such Shares on such vesting date.

In accordance with the Listing Manual and the rules of the Soilbuild Construction Performance Share Plan, the grant of the 2015 Award to Mr Lim Chap Huat is subject to the approval of independent Shareholders at the forthcoming AGM.

3.4 Rationale for the Grant of Award to Mr Lim Chap Huat under the Soilbuild Construction Performance Share Plan

Mr Lim Chap Huat is a co-founder of Soilbuild Group Holdings (including the Group) with more than 36 years of experience in the construction and property development business. He is the Executive Chairman of the Company, was appointed to the Board on 14 January 2013 and was last re-elected as a director on 25 April 2014. Mr Lim Chap Huat charts the Group's strategic direction, and business planning and development as well as succession planning. Leveraging on his extensive industry experience, he also oversees the Group's operations and provides guidance in project management and tender submissions for the Group's various projects.

The leadership provided by Mr Lim Chap Huat is critical to the Group's future success. His experience and proven track record illustrates the value of his leadership and vision. For FY2014, the Group reported a profit before tax of S\$23.8 million with an order book of S\$785.4 million as at 31 December 2014 (as compared to S\$323.0 million as at 31 December 2013). At the operating level, the Group's gross profit in FY2014 remained stable at S\$31.2 million while the gross profit margin in FY2014 rose by 1.4% to 10.9% in FY2014 as compared with 9.5% in FY2013.

The Group's continued success is dependent on its ability to retain key management. Particularly, the loss of the services of Mr Lim Chap Huat without an adequate, suitable and timely replacement could have an adverse impact on the Group's business, operations, financial performance and financial condition. Although Mr Lim Chap Huat has a controlling interest in the Company, the extension of the Soilbuild Construction Performance Share Plan to him would ensure that he is equally entitled with the other employees who are not Controlling Shareholders or their Associates to take part in and benefit from this system of remuneration, thereby further enhancing his long term commitment to the Company, and allow the Company to reward and recognise his contributions to the Group.

As at the Latest Practicable Date, Mr Lim Chap Huat holds a direct interest of 0.12% and a deemed interest of 73.49% in the Company's issued Shares (excluding treasury shares). Please see Paragraph 4 below for more details. The 2015 Award would provide Mr Lim Chap Huat with an opportunity to strengthen his shareholding interest in the Company and thereby align his interests more closely with the interests of the Company. In this way, the Company believes that Mr Lim Chap Huat will be more encouraged and motivated to continue his efforts and contribution towards the Group's long term objectives.

Despite the substantial shareholding held by Mr Lim Chap Huat, the Company is of the view that the 2015 Award will motivate him to further create higher shareholders' value in order to realise the benefits of the 2015 Award. Furthermore, as such Award may not be released until after the vesting period and the achievement of certain predetermined performance targets as determined by the Committee administering the Soilbuild Construction Performance Share Plan or otherwise in accordance with the rules of the Soilbuild Construction Performance Share Plan, the rewards to be reaped from the grant of the 2015 Award would not be immediate. The value of the 2015 Award would be best realised only when the results and prospects of the Group's long term performances and growth translate directly into higher share price and higher shareholders' wealth.

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In view of the above reasons, the Company has granted to Mr Lim Chap Huat the 2015 Award of up to 2,730,000 Shares, subject to the approval by independent Shareholders for the grant of such Award to Mr Lim Chap Huat. The aggregate number of Shares to be finally awarded to Mr Lim Chap Huat will be based on the achievement of certain predetermined performance targets as determined by the Committee administering the Soilbuild Construction Performance Share Plan or otherwise in accordance with the rules of the Soilbuild Construction Performance Share Plan. As at the Latest Practicable Date, the total number of issued Shares (excluding treasury shares) is 664,000,000. The total number of Shares which may be issued or transferred pursuant to Awards granted under the Soilbuild Construction Performance Share Plan, when aggregated with the aggregate number of Shares over which options or awards are granted under any other share option schemes or share schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares) from time to time, which limit is equivalent to 99,600,000 Shares as at the Latest Practicable Date. The maximum number of Shares under the 2015 Award in relation to Mr Lim Chap Huat represents approximately 0.41% of the total number of issued Shares (excluding treasury shares) and approximately 2.74% of the maximum number of Shares available under the Soilbuild Construction Performance Share Plan. As such, the Company believes that the 2015 Award in relation to Mr Lim Chap Huat is fair and not excessive.

For FY2014, the remuneration to Mr Lim Chap Huat for his services to the Company was S\$1,152,000. The remuneration included directors' fees, fixed salary, variable/performance bonus, benefits in kind as well as long term incentive comprising Awards granted in FY2014 under the Soilbuild Construction Performance Share Plan.

- 3.5 As at the Latest Practicable Date, Awards in respect of an aggregate of up to 10,321,000 Shares (other than the 2015 Award granted to Mr Lim Chap Huat) have been granted under the Soilbuild Construction Performance Share Plan.

<u>Participants</u>	<u>Aggregate number of Shares under Awards granted</u>	<u>Aggregate number of Shares lapsed</u>	<u>Aggregate number of Shares released upon vesting</u>
Participants who are not Controlling Shareholders or their Associates	Up to 7,700,000	341,760	The Award has not been released.
Participants who are Controlling Shareholders or their Associates	Up to 2,621,000 (other than the 2015 Award)	263,288	The Award has not been released.
Total	Up to 10,321,000	605,048	

The aggregate number of Shares to be finally awarded to the Participants will be based on the achievement of certain predetermined performance targets as determined by the Committee administering the Soilbuild Construction Performance Share Plan or otherwise in accordance with the rules of the Soilbuild Construction Performance Share Plan.

Under the rules of the Soilbuild Construction Performance Share Plan, the aggregate number of Shares which may be issued or transferred pursuant to Awards to Participants who are Controlling Shareholders and their Associates shall not exceed 25% of the Shares available under the Soilbuild Construction Performance Share Plan. Based on 664,000,000 Shares in issue (excluding treasury shares) as at the Latest Practicable Date, Awards in respect of an aggregate of up to 24,900,000 Shares may be granted to Participants who are Controlling Shareholders or their Associates.

PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS AND PROPOSED GRANT OF AWARD TO A CONTROLLING SHAREHOLDER UNDER THE SOILBUILD CONSTRUCTION PERFORMANCE SHARE PLAN

The details of the Awards that have been granted under the Soilbuild Construction Performance Share Plan to Participants who are Directors, Controlling Shareholders or their Associates (other than the 2015 Award granted to Mr Lim Chap Huat) are as follows:

<u>Name</u>	<u>Award Date</u>	<u>Aggregate number of Shares under Awards granted</u>	<u>Aggregate number of Shares lapsed</u>	<u>Aggregate number of Shares released upon vesting</u>
Lim Chap Huat	22 August 2014	Up to 2,621,000 ⁽¹⁾	263,288	The Award has not been released.
Ho Toon Bah	22 August 2014	Up to 2,688,000 ⁽¹⁾	341,760	The Award has not been released.

Note:

- (1) The aggregate number of Shares to be finally awarded to the Participants will be based on the achievement of certain predetermined performance targets as determined by the Committee administering the Soilbuild Construction Performance Share Plan or otherwise in accordance with the rules of the Soilbuild Construction Performance Share Plan.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial Shareholders of the Company in the issued share capital of the Company can be found on pages 44 and 92 of the Company's Annual Report 2014.

5. ABSTENTION FROM VOTING

Mr Lim Chap Huat, the Executive Chairman of the Company, is also a Director of Soilbuild Group Holdings. Ms Lim Cheng Hwa, a Non-Executive Director of the Company, is also a Director of Soilbuild Group Holdings. As Soilbuild Group Holdings is an interested person in relation to the IPT Mandate, each of Mr Lim Chap Huat and Ms Lim Cheng Hwa has abstained from making any recommendation to Shareholders in relation to the proposed renewal of the IPT Mandate, and will abstain from voting their Shares, if any, at the AGM in respect of Resolution 9 relating to the renewal of the IPT Mandate. Each such Director will also decline to accept appointment as proxy for any Shareholders to vote in respect of Resolution 9 unless that Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Resolution 9.

Soilbuild Group Holdings and its respective associates, and the associates of Mr Lim Chap Huat, which or who are interested persons in relation to the renewal of the IPT Mandate, will also abstain from voting their Shares, if any, in respect of Resolution 9 relating to the renewal of the IPT Mandate, and will also decline to accept appointment as proxy for any Shareholders to vote in respect of Resolution 9 unless that Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Resolution 9.

Mr Lim Chap Huat and his associates will abstain from voting their Shares at the AGM in respect of Resolution 10 relating to the grant of the 2015 Award to Mr Lim Chap Huat ("**Grant of 2015 Award**"), and will also decline to accept appointment as proxy for any Shareholders to vote in respect of Resolution 10 unless that Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Resolution 10.

PROPOSED RENEWAL OF THE GENERAL MANDATE

FOR INTERESTED PERSON TRANSACTIONS AND PROPOSED GRANT OF AWARD TO A CONTROLLING SHAREHOLDER UNDER THE SOILBUILD CONSTRUCTION PERFORMANCE SHARE PLAN

6. DIRECTORS' RECOMMENDATION

6.1 Proposed Renewal of the General Mandate for Interested Person Transactions

The Directors who are considered independent for the purposes of the proposed renewal of the IPT Mandate are Mr Ho Toon Bah, Mr Poon Hon Thang, Mr Tan Jee Ming and Mr Teo Chee Seng. They are of the opinion that the entry by the SBC Group (as described in paragraph 2 of this Appendix) into the Mandated Transactions (as described in paragraph 2.6.5 of this Appendix) with the Mandated Interested Persons (as described in paragraph 2.6.4 of this Appendix) in the ordinary course of business will enhance the efficiency of the SBC Group, and is in the interests of the Company. For the reasons set out in paragraphs 2.6.1, 2.6.2 and 2.6.5 of this Appendix, they recommend that minority Shareholders vote in favour of Resolution 9 relating to the renewal of the IPT Mandate at the AGM.

6.2 Proposed Grant of Award to a Controlling Shareholder under the Soilbuild Construction Performance Share Plan

The Committee (comprising Mr Teo Chee Seng, Mr Tan Jee Meng, and Mr Poon Hon Thang) has been tasked to review the Grant of 2015 Award and is of the opinion that the Grant of 2015 Award is in the best interests of the Company.

Save for Mr Lim Chap Huat who has abstained from making any recommendation in respect of the Grant of 2015 Award, the Directors are of the view that the Grant of 2015 Award is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of Resolution 10 relating to the Grant of 2015 Award at the AGM.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the IPT Mandate, the Grant of 2015 Award, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

8. INSPECTION OF DOCUMENTS

The following documents may be inspected at the registered office of the Company during normal business hours from the date hereof up to and including the date of the AGM:

- (a) the memorandum and articles of association of the Company; and
- (b) the rules of the Soilbuild Construction Performance Share Plan.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Lim Chap Huat (Executive Chairman)
Mr Ho Toon Bah (Executive Director)
Ms Lim Cheng Hwa (Non-Executive Director)
Mr Poon Hon Thang (Lead Independent Director)
Mr Tan Jee Ming (Independent Director)
Mr Teo Chee Seng (Independent Director)

AUDIT COMMITTEE

Mr Poon Hon Thang (Chairman)
Mr Tan Jee Ming
Mr Teo Chee Seng

NOMINATING COMMITTEE

Mr Tan Jee Ming (Chairman)
Mr Poon Hon Thang
Mr Teo Chee Seng

REMUNERATION COMMITTEE

Mr Teo Chee Seng (Chairman)
Mr Tan Jee Ming
Mr Poon Hon Thang

COMPANY SECRETARY

Ms Lee Bee Fong, ACIS

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Fax: (65) 6542 1818
Website: www.soilbuildconstruction.com

SHARE REGISTRAR

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

AUDITORS

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048424
Partner-in-Charge: Ms Rebekah Khan
Financial year appointed: 31 December 2014

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Oversea-Chinese Banking Corporation Limited
65 Chulia Street #09-00
OCBC Centre
Singapore 049513

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

CIMB Bank Berhad
50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623

Malayan Banking Berhad
2 Battery Road
Maybank Tower
Singapore 049907

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay
HSBC Building
Singapore 049320

INVESTOR RELATIONS

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The initial public offering of the Company was sponsored by United Overseas Bank Limited (the "Issue Manager"). The Issue Manager assumes no responsibility for the content of this Annual Report.



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