



**SoilBuild**  
CONSTRUCTION GROUP LTD

POISED TO CAPTURE  
**OPPORTUNITIES**

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Annual Report 2017



# Over 40 Years Of Building Excellence

## **CORPORATE REVIEW**

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# CORPORATE PROFILE

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## VISION

To be the preferred multi-disciplinary construction company first in Asia Pacific, then global

Soilbuild Construction Group Ltd. (the “Group” or “Soilbuild”) is a leading builder with a long and successful track record of constructing a sterling award-winning portfolio of residential and business space properties. Since its inception in 1976, Soilbuild charts over 40 years of success in offering a full spectrum of real estate services which includes Design and Build, Construction, Turnkey Construction, Project Management Consultancy, Procurement and Mechanical & Electrical Installation.

Soil-Build (Pte.) Ltd. and SB Procurement Pte. Ltd., both are wholly-owned subsidiaries of the Group, are A1-graded under CW01 (General Building) by the Singapore’s Building and Construction Authority (BCA), which allow us to tender for public sector projects in Singapore of unlimited contract value. In addition, Soil-Build (Pte.) Ltd. is also A2-graded under CW02 (Civil engineering) by BCA which allows us to tender for public sector civil engineering projects with valued up to S\$90.0 million. Our track record in public sector projects puts us in good stead as we compete in future tenders by the local public agencies including the Housing and Development Board (“HDB”) and Land Transport Authority (“LTA”). Projects in which we acted as the main contractor, have achieved building excellence in winning several architectural and environment awards over the years.

Since 2012, the Group expanded our construction business into Myanmar. As of to-date, we have secured a total of 8 construction projects in Myanmar with

## MISSION

To deliver optimal construction and management solutions to our partners and customers, and to enhance shareholder value

aggregate contract value of approximately US\$159.8 million. The Group is poised to further strengthen our presence in Myanmar.

In 2015, the Group was awarded the concept and price tender for the development of an Integrated Construction and Precast Hub (“ICPH”). In the ICPH, highly automated manufacturing processes has been adopted to offer precast solutions to the built environment sector. To date, the construction works for the ICPH has been granted TOP in phases, the remaining phase will be completed and the manufacturing facilities will be operational in the second half of 2018.

As at 31 December 2017, our order books based on letters of intent, secured contracts and variation orders amounted to approximately S\$451.9 million. Our on-going projects in Singapore, with order books amounting to S\$276.0 million, include, amongst others, two public housing projects with HDB in Sembawang and Tampines/ Paya Lebar Way, a high rise multi-user food factory at Bedok North Avenue 4, two civil works projects with LTA, a multiple-user general industrial development at 164 Kallang Way, a single-user general industrial factory development 171 Kallang Way and more. In Myanmar, our on-going projects with order books amounting to S\$175.9 million, include a residential development project, a condominium/serviced apartment development project and a 12-storey hotel building.



BUILDING

A POSITION  
OF STRENGTH

# CHAIRMAN'S STATEMENT



Despite the adverse market conditions, the Group secured five new construction contracts in Singapore with an aggregate value of S\$289.1 million in FY2017, an encouraging improvement over the two construction contracts with an aggregate value of S\$13.1 million secured in the previous year.

On behalf of the Board of Directors, I present the annual report of Soilbuild Construction Group Ltd. (the "Group") for the financial year ended 31 December 2017 ("FY2017").

During FY2017, the domestic economy grew by 3.6% on the back of positive growth across most sectors, the local construction sector, however, shrank by 8.4%, reversing the growth registered in FY2016. The industry experienced sustained weakness as demand in the private construction sector, for residential and industrial works, continued to decline. With fewer construction works available, competition amongst contractors for tenders further intensified, resulting in thinner project margins. While the recent revival of the domestic collective private residential property sales as well as the competitive land bidding in the Government Land Sales programme by property developers may potentially translate into an increase in construction jobs, we expect the local construction sector will continue to face challenges in 2018 as the construction activities for these property developments will likely take place after 2018.

## CHAIRMAN'S STATEMENT



### Review of financial performance

Under the challenging environment, the Group recorded lower revenue during FY2017. Various major projects in Singapore were completed during the year, while revenue recognised from new construction contracts, which corresponded to their respective stages of completion, was not significant in FY2017.

The lower revenue for FY2017, coupled with increased construction costs for certain construction projects in Singapore resulting from cost overruns and extended construction period, translated into a gross loss and net loss of S\$0.2 million and S\$6.3 million respectively for the Group in FY2017.

### Remaining resilient in the challenging local market conditions

Despite the adverse market conditions, the Group secured five new construction contracts in Singapore with an aggregate value of S\$289.1 million in FY2017, an encouraging improvement over the two construction contracts with an aggregate value of S\$13.1 million secured in the previous year. The Group has also adopted various strategic cost reduction measures and directed focus on process improvements to enhance cost efficiency. This was complemented with various incentive plans to instill the culture of ownership and continuous improvement across the Group. We believe that the adoption of these measures is critical to ensure the Group's business and operation are sustainable in the current competitive environment for the Group to maximise its potential in the long run. The Group will continue to participate actively in tenders, while seeking to offer a comprehensive suite of construction services and better development solutions to our customers and partners.

### Aiming to further expand in Myanmar

The Group's business in Myanmar kept up its momentum in FY2017, securing three new construction contracts with an aggregate value of approximately S\$20.0 million. These new construction contracts

include the construction of a 12-storey hotel building in Yangon and a contract for civil and superstructure work of a food distribution centre in the Thilawa Special Economic Zone. With these new construction contracts, together with the successful delivery of completed projects to our customers in FY2017, the Group has five on-going construction projects in Myanmar as at 31 December 2017.

On the financial aspects, the Group was also encouraged by the increase in revenue contribution from Myanmar. The Group recognised approximately S\$21.2 million revenue from our Myanmar business, an increase of 86.0% from the previous year.

We expect contributions from the Myanmar operations to grow further going forward as we strive to secure more new construction contracts, particularly for industrial and commercial buildings, factories and warehouses which has seen an increase in demand.

As at 31 December 2017, the Group's order book stood at S\$451.9 million (FY2016: S\$385.7 million), of which 61% comprised local projects while the remaining 39% comprised projects in Myanmar.

### Poise to capture opportunities by embracing new technologies

In October 2017, the Building and Construction Authority ("BCA") launched the Construction Industry Transformation Map ("ITM") with the vision to transform the construction industry into 'an advanced and integrated sector with widespread adoption of leading technologies'. One of the key approaches taken by BCA to achieve the desired vision is the adoption of Design for Manufacturing Assembly ("DfMA") technologies in the industry. In this regard, the Integrated Construction and Precast Hub ("ICPH") is a key element for the adoption of DfMA in building supply capacity and capabilities for the built environment.

The Group's investment in the ICPH is part of our key business strategies to realise our mission to deliver optimal construction and management solutions to our customers and to enhance shareholder value.

The Group's ICPH was secured through a concept and price tender by BCA. Upon completion, the ICPH will be a fully automated offsite manufacturing facility for building components, through which we can offer efficient precast solutions to the built environment sector. Since the commencement of its development in late 2015, construction works for the Group's ICPH has been granted the Temporary Occupation Permit in phases and the manufacturing facilities is scheduled to be operational in the second half of 2018.

The Group's investment in the ICPH is part of our key business strategies to realise our mission to deliver optimal construction and management solutions to our customers and to enhance shareholder value. Apart from DfMA, the Group will seek to adopt and leverage on smart technologies to create a more efficient construction and

delivery platform. The Group believes that the successful implementation of these technologies will allow us to create new opportunities and a clearer competitive advantage in the competitive built environment sector.

#### Appreciation

On behalf of the Board, I would like to express our sincere appreciation to our management and staff for their perseverance, and our partners, customers and shareholders for their continuous support and belief in us.

**Lim Chap Huat**  
Executive Chairman

29 March 2018



# FIVE-YEAR FINANCIAL HIGHLIGHTS

Five year financial highlights

BREAKDOWN OF REVENUE	FY2017		FY2016		FY2015		FY2014		FY2013	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Business space projects	89,097	44.4	141,774	35.5	184,869	56.3	190,608	66.8	219,663	66.3
Residential projects	101,910	50.8	252,378	63.2	142,163	43.3	94,052	33.0	110,683	33.4
Civil work projects	9,712	4.8	4,882	1.2	-	-	-	-	-	-
Project management	50	-	613	0.1	1,238	0.4	589	0.2	986	0.3
<b>Total</b>	<b>200,769</b>	<b>100.0</b>	<b>399,647</b>	<b>100.0</b>	<b>328,270</b>	<b>100.0</b>	<b>285,249</b>	<b>100.0</b>	<b>331,332</b>	<b>100.0</b>
Internal projects <sup>1</sup>	18,901	9.4	12,852	3.2	15,682	4.8	109,120	38.3	186,234	56.2
External projects <sup>2</sup>	181,868	90.6	386,795	96.8	312,407	95.2	176,129	61.7	145,098	43.8
<b>Total</b>	<b>200,769</b>	<b>100.0</b>	<b>399,647</b>	<b>100.0</b>	<b>328,270</b>	<b>100.0</b>	<b>285,249</b>	<b>100.0</b>	<b>331,332</b>	<b>100.0</b>

FINANCIAL RESULTS	FY2017 S\$'000	FY2016 S\$'000	FY2015 S\$'000	FY2014 S\$'000	FY2013 S\$'000
Revenue	200,769	399,647	328,270	285,249	331,332
Gross (loss)/profit	(194)	22,331	30,619	31,175	31,562
(Loss)/profit before income tax	(8,025)	14,410	21,180	23,778	27,500
(Loss)/profit after income tax	(6,306)	11,876	18,562	20,887	24,037
Comprehensive (loss)/income attributable to shareholders	(6,729)	11,941	18,616	20,885	24,036

STATEMENT OF FINANCIAL POSITION	FY2017 S\$'000	FY2016 S\$'000	FY2015 S\$'000	FY2014 S\$'000	FY2013 S\$'000
Property, plant and equipment	54,360	23,474	17,217	13,664	11,377
Land lease prepayment	30,106	25,535	26,423	-	-
Cash and cash equivalents	27,871	32,830	6,721	51,247	75,956
Current assets	99,293	138,432	144,974	124,892	134,598
Total assets	190,798	215,322	212,747	168,251	161,534
Current liabilities	106,551	115,837	121,289	83,320	87,545
Total liabilities	107,804	117,231	121,874	83,782	88,398
Working capital	(7,258)	22,595	23,685	41,572	47,053
Equity attributable to owners of the Company	82,994	98,091	90,873	84,469	73,136

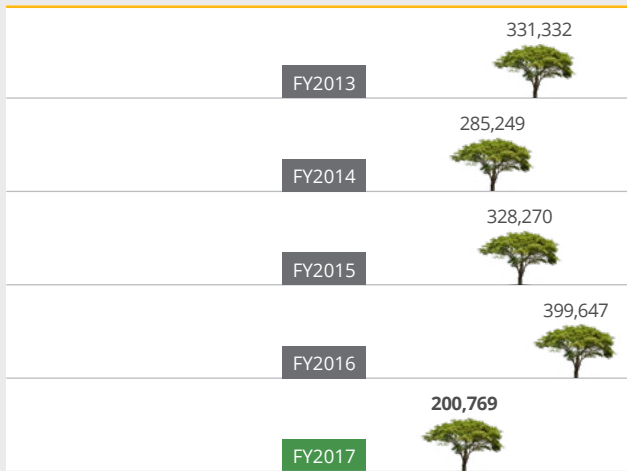
RATIOS	FY2017 S\$'000	FY2016 S\$'000	FY2015 S\$'000	FY2014 S\$'000	FY2013 S\$'000
Current ratio (times)	0.93	1.20	1.20	1.50	1.54
Return on equity attributable to owners of the Company (%) <sup>3</sup>	(6.96)	12.57	21.17	26.51	54.24
Return on assets (%) <sup>3</sup>	(3.11)	5.55	9.74	12.67	20.63
Basic (loss)/earnings per share ("EPS") (cents) <sup>4</sup>	(0.94)	1.78	2.79	3.15	4.02
Net asset value per share ("NAV") (cents) <sup>5</sup>	12.33	14.65	13.64	12.72	11.01

#### Notes:

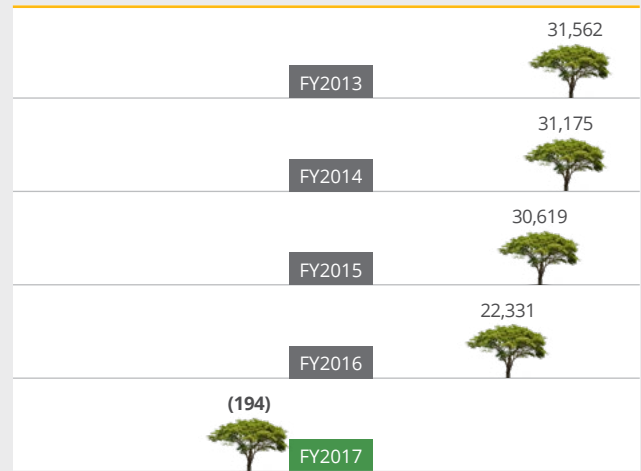
- Internal projects refer to projects awarded by (i) our related companies, Soilbuild Group Holdings Ltd., its subsidiaries and associated companies, excluding our Company, our subsidiaries and joint ventures, and/or (ii) our Company's controlling shareholder and his Associates
- External projects refer 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 in cents are calculated based on the net (loss)/profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the financial year
- NAV in Cents are calculated based on the net asset value attributable to owners of the Company divided by number of ordinary shares in issue at the end of the financial year



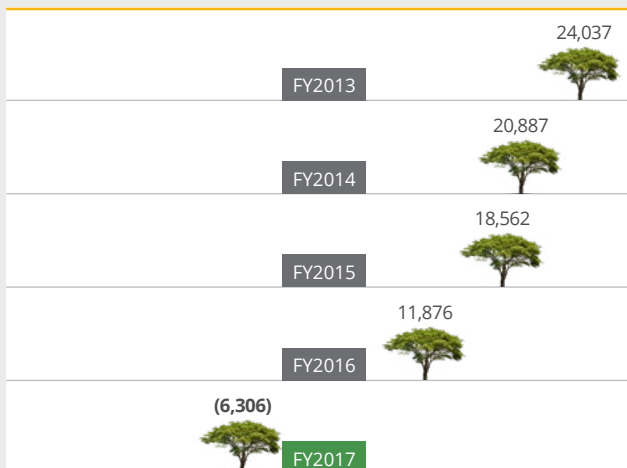
**REVENUE (S\$'000)**  
200,769



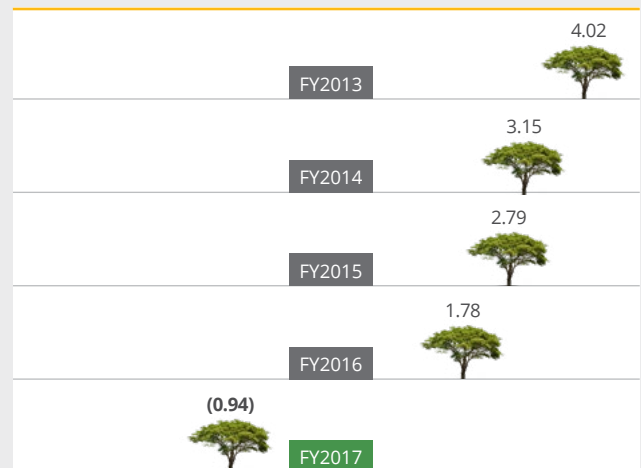
**GROSS (LOSS)/PROFIT (S\$'000)**  
(194)



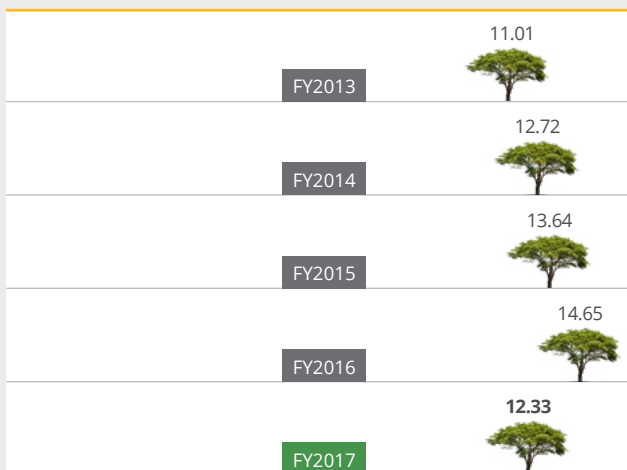
**(LOSS)/PROFIT AFTER INCOME TAX (S\$'000)**  
(6,306)



**BASIC (LOSS)/EARNINGS PER SHARE (CENTS)**  
(0.94)



**NET ASSET VALUE (CENTS)**  
12.33





B E A R I N G

FRUITS TO SUCCESS

# OPERATING AND FINANCIAL REVIEW

## Operating Review

### CONSTRUCTION CONTRACTS

#### (i) Completed projects


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

**1. PROJECT**  
**KH Roberts Project**  
 Erection of a single-user food industrial development at Buroh Lane

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**TYPE OF PROJECT**  
 Business space

**COMPLETION DATE<sup>1</sup>**  
 February 2017


**CONTRACT VALUE (IN MILLION)<sup>2</sup>**  
 ▶ **S\$14.8** 

**2. PROJECT**  
**Jalan Lam Huat (Main Contract) Project**  
 Erection of a 7-storey multiple-user general industrial development at Jalan Lam Huat

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**TYPE OF PROJECT**  
 Business space

**COMPLETION DATE<sup>1</sup>**  
 April 2017


**CONTRACT VALUE (IN MILLION)<sup>2</sup>**  
 ▶ **S\$163.1** 

**3. PROJECT**  
**Bukit Batok HDB Project**  
 Design and build for an upgrading project at Bukit Batok Street 31 and at Bukit Batok West Avenue 8

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**TYPE OF PROJECT**  
 Residential

**COMPLETION DATE<sup>1</sup>**  
 September 2017


**CONTRACT VALUE (IN MILLION)<sup>2</sup>**  
 ▶ **S\$21.9** 

**4. PROJECT**  
**Goodwood Grand Project**  
 Erection of a residential flat development at Balmoral Road

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**TYPE OF PROJECT**  
 Residential

**COMPLETION DATE<sup>1</sup>**  
 October 2017


**CONTRACT VALUE (IN MILLION)<sup>2</sup>**  
 ▶ **S\$39.5** 

**5. PROJECT**  
**Ang Mo Kio HDB Project**  
 Erection of a public housing development at Ang Mo Kio Avenue 3/ Street 51

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**TYPE OF PROJECT**  
 Residential

**COMPLETION DATE<sup>1</sup>**  
 December 2017


**CONTRACT VALUE (IN MILLION)<sup>2</sup>**  
 ▶ **S\$100.1** 

**6. PROJECT**  
**St John Project**  
 Design and build of addition and alteration works of a shopping centre in downtown Yangon

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**TYPE OF PROJECT**  
 Business space

**COMPLETION DATE<sup>1</sup>**  
 August 2017


**CONTRACT VALUE (IN MILLION)<sup>2</sup>**  
 ▶ **S\$13.1** 

**7. PROJECT**  
**Metro Star II Project**  
 Metro Star II Project – Site preparation and Piling works for a food distribution centre<sup>3</sup>

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**TYPE OF PROJECT**  
 Business space

**COMPLETION DATE<sup>1</sup>**  
 December 2017

**CONTRACT VALUE (IN MILLION)<sup>2</sup>**  
 ▶ **S\$0.9** 










#### Notes:

- <sup>1</sup> Completion date refers to TOP date or date of completion certificate or date of final construction account, where applicable
- <sup>2</sup> 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 2017
- <sup>3</sup> Contracts awarded and completed during the financial year ended 31 December 2017

## OPERATING AND FINANCIAL REVIEW

### (ii) On-going projects

During the financial year under review, the Group secured a total of five new construction projects in Singapore and three construction projects in Myanmar. With these new construction projects, the Group has 18 on-going construction projects as at 31 December 2017. The Group expects that these projects will be progressively completed and recognised over the next two years.

<p><b>1. PROJECT</b>  <b>Yishun HDB Project</b>                      Erection of a public housing development at Yishun Avenue 4 / Yishun Ring Road</p> <hr/> <p><b>TYPE OF PROJECT</b>                      Residential</p> <p><b>COMPLETION DATE</b>                      2018</p> <p><b>CONTRACT VALUE (IN MILLION)<sup>1</sup></b>                      ▶ <b>S\$167.5</b> </p>	<p><b>2. PROJECT</b>  <b>Sembawang HDB Project</b>                      Erection of a public housing development at Sembawang</p> <hr/> <p><b>TYPE OF PROJECT</b>                      Residential</p> <p><b>COMPLETION DATE</b>                      2018</p> <p><b>CONTRACT VALUE (IN MILLION)<sup>1</sup></b>                      ▶ <b>S\$127.7</b> </p>	<p><b>3. PROJECT</b>  <b>ARC 380 Project</b>                      Erection of a 16-storey commercial development at Jalan Besar / Lavender Street</p> <hr/> <p><b>TYPE OF PROJECT</b>                      Business space</p> <p><b>COMPLETION DATE</b>                      2018</p> <p><b>CONTRACT VALUE (IN MILLION)<sup>1</sup></b>                      ▶ <b>S\$55.7</b> </p>
<p><b>4. PROJECT</b>  <b>Eightrium Project</b>                      Additions and alterations to a Part 8 / Part 5-storey multi-tenanted business park at Changi Business Park Central 1<sup>2</sup></p> <hr/> <p><b>TYPE OF PROJECT</b>                      Business space</p> <p><b>COMPLETION DATE</b>                      2018</p> <p><b>CONTRACT VALUE (IN MILLION)<sup>1</sup></b>                      ▶ <b>S\$2.4</b> </p>	<p><b>5. PROJECT</b>  <b>Singapore Storage and Warehouse Project</b>                      Redevelopment of a warehouse located at Pasir Panjang Road <sup>2</sup></p> <hr/> <p><b>TYPE OF PROJECT</b>                      Business space</p> <p><b>COMPLETION DATE</b>                      2018</p> <p><b>CONTRACT VALUE (IN MILLION)<sup>1</sup></b>                      ▶ <b>S\$11.2</b> </p>	<p><b>6. PROJECT</b>  <b>164 Kallang Way Project</b>                      Construction of a multiple-user general industrial factory development at Geylang Planning Area<sup>2</sup></p> <hr/> <p><b>TYPE OF PROJECT</b>                      Business space</p> <p><b>COMPLETION DATE</b>                      2019</p> <p><b>CONTRACT VALUE (IN MILLION)<sup>1</sup></b>                      ▶ <b>S\$75.8</b> </p>
<p><b>7. PROJECT</b>  <b>171 Kallang Way Project</b>                      Construction of a general industrial factory development at Geylang Planning Area<sup>2</sup></p> <hr/> <p><b>TYPE OF PROJECT</b>                      Business space</p> <p><b>COMPLETION DATE</b>                      2019</p> <p><b>CONTRACT VALUE (IN MILLION)<sup>1</sup></b>                      ▶ <b>S\$50.4</b> </p>	<p><b>8. PROJECT</b>  <b>Bedok Food City Project</b>                      Construction of a high rise multi-user food factory at Bedok North Avenue 4<sup>2</sup></p> <hr/> <p><b>TYPE OF PROJECT</b>                      Business space</p> <p><b>COMPLETION DATE</b>                      2019</p> <p><b>CONTRACT VALUE (IN MILLION)<sup>1</sup></b>                      ▶ <b>S\$149.4</b> </p>	<p><b>9. PROJECT</b>  <b>Covered Linkways Project</b>                      Construction of covered linkways to Downtown Line 3 and Tuas West Extension Stations</p> <hr/> <p><b>TYPE OF PROJECT</b>                      Civil works</p> <p><b>COMPLETION DATE</b>                      2018</p> <p><b>CONTRACT VALUE (IN MILLION)<sup>1</sup></b>                      ▶ <b>S\$20.3</b> </p>




**10. PROJECT**  
**Lift Shafts Project**  
 Construction of lift shafts to existing pedestrian overhead bridges

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**TYPE OF PROJECT**  
 Civil works

**COMPLETION DATE**  
 2018


**CONTRACT VALUE (IN MILLION)<sup>1</sup>**  
 ▶ **S\$19.6** 

**11. PROJECT**  
**G19D HDB Project**  
 Design and build of upgrading projects at Paya Lebar Way / Aljunied Road and Tampines Street 42

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**TYPE OF PROJECT**  
 Residential

**COMPLETION DATE**  
 2018


**CONTRACT VALUE (IN MILLION)<sup>1</sup>**  
 ▶ **S\$25.0** 

**12. PROJECT**  
**28 Wilkinson Road Project**  
 Construction works in relation to erection of detached dwelling houses at Wilkinson Road

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**TYPE OF PROJECT**  
 Residential

**COMPLETION DATE**  
 2019


**CONTRACT VALUE (IN MILLION)<sup>1</sup>**  
 ▶ **S\$7.7** 

**13. PROJECT**  
**40 Wilkinson Road Project**  
 Construction works in relation to erection of detached dwelling houses at Wilkinson Road

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**TYPE OF PROJECT**  
 Residential

**COMPLETION DATE**  
 2019

**CONTRACT VALUE (IN MILLION)<sup>1</sup>**  
 ▶ **S\$5.4** 

**14. PROJECT**  
**Metro Star II Project**  
 Civil work and superstructure work for a food distribution centre<sup>2</sup>

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**TYPE OF PROJECT**  
 Business space

**COMPLETION DATE**  
 2018


**CONTRACT VALUE (IN MILLION)<sup>1</sup>**  
 ▶ **S\$5.2** 

**15. PROJECT**  
**Bread Factory Project**  
 Construction work for one storey steel factory building<sup>2</sup>

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**TYPE OF PROJECT**  
 Business space

**COMPLETION DATE**  
 2018


**CONTRACT VALUE (IN MILLION)<sup>1</sup>**  
 ▶ **S\$0.7** 

**16. PROJECT**  
**Sayar San Hotel Project**  
 Construction and completion of a 12-storey hotel building in Yangon<sup>2</sup>

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**TYPE OF PROJECT**  
 Business space

**COMPLETION DATE**  
 2019


**CONTRACT VALUE (IN MILLION)<sup>1</sup>**  
 ▶ **S\$14.0** 

**17. PROJECT**  
**68 Residence Project**  
 Construction and completion of a 26½ storey serviced apartment and a 26½ storey condominium in Yangon Central Area

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**TYPE OF PROJECT**  
 Residential

**COMPLETION DATE**  
 2018

**CONTRACT VALUE (IN MILLION)<sup>1</sup>**  
 ▶ **S\$113.2** 

**18. PROJECT**  
**Rosehill Residences (Main Construction) Project**  
 Erection of 24-storey residential development at Yangon

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**TYPE OF PROJECT**  
 Residential

**COMPLETION DATE**  
 2019

**CONTRACT VALUE (IN MILLION)<sup>1</sup>**  
 ▶ **S\$67.5** 

**Note:**

- <sup>1</sup> 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 2017
- <sup>2</sup> Contracts awarded during the financial year ended 31 December 2017

## Financial Review



### REVIEW OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

#### Revenue

In FY2017, the Group reported a lower revenue of S\$200.8 million compared to S\$399.6 million reported in FY2016. The approximately 49.8% decrease in revenue was attributable mainly to the completion of various projects in Singapore during the financial year under review, which include Jalan Lam Huat (Main Contract) Project, Ang Mo Kio HDB Project and Goodwood Grand Project. Despite the decrease in overall revenue in FY2017, the Group recognised higher revenue from the projects in Myanmar, which amounted to approximately S\$21.2 million, an increase of approximately 86.0% as compared to S\$11.4 million recognised in FY2016.

#### Gross (Loss) / Profit and Gross (Loss) / Profit Margin

The Group reported a gross loss of S\$0.2 million in FY2017 compared to a gross profit of S\$22.3 million in FY2016. Correspondently, the Group reported a negative gross margin of 0.1% compared to a gross margin of 5.6% in FY2016. The gross loss in FY2017 was led by reduction in margin recognised due to completion of projects with higher margins, which was further reduced by the increase in construction costs for certain construction projects in Singapore as a result of cost overrun and extended construction period.

#### Other Income

The Group's other income decreased from S\$2.4 million in FY2016 to S\$1.6 million in FY2017, due mainly to the decrease in rental income as well as the decrease in receipts of grants from various government agencies.

#### Other (Losses) / Gains, net

The Group's other losses of S\$0.1 million in FY2017 were attributable to loss on disposal of property, plant and equipment. The other gains of S\$0.3 million in FY2016 were due mainly to foreign exchange gains in that financial year.

#### Administrative Expenses

In FY2017, the Group's administrative expenses decreased by S\$1.0 million or 11.6% from S\$8.6 million in FY2016 to S\$7.6 million. The decrease in administrative expenses was attributable mainly to the decrease in various administrative expenses, including rental expenses, payroll expenses as well as training expenses.

#### Other Operating Expenses

The Group's other operating expenses increased by S\$0.3 million from S\$1.9 million in FY2016 to S\$2.2 million in FY2017. The increase in other operating expenses was due mainly to higher amortisation charges on the land lease prepayment and higher depreciation charges on certain property, plant and equipment in FY2017.



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#### **Share of Profit of Joint Ventures**

The Group's share of profits of joint ventures increased by approximately S\$0.6 million from S\$27,000 in FY2016 to S\$0.6 million in FY2017. The increase was due mainly to recognition of net profit reported by a joint venture in FY2017 for execution of a civil work project.

#### **(Loss) / Profit Before Income Tax**

The Group reported a loss before income tax of S\$8.0 million in FY2017, compared with a profit before income tax of S\$14.4 million in FY2016. The Group's loss before income tax was attributable to the decrease in the Group's gross profit of S\$22.5 million in FY2017.

#### **Income Tax Expenses**

The Group's income tax credit for FY2017 was due mainly to overprovision of income tax in prior year which were adjusted during FY2017, as well as recognition of deferred tax assets arising from tax losses incurred in FY2017 which can be utilised in future.

#### **Net (Loss) / Profit**

The Group reported a net loss of S\$6.3 million in FY2017, compared with a net profit of S\$11.9 million in FY2016. Correspondently, the Group's net loss margin was 3.1% in FY2017, compared to a net profit margin of 3.0% in FY2016.

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## REVIEW OF THE GROUP'S BALANCE SHEET

### Current Assets

The Group's current assets decreased from S\$138.4 million as at 31 December 2016 to S\$99.3 million as at 31 December 2017. The decrease was attributable mainly to the decrease in trade and other receivable by S\$47.3 million as a result of lower construction contracts and collection of progress billings from customers upon completion of projects in FY2017.

The decrease in current assets discussed above was partly offset by an increase in advance payment for the procurement of automated plant and machinery for the Group's Integrated Construction and Precast Hub ("ICPH"), as well as an increase in deposits receivable on project due to the reclassification of such deposits from non-current assets in FY2017.

### Non-current Assets

The Group's non-current assets increased from S\$76.9 million as at 31 December 2016 to S\$91.5 million as at 31 December 2017. The increase was attributable mainly to:

- (i) increase in property, plant and equipment by S\$30.9 million which was due mainly to the capitalisation of construction costs incurred for the Group's ICPH; and
- (ii) increase in land lease prepayment by S\$4.6 million as a result of acquisition of an industrial land parcel (20-years lease) in Singapore and an industrial land parcel (47-years lease) in Myanmar. Both land parcels were acquired to cater for the Group's prefabrication businesses.

The increase in non-current assets discussed above was partly offset by a decrease in non-current trade and other receivables due to collection of retention due from customers, and a decrease in deposits receivable on project due to reclassification of such deposits to current assets in FY2017.

### Current Liabilities

The Group's current liabilities decreased from S\$115.8 million as at 31 December 2016 to S\$106.6 million as at 31 December 2017. The decrease was attributable mainly to the decrease in trade and other payables of S\$18.7 million, which is resulted from the decrease in sub-contractors claims and the decrease in payables for purchases of construction materials during the year under review.

The decrease in current liabilities discussed above was partly offset by an increase in borrowings, which comprised mainly bank loans for the purpose of financing construction projects in Myanmar as well as financing the procurement of automated plant and machinery for the Group's ICPH.

### Non-current Liabilities

The Group's non-current liabilities as at 31 December 2017 comprise mainly of retention payable to sub-contractors.

### Total equity

The Group's total equity decreased by S\$15.1 million from S\$98.1 million as at 31 December 2016 to S\$83.0 million as at 31 December 2017. The decrease was attributable to the net loss after tax of the Group for FY2017 which amounted to S\$6.3 million and the dividends paid in FY2017 which amounted to approximately S\$8.4 million.



# SUSTAINABILITY REPORT

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At Soilbuild Construction Group, we are committed to sustainable business practices and constantly aim to improve the impact of our businesses on society and the environment. We will be releasing our first Sustainability Report for year 2017 which is prepared in accordance with the new GRI Standards (Sustainability Reporting Framework), and is in line with the Singapore Exchange's (SGX) new requirements on sustainability reporting. The Group has identified the material Environmental, Social and Governance (ESG) factors based on current business strategy and stakeholder concerns. Our Sustainability Report includes Group's performance on each material ESG factor and plans for improved reporting in future. We look forward to updating you on our progress and welcome your feedback.

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# BOARD OF DIRECTORS



**1. MR LIM CHAP HUAT, EXECUTIVE CHAIRMAN AND CEO**



**3. MS LIM CHENG HWA, NON-EXECUTIVE DIRECTOR**



**5. MR TAN JEE MING, INDEPENDENT DIRECTOR**



**2. MR HO TOON BAH, EXECUTIVE DIRECTOR**



**4. MR POON HON THANG, LEAD INDEPENDENT DIRECTOR**



**6. MR TEO CHEE SENG, INDEPENDENT DIRECTOR**

**1. EXECUTIVE CHAIRMAN AND CEO****Mr Lim Chap Huat**

Age 64, Mr Lim Chap Huat is the Company's Executive Chairman and CEO. Mr Lim was appointed to the Board on 14 January 2013 and was last re-elected as Director on 24 April 2017. 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 day-to-day 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 over 40 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 over 40 years of experience in the construction and property development business

Currently, Mr Lim also serves as the director of Soilbuild Group Holdings Ltd. as well as a director on the board of all subsidiaries of Soilbuild 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 Patron 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.

**2. EXECUTIVE DIRECTOR****Mr Ho Toon Bah**

Age 55, Mr Ho Toon Bah is the Company's Executive Director. He was appointed to the Board on 14 January 2013 and was last re-elected as Director on 24 April 2015. Mr Ho supports the strategic growth of the Group's operations and drives the business development of the Group, including securing construction contracts through structuring contracts and/or partnerships with potential customers. His responsibilities also include safety management 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
- ▶ 2002 to 2003, General Manager for Wealth Management at Standard Chartered Bank
- ▶ 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 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. 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 94 of the Company's Constitution, Mr Ho will retire by rotation and is eligible for re-election at the forthcoming Fifth Annual General Meeting of the Company.

**3. NON-EXECUTIVE DIRECTOR****Ms Lim Cheng Hwa**

Age 45, 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 26 April 2016. Ms Lim has over 20 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.

## BOARD OF DIRECTORS

### 4. LEAD INDEPENDENT DIRECTOR

#### Mr Poon Hon Thang

Age 69, 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 24 April 2015. 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 over 30 years 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 is an independent director of Enviro-Hub Holdings Ltd. and UOL Group Limited which are listed on SGX-ST.

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

Pursuant to article 94 of the Company's Constitution, Mr Poon will retire by rotation and is eligible for re-election at the forthcoming Fifth Annual General Meeting of the Company.

Upon re-election, Mr Poon will remain as the Chairman of the Audit Committee of the Company, and a member of Remuneration and Nominating Committee of the Company.

### 5. INDEPENDENT DIRECTOR

#### Mr Tan Jee Ming

Age 59, 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 26 April 2016. 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 30 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.

### 6. INDEPENDENT DIRECTOR

#### Mr Teo Chee Seng

Age 64, 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 24 April 2017. Mr Teo is the Chairman of the Remuneration Committee of the Company, and a member of Audit and Nominating Committee of the Company.

Mr Teo has been a lawyer in private practice in Singapore for over 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 Envictus 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



**1. MR CHOOI YUE CHIONG, DIRECTOR, DESIGN AND PLANNING**



**3. MR NG KWON HONG, DIRECTOR, PROJECTS**



**5. MR TAN YEOW KOON, DIRECTOR, CIVIL WORK PROJECTS**



**2. MR HO CHAN TECK PATRICK, DIRECTOR, PROJECTS**



**4. MR CHUA MENG KIM, DIRECTOR, PROJECTS**

# MANAGEMENT TEAM

management team



6. MR GANESSARAJ SOOCELARAJ, DIRECTOR, PRECAST AND PREFABRICATION



8. MR LIM THIAM LAY, DIRECTOR, MECHANICAL AND ELECTRICAL



7. MS WINNY MONICA OEI, DIRECTOR, CONTRACT & PROCUREMENT



9. MR WONG YOON THIM, DIRECTOR, CORPORATE SERVICES

**1. DIRECTOR, DESIGN AND PLANNING****Mr Chooi Yue Chiong**

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 nearly 30 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.

**2. DIRECTOR, PROJECTS****Mr Ho Chan Teck Patrick**

Mr Ho Chan Teck Patrick is our Director, Projects and his role includes the overall management of projects to ensure that the relevant project is on time, within budget and adheres to the safety and health standard with acceptable quality, planning and implementing of project work schedules and formulation of construction budgets. Mr Ho has nearly 30 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.

**3. DIRECTOR, PROJECTS****Mr Ng Kwoon Hong**

Mr Ng Kwoon Hong is our Director, Projects and his key focus is on the Group's government related projects. Leveraging on his previous work experience, he is currently responsible for managing budgets and ensuring the quality, safety and timely delivery of each project. Mr Ng brings to the Group over 30 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 positions at Soil-Build (Pte.) Ltd. which includes Senior Site Foreman, Senior Site Manager and Assistant Project Manager
- ▶ 1982 to 1986, Site Foreman at Eka General Construction

**4. DIRECTOR, PROJECTS****Mr Chua Meng Kim**

Mr Chua Meng Kim is our Director, Projects. Mr Chua joined the Group in 2014 and his responsibilities 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 Chua has over 20 years of experience in the construction industry.

**Prior experience**

- ▶ 2000 to 2014, Senior Trades Production Manager at Dragages Singapore Pte. Ltd.
- ▶ Prior to 2000, worked in various roles such as a Quantity Surveyor, a Site Supervisor and an Assistant Engineer in various construction companies

Mr Chua graduated from the Curtin University of Technology Australia with a Bachelor of Applied Science in Construction Management and Economic in 1998.

## MANAGEMENT TEAM

### 5. DIRECTOR, CIVIL WORK PROJECTS

#### Mr Tan Yeow Koon

Mr Tan Yeow Koon is our Director, Civil Work Projects. Mr Tan joined the Group in 2015. His responsibilities are to lead the civil engineering division of the Group, strategising the day-to-day operation within the division, leading the tender bidding and overseeing the execution of the civil works projects. Mr Tan has nearly 18 years of experience in the construction industry.

#### Prior experience

- ▶ 2011 to 2015, Project Manager at Singapore Piling & Civil Engineering Pte. Ltd.
- ▶ 2009 to 2011, Deputy Project Manager at Or Kim Peow Contractors (Pte) Ltd
- ▶ Prior to 2009, worked in various roles such as a Project Engineer, Civil Engineer, Senior Structure Engineer in various construction companies

Mr Tan graduated from the Nanyang Technological University Singapore with a Bachelor of Engineering (Civil) in 2000.

### 6. DIRECTOR, PRECAST AND PREFABRICATION

#### Mr Ganessaraj Soocelaraj

Mr Ganessaraj is our Director, Precast and Prefabrication. Mr Ganessaraj joined the Group in 2016. His responsibilities are to lead the precast and prefabrication division of the Group, setting up of the automated plants for the Integrated Construction and Precast Hub as well as the manufacturing facilities for Prefabrication Prefinished Volumetric Construction ("PPVC"). He strategises the day-to-day operation within the division, leading the tender bidding and overseeing the execution of the precast and prefabrication businesses. Mr Ganessaraj has close to 20 years of experience in the construction industry.

#### Prior experience

- ▶ 2008 to 2016, Senior Project Manager at SD Development Pte. Ltd.
- ▶ 2007, Resident Engineer at Arup Singapore
- ▶ 2003 to 2006, Executive Engineer at Land Transport Authority Singapore
- ▶ 1999 to 2003, Project and Design Engineer at Fong Consult

Mr Ganessaraj graduated from the Nanyang Technological University Singapore with a Bachelor of Civil and Structural Engineering in 1999 and obtained his Master of Science in Civil Engineering from the National University of Singapore in 2003.

### 7. DIRECTOR, CONSTRUCT & PROCUREMENT

#### Ms Winny Monica Oei

Ms Winny Monica 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 nearly 30 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 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.

### 8. DIRECTOR, MECHANICAL AND ELECTRICAL

#### Mr Lim Thiam Lay

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 over 20 years of related experience in the construction industry.

#### Prior experience

- ▶ 2001 to 2014, since joining the Group, he held various positions 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.

### 9. DIRECTOR, CORPORATE SERVICES

#### Mr Wong Yoon Thim

Mr Wong Yoon Thim is our Director, Corporate Services. Mr Wong joined the Group in 2013. He is responsible for the execution and day-to-day operation of various functions of the Group which include finance and accounting, human resource, IT 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.



# MYANMAR TEAM



1. MR MOE ZAW, NON-EXECUTIVE CHAIRMAN FOR MYANMAR BUSINESS



2. MR NGWE ZAW, DIRECTOR, MYANMAR BUSINESS

## 1. NON-EXECUTIVE CHAIRMAN FOR MYANMAR BUSINESS

### Mr Moe Zaw

Mr Moe Zaw is the Non-executive Chairman for the Group's business in Myanmar. He is responsible to provide leadership to our management team and to promote our business in Myanmar. Mr Moe Zaw has over 40 years of experience in various industrial sectors in Myanmar and the global market across Asia, Europe and the United States of America, which include oil and gas sector, logistic operations, supply chain management, pharmaceutical manufacturing, sales and marketing, engineering as well as fund management. He has also acted as business advisors and involved in various reorganisation, re-structuring, acquisition and merger exercises of multi-national corporations both in the western countries and Myanmar.

Mr Moe Zaw holds a Bachelor of Economics (Planning and Development) from the Rangoon Institute of Economics, Myanmar, Diploma in Marketing from Chartered Institute of Marketing UK and attended executive education programs at universities including the Harvard University and the Harvard Business School.

## 2. DIRECTOR, MYANMAR BUSINESS

### Mr Ngwe Zaw

Mr Ngwe Zaw is our Director, Myanmar Business. He joined the Group in 2013. His responsibilities are to lead the day-to-day operation of the Group's subsidiaries in Myanmar, leading the tender bidding and overseeing the execution of the construction works in Myanmar.

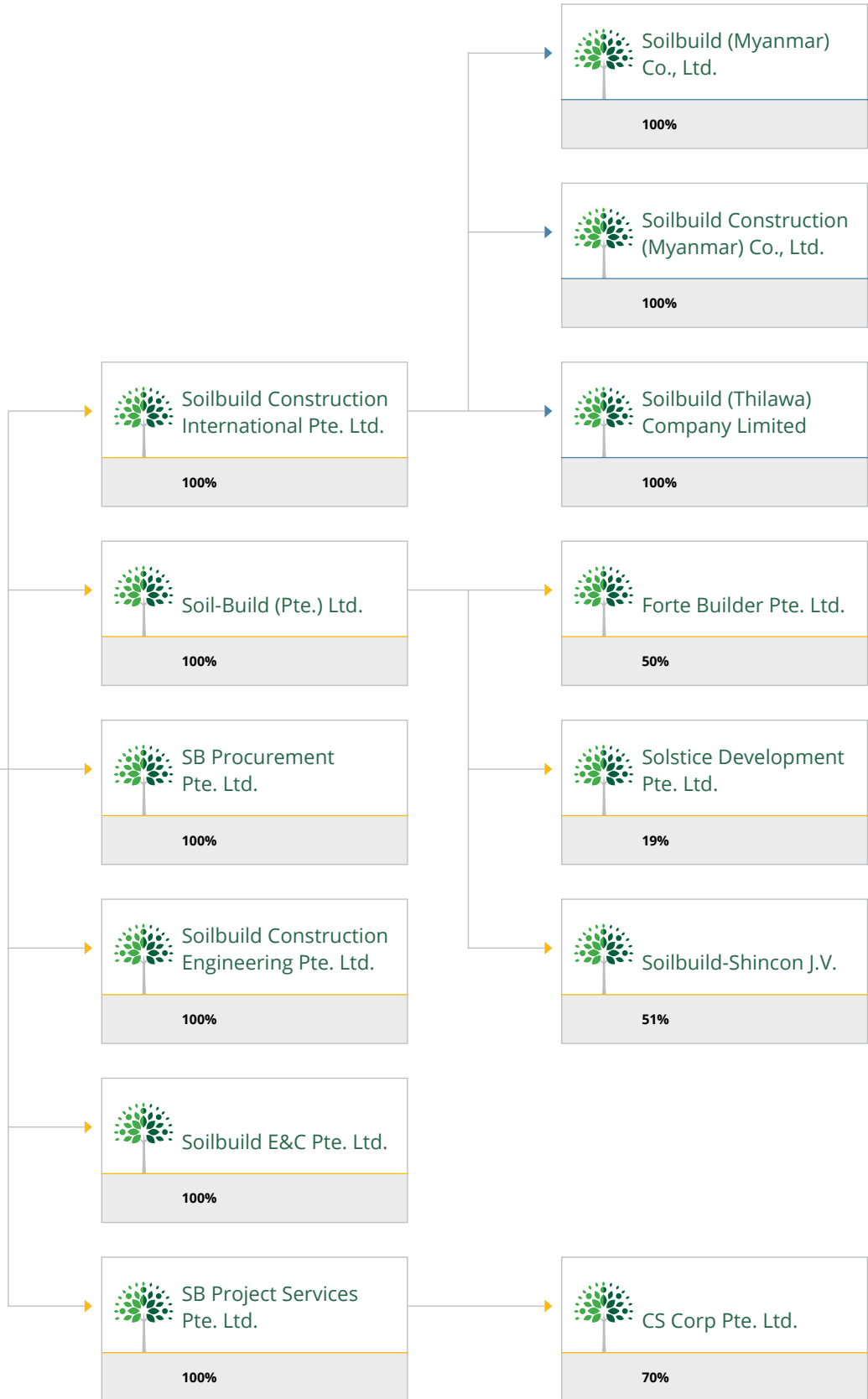
#### Prior experience

- ▶ 2005 to 2013, Project Director at MA Builders Pte Ltd
- ▶ 2000 to 2005, Deputy Project Manager at Ban Teck Construction Pte Ltd
- ▶ 1998 to 2000, Site Engineer at Aoki Corporation Singapore Branch

Mr Ngwe Zaw holds a Diploma in Civil Engineering from Government Technical Institute, Insein, Myanmar, and a Bachelor of Science in Construction Management from Heriot-Watt University.

# GROUP STRUCTURE

group structure





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# CORPORATE GOVERNANCE REPORT

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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 together with its subsidiaries, 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 Guidebook for Audit Committees in Singapore, focusing on areas such as internal controls, risk management, financial reporting, internal and external audit.

The Board confirms that for the financial year ended 31 December 2017, the Company has adhered to the principles and guidelines as set out in the Code, where applicable, and has specified and explained any deviations from the Code in this report. The Board considers that the alternative corporate governance practices are sufficient to meet the underlying objective of the Code.

## (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, making decisions in the interests 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;

# CORPORATE GOVERNANCE REPORT

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- 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.

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**") (each a "**Board Committee**" and 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 Constitution allows 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.

# CORPORATE GOVERNANCE REPORT

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 2017 is disclosed below:

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

\*Attendance by invitation of the relevant Board Committee

## 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, one Non-Executive Director and three Independent Directors. The Board composition is as follows:

### Executive Directors:

Mr Lim Chap Huat (Executive Chairman)

Mr Ho Toon Bah (Executive Director)

### Non-Executive Director:

Ms Lim Cheng Hwa (Non-Executive Director)

### Independent Directors:

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, 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 relevant to the Group and to 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

# CORPORATE GOVERNANCE REPORT

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over the preceding three years in other listed companies and other major appointments or principal commitments, are presented under the “Directors’ Statement” 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.

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 at least once a year 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.

## **Executive 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.*

During the financial year ended 31 December 2017, the Executive Director, Mr Ho Toon Bah assumed the responsibilities of Chief Executive Officer (“**CEO**”) of the Company, which include the making of strategic proposals to the Board, implementing approved strategies and policies, managing and reviewing the development of strategies and running the day-to-day operations of the Company.

Mr Lim Chap Huat is the Executive Chairman of the Company. The Executive Chairman charts the strategic direction, the business planning and development of the Group. He also ensures that Board meetings are held as and when necessary, approves the Board meeting agenda, reviews the Board papers before they are presented to the Board to ensure 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.

# CORPORATE GOVERNANCE REPORT

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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.

With effect from 1 January 2018, Mr Ho Toon Bah's role has been re-designated to focus on the business development, investor relations as well as safety management of the Group. With effect from 1 January 2018, Mr Lim Chap Huat, the Executive Chairman, has assumed executive responsibilities as the CEO of the Company. The Board has considered the size, scope and nature of the present operations of the Group, the instrumental role that Mr Lim Chap Huat has been playing in developing the business of the Group and the strong leadership he has provided to the Group, and is of the opinion that it is not necessary to separate the roles of the Chairman and the CEO.

Although the Executive Chairman and the CEO are the same person, the Board is of the view that there are sufficient safeguards and checks to ensure the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. In addition, all the Board Committees are chaired by Independent Directors.

## *Lead Independent Director*

For good corporate governance, since financial year ended 31 December 2013, 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 and is available to the shareholders when they have concerns when contact through the normal channels to the Chairman and CEO or the Chief Financial Officer has failed to resolve or for when such contact is inappropriate.

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 a 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.



# CORPORATE GOVERNANCE REPORT

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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 determining 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;
- 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 2017. The matrix on the frequency of meetings and the attendance of directors at these meetings is disclosed on page 28 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 NC's recommendations, and may be renewed for such period as the Board

# CORPORATE GOVERNANCE REPORT

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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.

Mr Tan Jee Ming is the Director of Straits Law Practice LLC, which provides legal and professional services to the Group from time to time. The NC is of the view that the business relationship with Straits Law Practice LLC will not interfere with the exercise of independent judgement by Mr Tan Jee Ming in his role as an Independent Director as matters involving the Group are usually handled by the other directors of Straits Law Practice LLC. As such, the NC considers Mr Tan Jee Ming to be independent. During the financial year ended 31 December 2017, Straits Law Practice LLC rendered legal consultancy services to the Group and payment amounting to approximately S\$123,000 was made to Straits Law Practice LLC for the services received.

During the financial year ended 31 December 2017, 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, 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 2017, 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 Constitution, 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.

At the forthcoming AGM, Mr Ho Toon Bah and Mr Poon Hon Thang will retire and seek re-election pursuant to Article 94 of the Company's Constitution.

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

# CORPORATE GOVERNANCE REPORT

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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 17 and 18 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 each director, the Board as a whole and the Board Committees on an annual basis. In this aspect, both qualitative and quantitative criteria are 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 Executive Chairman and the Board and an action plan is drawn up to address any areas for improvement. Arising from the performance evaluation and where appropriate, the Executive Chairman will, in consultation with the NC, propose new members to be appointed to the Board or seek the resignation of the relevant Directors.

The NC is generally satisfied with the results of the board performance for the financial year ended 31 December 2017, which indicated areas of strengths and those that could be improved further. The NC, with the concurrence of the Executive Chairman and 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.

# CORPORATE GOVERNANCE REPORT

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The NC will continue to evaluate the process for such review and its effectiveness from time to time.

## **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.

# CORPORATE GOVERNANCE REPORT

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## (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.

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;
- approving 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 considering and reviewing 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 ("**PSP**"); and
- ensuring that, to the extent applicable, all provisions regarding disclosure of remuneration as set out in the Code are fulfilled.

# CORPORATE GOVERNANCE REPORT

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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 2017, 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 key performance targets of the Group, comprising both qualitative and quantitative targets, as well as the key performance indicators 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 four meetings during the financial year ended 31 December 2017. The matrix on the frequency of meetings and the attendance of directors at these meetings is disclosed on page 28 of this Annual 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. The Non-Executive Directors are not over-compensated to the extent that their independence may be compromised.

Remuneration paid/payable to Executive Directors are determined by the Board after considering the performance of the relevant Executive Directors 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.

# CORPORATE GOVERNANCE REPORT

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The Company has a service agreement with:

- Mr Lim Chap Huat, which commenced on 1 January 2016 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 1 January 2016 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 the PSP. Further details on the Soilbuild Construction Employee Share Option Scheme and the PSP are presented under the "Directors' Statement" section of this Annual Report.

During the financial year ended 31 December 2017, share awards in respect of an aggregate of up to 7,913,000 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 52 to 56 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 2017 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.

The RC is of the view that it is currently not necessary to have contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or misconduct resulting in financial loss to the Company. However, as disclosed on page 38 of this Annual Report, during the financial year ended 31 December 2017, in view of the challenging market conditions in the Singapore construction industry, the Executive Directors had voluntarily relinquished their respective rights to share awards which were awarded to them pursuant to the PSP and which has not been released or vested.

## **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.*

# CORPORATE GOVERNANCE REPORT

## 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 2017:

NAME OF DIRECTORS	Fee S\$'000	Salaries S\$'000	Variable /	Benefits in kind <sup>1</sup> S\$'000	Long-term incentives S\$'000	Total S\$'000
			Performance bonus S\$'000			
<b>Executive Directors:</b>						
Mr Lim Chap Huat	70	258	– <sup>2</sup>	7	– <sup>3</sup>	335
Mr Ho Toon Bah	40	456	– <sup>2</sup>	60	– <sup>3</sup>	556
<b>Non-executive Director:</b>						
Ms Lim Cheng Hwa	40	–	–	–	–	40
<b>Independent Directors:</b>						
Mr Poon Hon Thang	70	–	–	–	–	70
Mr Tan Jee Ming	60	–	–	–	–	60
Mr Teo Chee Seng	60	–	–	–	–	60

NAME OF KEY MANAGEMENT PERSONNEL:	Salaries	Variable /	Benefits in kind <sup>1</sup> %	Long-term incentives %	Total %
	%	Performance bonus %			
<b>S\$150,000 to S\$300,000</b>					
Mr Chooi Yue Chiong	68	11	21	–	100
Mr Ho Chan Teck Patrick	79	13	8	–	100
Mr Ng Kwoon Hong	84	10	6	–	100
Mr Chua Meng Kim	79	13	8	–	100
Mr Tan Yeow Koon	78	13	9	–	100
Mr Ngwe Zaw	70	12	18	–	100
Mr Ganessaraj Soocelaraj	80	10	10	–	100
Ms Winny Monica Oei	80	12	8	–	100
Mr Lim Thiam Lay	79	13	8	–	100
Mr Wong Yoon Thim	83	10	7	–	100
Mr Ding Yen Shee, Daniel <sup>4</sup>	84	9	7	–	100

<sup>1</sup> Benefits in kind is inclusive of Central Provident Fund contribution and fixed allowances.

<sup>2</sup> Due to the unfavourable financial performance of the Group as a result of challenging market conditions in the Singapore construction industry, there were no annual performance incentives granted to the Executive Directors for the financial year ended 31 December 2017.

<sup>3</sup> During the financial year ended 31 December 2017, considering the challenging market condition in the Singapore construction industry, Mr Lim Chap Huat and Mr Ho Toon Bah had voluntarily relinquished their respective rights to 601,279 and 562,000 share awards which were awarded to them pursuant to the PSP and which had not been released or vested.

<sup>4</sup> On 1 January 2018, Mr Ding Yen Shee, Daniel has stepped down from his appointment with the Group and has taken up an appointment in a related corporation.



# CORPORATE GOVERNANCE REPORT

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There were no termination, other retirement and post-employment benefits paid to the directors and key management personnel (other than directors) of the Group during the financial year ended 31 December 2017.

The aggregate total remuneration paid to top eleven key management personnel (who are not directors or the CEO of the Company) amounted to S\$2,293,212 for the financial year ended 31 December 2017.

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 2017.

## **(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 its 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 a quarterly basis to ensure that it effectively discharges its 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.*

# CORPORATE GOVERNANCE REPORT

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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, sustainability 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.

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 2017, 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, sustainability 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 assurance 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.

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## 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 2017. The matrix on the frequency of the meetings and the attendance of directors at these meetings is disclosed on page 28 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.

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;

# CORPORATE GOVERNANCE REPORT

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- 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 2017, 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;
- 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 (including key audit matters and matters involving difficult or complex auditors' judgements); 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 2017, the aggregate amount of fees paid to the external auditors amounted to S\$241,000, comprising S\$198,000 in audit fees and S\$43,000 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 2017, 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.

# CORPORATE GOVERNANCE REPORT

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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. The Whistle-blowing Policy and procedures for raising such concerns under the Whistle-blowing Policy were publicly disclosed as appropriate. There were no whistle-blowing reports received for the financial year ended 31 December 2017.

## **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.

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, sustainability 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.*

# CORPORATE GOVERNANCE REPORT

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## **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 Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

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.

Shareholders are invited during such meetings to put forth any questions they may have on the motions to be debated and decided upon. A shareholder who is unable to attend the general meetings is entitled to appoint up to two proxies, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

# CORPORATE GOVERNANCE REPORT

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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.

Pursuant to the listing rules to promote greater transparency in general meetings and shareholders' engagement, with effect from 1 August 2015, the Company has conducted and will continue to conduct poll voting for all resolutions to be passed at the annual and extraordinary general meetings of the Company. 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 SGX-ST Listing Manual, the Company confirms that there were no material contracts of the Group involving the interests of any director or controlling shareholder, either still subsisting at the end of the financial year ended 31 December 2017 or if not then subsisting, entered into since the end of the financial year ended 31 December 2016.

# 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 2017, 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
<b><u>Construction contract awarded during the financial year:</u></b>		
SB (Waterview) Investment Pte. Ltd.	-	85,818
SB (Waterfront) Investment Pte. Ltd.	-	50,394
DBS Trustee Limited (as Trustee of Soilbuild Business Space REIT)	-	2,406
A director of a subsidiary - Mr Moe Zaw	-	688
<b><u>Renovation/property reinstatement services and Service income</u></b>		
Soilbuild Group Holdings Ltd. and its subsidiaries	-	234
<b><u>Share of common overheads</u></b>		
Soilbuild Group Holdings Ltd. and its subsidiaries		
- Paid and payable	-	306
- Received and receivable	-	133
<b><u>Rental of office / warehouse premises</u></b>		
Soilbuild Group Holdings Ltd. and its subsidiaries	-	786
DBS Trustee Limited (as Trustee of Soilbuild Business Space REIT)	-	392
<b><u>Logistic services</u></b>		
Asian Worldwide Services Pte Ltd	-	290
<b><u>Legal consultancy fee</u></b>		
Straits Law Practice LLP	-	123



# CORPORATE GOVERNANCE REPORT

## Use of Proceeds From Preferential Offering of Warrants

Pursuant to the preferential offering of warrants during the financial year ended 31 December 2016, the Company received net proceeds from the issue of the warrants of approximately S\$8.2 million after deducting the actual issue expenses of S\$0.2 million as set out below. The utilisation of the net proceeds from the preferential offering of warrants is as follows:

	Amount allocated	Amount utilised as at 31 December 2017	Amount unutilised as at 31 December 2017
<b>USE OF PROCEEDS FROM THE PREFERENTIAL OFFERING OF WARRANTS</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Acquisition of plant and equipment for construction works in Myanmar	Up to 2,500	1,700	800
Working capital purposes	Up to 5,700	5,700	-
Total	8,200	7,400	800

The proceeds used for working capital purposes amounting to S\$5.7 million up to 31 December 2017 comprise mainly payment to suppliers and sub-contractors for the execution of the Group's pre-existing construction contracts in Singapore.

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. Pending the utilisation of the net proceeds as stated above, the unutilised amount may be placed in short-term deposits with banks and financial institutions or invested in money market instruments.

## 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' STATEMENT

For the financial year ended  
31 December 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

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 63 to 123 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## **DIRECTORS**

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

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 statement.

# DIRECTORS' STATEMENT

For the financial year ended  
31 December 2017

## 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, debentures or warrants 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 31.12.2017	At 1.1.2017	At 31.12.2017	At 1.1.2017
<b>Company</b>				
<u>(No. of ordinary shares)</u>				
Mr Lim Chap Huat	492,560,215	491,251,000	-	-
Mr Ho Toon Bah	11,654,785	10,389,000	-	-
Ms Lim Cheng Hwa	200,000	200,000	-	-
Mr Tan Jee Ming	300,000	300,000	-	-
Mr Teo Chee Seng	200,000	200,000	-	-
<u>(No. of warrants)</u>				
Mr Lim Chap Huat	122,812,750	122,812,750	-	-
Mr Ho Toon Bah	2,597,250	2,597,250	-	-
Ms Lim Cheng Hwa	50,000	50,000	-	-
Mr Tan Jee Ming	75,000	75,000	-	-
Mr Teo Chee Seng	50,000	50,000	-	-

- (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 statement.

	No. of unissued ordinary shares arising from contingent awards of performance shares	
	At 31.12.2017	At 1.1.2017
<u>Mr Lim Chap Huat</u>		
2014 PSP Award <sup>1</sup>	-	707,356
2015 PSP Award <sup>2</sup>	-	1,203,138
2016 PSP Award <sup>3</sup>	-	Up to 2,916,000
2017 PSP Award <sup>4</sup>	Up to 3,050,000	-
<u>Mr Ho Toon Bah</u>		
2014 PSP Award <sup>1</sup>	-	704,120
2015 PSP Award <sup>2</sup>	-	1,123,665
2016 PSP Award <sup>3</sup>	-	Up to 3,005,000
2017 PSP Award <sup>4</sup>	Up to 3,142,000	-

# DIRECTORS' STATEMENT

For the financial year ended  
31 December 2017

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

(b) (continued)

- <sup>1</sup> Contingent awards of up to 6,269,000 shares pursuant to the 2014 PSP Awards were granted on 22 August 2014, of which 2,621,000 shares, 2,688,000 shares and 960,000 shares were granted to Mr Lim Chap Huat, Mr Ho Toon Bah and the other participants respectively.

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 statement.

- <sup>2</sup> Contingent awards of up to 6,782,000 shares pursuant to the 2015 PSP Awards were granted on 31 March 2015, of which 2,730,000 shares, 2,800,000 shares and 1,252,000 shares were granted to Mr Lim Chap Huat, Mr Ho Toon Bah and the other participants respectively.

Subsequent to the financial year ended 31 December 2015, the grant of 2015 PSP Awards were reviewed by the RC on 24 February 2016, taking into consideration, among others, the performance of the participants of the 2015 PSP Awards for the financial year ended 31 December 2015. Based on such review, the number of shares awarded under the 2015 PSP Awards amounted to 3,874,327 shares, of which 2,003,782 shares and 1,870,545 shares were granted to Mr Lim Chap Huat and Mr Ho Toon Bah respectively. More details on the Soilbuild Construction Performance Share Plan are disclosed under "**Share Plans**" in this statement.

- <sup>3</sup> Contingent awards of up to 7,696,000 shares pursuant to the 2016 PSP Awards were granted on 18 March 2016, of which 2,916,000 shares, 3,005,000 shares and 1,775,000 shares were granted to Mr Lim Chap Huat, Mr Ho Toon Bah and the other participants respectively.

Subsequent to the financial year ended 31 December 2016, the grant of 2016 PSP Awards were reviewed by the RC on 22 February 2017, taking into consideration, among others, the performance of the participants of the 2016 PSP Awards for the financial year ended 31 December 2016. Based on such review, there were no shares awarded under the 2016 PSP Awards. More details on the Soilbuild Construction Performance Share Plan are disclosed under "**Share Plans**" in this statement.

- <sup>4</sup> Contingent awards of up to 7,913,000 shares pursuant to the 2017 PSP Awards were granted on 2 March 2017, of which 3,050,000 shares, 3,142,000 shares and 1,721,000 shares were granted to Mr Lim Chap Huat, Mr Ho Toon Bah and the other participants respectively.

Subsequent to the financial year ended 31 December 2017, the grant of 2017 PSP Awards were reviewed by the RC on 26 February 2018, taking into consideration, among others, the performance of the participants of the 2017 PSP Awards for the financial year ended 31 December 2017. Based on such review, there were no shares awarded under the 2017 PSP Awards. More details on the Soilbuild Construction Performance Share Plan are disclosed under "**Share Plans**" in this statement.

- (c) Mr Lim Chap Huat, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries.
- (d) The directors' interests in the ordinary shares of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

## 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

# DIRECTORS' STATEMENT

For the financial year ended  
31 December 2017

## SHARE PLANS (CONTINUED)

### (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.

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.

# DIRECTORS' STATEMENT

For the financial year ended  
31 December 2017

## SHARE PLANS (CONTINUED)

### (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.

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.

# DIRECTORS' STATEMENT

For the financial year ended  
31 December 2017

## SHARE PLANS (CONTINUED)

### (b) Soilbuild Construction Performance Share Plan (continued)

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.

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

	Aggregate number of shares under the PSP granted since commencement of the PSP to 31 December 2017	Aggregate number of shares under the PSP Awards as at 1 January 2017	Aggregate number of shares under the PSP Awards granted during the financial year ended 31 December 2017 <sup>1</sup>	Aggregate number of shares under the PSP Awards lapsed during the financial year ended 31 December 2017	Aggregate number of shares under the PSP Awards voluntarily relinquished by participants during the financial year ended 31 December 2017	Aggregate number of shares under the PSP Awards released upon vesting during the financial year ended 31 December 2017	Aggregate number of shares under the PSP Awards outstanding as at 31 December 2017
<b>Controlling shareholders and/or their associates</b>							
<u>Mr Lim Chap Huat</u>							
2014 PSP Award	2,357,712	707,356	-	-	-	707,356	-
2015 PSP Award	2,003,782	1,203,138	-	-	601,279	601,859	-
		Up to					
2016 PSP Award	-	2,916,000	-	2,916,000	-	-	-
	Up to		Up to				Up to
2017 PSP Award	3,050,000	-	3,050,000	-	-	-	3,050,000
<b>Director of the Company</b>							
<u>Mr Ho Toon Bah</u>							
2014 PSP Award	2,346,240	704,120	-	-	-	704,120	-
2015 PSP Award	1,870,545	1,123,665	-	-	562,000	561,665	-
		Up to					
2016 PSP Award	-	3,005,000	-	3,005,000	-	-	-
	Up to		Up to				Up to
2017 PSP Award	3,142,000	-	3,142,000	-	-	-	3,142,000
<b>Other Participants</b>							
2014 PSP Award	960,000	252,000	-	-	-	252,000	-
2015 PSP Award	-	-	-	-	-	-	-
		Up to					
2016 PSP Award	-	1,775,000	-	1,775,000	-	-	-
	Up to		Up to				Up to
2017 PSP Award	1,721,000	-	1,721,000	-	-	-	1,721,000

<sup>1</sup> The aggregate number of ordinary shares to be awarded to the participants will be up to a maximum of 7,913,000 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.

# DIRECTORS' STATEMENT

For the financial year ended  
31 December 2017

## SHARE PLANS (CONTINUED)

### (b) Soilbuild Construction Performance Share Plan (continued)

#### (i) *Performance share awards granted for the financial year ended 31 December 2014 ("2014 PSP Awards")*

During the financial year ended 31 December 2014, 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 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.

During the financial year ended 31 December 2017, 1,663,476 shares (2016: 1,663,476 shares) have been issued by virtue of the release of the awards under the 2014 PSP Awards.

#### (ii) *Performance share awards granted for the financial year ended 31 December 2015 ("2015 PSP Awards")*

During the financial year ended 31 December 2015, 2015 PSP Awards in respect of an aggregate of up to 6,782,000 ordinary shares in the Company were granted to the relevant participants on 31 March 2015. The grant of the 2015 PSP Award to Mr Lim Chap Huat, a controlling shareholder of the Company, was conditional on independent shareholders' approval for the grant of the 2015 PSP Award to him. Such approval was obtained on 24 April 2015. The 2015 PSP Awards are subject to the accomplishment of certain performance targets set over the performance period for the financial year ended 31 December 2015. Arising from the 2015 PSP Awards, ordinary shares or cash at the discretion of the RC will be released provided the respective participants have remained in the employment of the Group up to the respective release dates.



# DIRECTORS' STATEMENT

For the financial year ended  
31 December 2017

## SHARE PLANS (CONTINUED)

### (b) Soilbuild Construction Performance Share Plan (continued)

#### (ii) *Performance share awards granted for the financial year ended 31 December 2015 ("2015 PSP Awards") (continued)*

Subsequent to the financial year ended 31 December 2015, the grant of 2015 PSP Awards were reviewed by the RC on 24 February 2016, taking into consideration, among others, the performance of the participants of the 2015 PSP Awards for the financial year ended 31 December 2015. Based on such review, the number of shares awarded under the 2015 PSP Awards amounted to 3,874,327 shares, and 2,907,673 shares under the 2015 PSP Awards have lapsed.

The vesting period of the respective tranches of the 2015 PSP Awards amounting to 40%, 30% and 30% is from 31 March 2015 to their release dates which are within one month from the issuance of the audited financial statement of the Group for FY2015, FY2016 and FY2017 respectively. The 2015 PSP Awards will be released provided the respective participants have remained in the employment of the Group up to the respective release dates.

During the financial year ended 31 December 2017, 1,163,524 (2016: 1,547,524) shares have been issued by virtue of the release of the awards under the 2015 PSP Awards and 1,163,279 (2016: Nil) shares have been voluntarily relinquished by the participants.

#### (iii) *Performance share awards granted for the financial year ended 31 December 2016 ("2016 PSP Awards")*

During the financial year ended 31 December 2016, 2016 PSP Awards in respect of an aggregate of up to 7,696,000 ordinary shares in the Company were granted to the relevant participants on 18 March 2016. The grant of the 2016 PSP Award to Mr Lim Chap Huat, a controlling shareholder of the Company, was conditional on independent shareholders' approval for the grant of the 2016 PSP Award to him. Such approval was obtained on 26 April 2016. The 2016 PSP Awards are subject to the accomplishment of certain performance targets set over the performance period for the financial year ended 31 December 2016. Arising from the 2016 PSP Awards, ordinary shares or cash at the discretion of the RC 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 2016, the grant of 2016 PSP Awards were reviewed by the RC on 22 February 2017, taking into consideration, among others, the performance of the participants of the 2016 PSP Awards for the financial year ended 31 December 2016. Based on such review, there were no shares awarded under the 2016 PSP Awards, and 7,696,000 shares under the 2016 PSP Awards have lapsed.

The vesting period of the respective tranches of the 2016 PSP Awards amounting to 40%, 30% and 30% is from 18 March 2016 to their release dates which are within one month from the issuance of the audited financial statement of the Group for FY2016, FY2017 and FY2018 respectively. The 2016 PSP Awards will be released provided the respective participants have remained in the employment of the Group up to the respective release dates.

During the financial year ended 31 December 2016 and 31 December 2017, no shares have been issued by virtue of the release of the awards under the 2016 PSP Awards.

# DIRECTORS' STATEMENT

For the financial year ended  
31 December 2017

## SHARE PLANS (CONTINUED)

### (b) Soilbuild Construction Performance Share Plan (continued)

#### (iv) *Performance share awards granted for the financial year ended 31 December 2017 ("2017 PSP Awards")*

During the financial year ended 31 December 2017, 2017 PSP Awards in respect of an aggregate of up to 7,913,000 ordinary shares in the Company were granted to the relevant participants on 2 March 2017. The grant of the 2017 PSP Award to Mr Lim Chap Huat, a controlling shareholder of the Company, was conditional on independent shareholders' approval for the grant of the 2017 PSP Award to him. Such approval was obtained on 24 April 2017. The 2017 PSP Awards are subject to the accomplishment of certain performance targets set over the performance period for the financial year ended 31 December 2017. Arising from the 2017 PSP Awards, ordinary shares or cash at the discretion of the RC 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 2017, the grant of 2017 PSP Awards were reviewed by the RC on 26 February 2018, taking into consideration, among others, the performance of the participants of the 2017 PSP Awards for the financial year ended 31 December 2017. Based on such review, there were no shares awarded under the 2017 PSP Awards, and 7,913,000 shares under the 2017 PSP Awards have lapsed.

The vesting period of the respective tranches of the 2017 PSP Awards amounting to 40%, 30% and 30% is from 2 March 2017 to their release dates which are within one month from the issuance of the audited financial statement of the Group for FY2017, FY2018 and FY2019 respectively. The 2017 PSP Awards will be released provided the respective participants have remained in the employment of the Group up to the respective release dates.

During the financial year ended 31 December 2017, no shares have been issued by virtue of the release of the awards under the 2017 PSP Awards.

Other than Mr Lim Chap Huat, none of the participants in relation to the 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.

# DIRECTORS' STATEMENT

For the financial year ended  
31 December 2017

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## **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 2017 before their submission to the Board of Directors.

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

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Lim Chap Huat  
Director

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Ho Toon Bah  
Director

29 March 2018

# INDEPENDENT AUDITOR'S REPORT

To the members of SoilBuild  
Construction Group Ltd.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the accompanying consolidated financial statements of Soilbuild Construction Group Ltd. (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### *What we have audited*

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the year ended 31 December 2017;
- the balance sheet of the Group as at 31 December 2017;
- the balance sheet of the Company as at 31 December 2017;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

### *Independence*

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

### Our Audit Approach

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

# INDEPENDENT AUDITOR'S REPORT

To the members of SoilBuild  
Construction Group Ltd.

## Our Audit Approach (continued)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Accounting for construction contracts

*Refer to Note 3 (Critical accounting estimates, assumptions and judgements) and Note 13 (Construction contracts) to the financial statements*

During the financial year ended 31 December 2017, revenue from construction contract amounted to S\$200,719,446 and it represented 99.9% of the total revenue of the Group.

The Group accounts for its contract revenue and contract costs by reference to the stage of completion of the contract activity at the end of each financial year ("percentage-of-completion method") in accordance with *FRS 11 Construction Contracts*.

Significant judgement is required to estimate the total construction contract costs, variations or claims recognised as contract revenue, and provision for liquidated damages that will affect the stage of completion and revenue and profit margins recognised from construction contracts. Accordingly, we have assessed the accounting for construction contracts as a key audit matter.

We have performed the following audit procedures to address the key audit matter:

We have obtained an understanding of the projects under construction through discussions with management and examination of project documentation (including contracts and correspondences with customers).

In relation to total contract revenue, our audit procedures include the following:

- (a) Traced total contract sums to contract and variation orders entered into by the Group and its customers;
- (b) Traced value of work performed to the surveyor/ architect certification and assessed the competence of the surveyor/ architect;
- (c) Recomputed the percentage of completion;
- (d) Assessed the adequacy of provision for liquidated damages to be net off against contract revenue recognised (where relevant); and
- (e) Assessed the reasonableness of the revenue recognised via discussion with the project teams and obtaining corroborating evidence such as correspondences with the customers.

# INDEPENDENT AUDITOR'S REPORT

To the members of SoilBuild  
Construction Group Ltd.

## Our Audit Approach (continued)

*Key Audit Matters (continued)*

### Key Audit Matter

**Accounting for construction contracts**  
(continued)

### How our audit addressed the Key Audit Matter

In relation to total contract cost, our audit procedures include the following:

- (a) Reviewed the actual costs incurred by tracing to supplier invoices or sub-contractor progress billings; and
- (b) Reviewed management's estimates of total construction costs and cost to complete via the following:
  - (i) Substantiated to quotations and contracts entered for sub-contracting costs.
  - (ii) Reviewed the estimation of the materials, labour and other construction costs with reference to the progress of the project.
  - (iii) Discussed with the project team and comparing the percentage of costs incurred over the total contract costs against the percentage of completion.

Based on the audit procedures performed, we have assessed management's estimates to be reasonable.

We have also recomputed the cumulative contract revenue and the contract revenue for the current financial year as well as the amount of foreseeable loss (where relevant) for each project, and traced to the accounting records with no exceptions noted.

We have also assessed the disclosures in the financial statements in relation to the sensitivity of contract revenue and contract costs of uncompleted contracts to the construction contract estimates to be appropriate.

## Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the financial statements and our auditor's report thereon.

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

# INDEPENDENT AUDITOR'S REPORT

To the members of SoilBuild  
Construction Group Ltd.

## ***Other Information (continued)***

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

## ***Responsibilities of Management and Directors for the Financial Statements***

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

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

# INDEPENDENT AUDITOR'S REPORT

To the members of SoilBuild  
Construction Group Ltd.

## **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **Report on other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lam Hock Choon.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore, 29 March 2018



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended  
31 December 2017

	Note	2017 \$'000	2016 \$'000
Revenue	4	200,769	399,647
Cost of sales		(200,963)	(377,316)
<b>Gross (loss)/profit</b>		(194)	22,331
Other income	7(a)	1,597	2,384
Other (losses)/gains - net	7(b)	(149)	274
Expenses			
- Administrative		(7,587)	(8,587)
- Marketing		(40)	(39)
- Finance	8	(71)	(33)
- Others		(2,175)	(1,947)
Share of profit of joint ventures	16	594	27
<b>(Loss)/profit before income tax</b>		(8,025)	14,410
Income tax credit/(expense)	9(a)	1,719	(2,534)
<b>Net (loss)/profit</b>		(6,306)	11,876
<b>Other comprehensive (loss)/income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences arising from consolidation		(426)	65
<b>Total comprehensive (loss)/income</b>		(6,732)	11,941
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company		(6,303)	11,876
Non-controlling interests		(3)	-
		(6,306)	11,876
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity holders of the Company		(6,729)	11,941
Non-controlling interests		(3)	-
		(6,732)	11,941
<b>(Loss)/earnings per share attributable to equity holders of the Company (cents per share)</b>			
	10		
- Basic		(0.94)	1.78
- Diluted		(0.89)	1.71

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

# BALANCE SHEETS

As at  
31 December 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	11	27,871	32,830	1,038	5,312
Trade and other receivables	12	56,100	103,427	36,090	42,094
Other current assets	14	14,637	2,175	6	6,512
Income tax recoverable	9(c)	685	-	-	-
		99,293	138,432	37,134	53,918
<b>Non-current assets</b>					
Trade and other receivables	12	5,591	14,918	-	-
Other non-current assets	14	-	10,000	-	-
Investments in subsidiaries	15	-	-	31,795	23,270
Investments in joint ventures	16	943	2,784	-	-
Property, plant and equipment	17	54,360	23,474	-	-
Intangible assets	18	455	179	-	-
Land lease prepayment	19	30,106	25,535	-	-
Deferred tax assets	21	50	-	-	-
		91,505	76,890	31,795	23,270
<b>Total assets</b>		190,798	215,322	68,929	77,188
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	20(a)	93,988	112,702	760	378
Current income tax liabilities	9(b)	226	2,016	101	145
Borrowings	22	11,244	-	-	-
Provision for other liabilities	20(b)	1,093	1,119	-	-
		106,551	115,837	861	523
<b>Non-current liabilities</b>					
Trade and other payables	20(a)	1,253	-	-	-
Deferred income tax liabilities	21	-	1,394	-	-
		1,253	1,394	-	-
<b>Total liabilities</b>		107,804	117,231	861	523
<b>NET ASSETS</b>		82,994	98,091	68,068	76,665
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	23	59,597	58,798	59,597	58,798
Capital reserve	24	(1,070)	(1,070)	-	-
Currency translation reserve	25	(310)	116	-	-
Performance share plan reserve	26	-	719	-	719
Warrant reserve	27	8,128	8,161	8,128	8,161
Retained profits	28	16,652	31,367	343	8,987
		82,997	98,091	68,068	76,665
Non-controlling interests		(3)	-	-	-
<b>TOTAL EQUITY</b>		82,994	98,091	68,068	76,665

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 2017

Note	← Attributable to equity holders of the Company →									
	Share capital \$'000	Capital reserve \$'000	Currency translation reserve \$'000	Performance share reserve \$'000	Warrant reserve \$'000	Retained profits \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000	
<b>2017</b>										
<b>Beginning of financial year</b>	58,798	(1,070)	116	719	8,161	31,367	98,091	-	98,091	
Loss for the year	-	-	-	-	-	(6,303)	(6,303)	(3)	(6,306)	
Other comprehensive loss for the year	-	-	(426)	-	-	-	(426)	-	(426)	
<b>Total comprehensive loss for the year</b>	-	-	(426)	-	-	(6,303)	(6,729)	(3)	(6,732)	
Issuance of shares pursuant to the Soilbuild Performance Share Plan	23, 26	644	-	(644)	-	-	-	-	-	
Issuance of shares pursuant to issuance of warrants	23, 27	155	-	-	(33)	-	122	-	122	
Share-based compensation expenses	26	-	-	(75)	-	-	(75)	-	(75)	
Dividends paid	29	-	-	-	-	(8,412)	(8,412)	-	(8,412)	
<b>Total transactions with owners, recognised directly in equity</b>	799	-	-	(719)	(33)	(8,412)	(8,365)	-	(8,365)	
<b>End of financial year</b>	59,597	(1,070)	(310)	-	8,128	16,652	82,997	(3)	82,994	

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 2017

	Attributable to equity holders of the Company							Total equity \$'000
	Share capital \$'000	Capital reserve \$'000	Currency translation reserve \$'000	Performance share plan reserve \$'000	Warrant reserve \$'000	Retained profits \$'000		
<b>2016</b>								
<b>Beginning of financial year</b>	58,047	(1,070)	51	964	-	32,881		90,873
Profit for the year	-	-	-	-	-	11,876		11,876
Other comprehensive income for the year	-	-	65	-	-	-		65
<b>Total comprehensive income for the year</b>	-	-	65	-	-	11,876		11,941
Issuance of shares pursuant to the Soilbuild Performance Share Plan	23, 26	748	-	(748)	-	-		-
Issuance of warrants	27	-	-	-	8,368	-		8,368
Issuance of shares pursuant to issuance of warrants	23, 27	3	-	-	(1)	-		2
Expenses relating to preferential offering of warrants	27	-	-	-	(206)	-		(206)
Share-based compensation expenses	26	-	-	503	-	-		503
Dividends paid	29	-	-	-	-	(13,390)		(13,390)
<b>Total transactions with owners, recognised directly in equity</b>	751	-	-	(245)	8,161	(13,390)		(4,723)
<b>End of financial year</b>	58,798	(1,070)	116	719	8,161	31,367		98,091

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended  
31 December 2017

	Note	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Net (loss)/profit		(6,306)	11,876
Adjustments for:			
- Amortisation of intangible assets		80	68
- Depreciation of property, plant and equipment		2,411	2,559
- Amortisation of land lease prepayment		982	888
- Share-based compensation (write-back)/expense		(75)	503
- Interest income		(47)	(45)
- Interest expense		71	33
- Income tax (credit)/expense		(1,719)	2,534
- Loss on disposal of property, plant and equipment		156	304
- Share of profit of joint ventures		(594)	(27)
Operating cash flows before working capital changes		(5,041)	18,693
Changes in working capital:			
- Trade and other receivables		56,654	29,766
- Other current assets		(12,462)	(898)
- Other non-current assets		10,000	-
- Trade and other payables		(17,465)	(4,804)
- Provision for other liabilities		(26)	(232)
Cash generated from operations		31,660	42,525
Income tax paid		(2,221)	(2,141)
<b>Net cash provided by operating activities</b>		29,439	40,384
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment		(34,019)	(9,999)
Additions of intangible assets		(356)	(23)
Proceeds from disposal of property, plant and equipment		531	878
Additions of land lease prepayment		(5,552)	-
Distributions received from a joint venture		435	17
Dividend received from a joint venture		2,000	-
Interest received		47	45
<b>Net cash used in investing activities</b>		(36,914)	(9,082)
<b>Cash flows from financing activities</b>			
Dividends paid to equity holders of the Company	29	(8,412)	(13,390)
Proceeds from issuance of shares		122	3
Proceeds from bank loans		26,744	12,800
Repayment of bank loans		(15,500)	(12,800)
Proceeds from preferential offering of warrants		-	8,368
Expenses relating to preferential offering of warrants		-	(206)
Interest paid		(67)	(33)
<b>Net cash provided by/(used in) financing activities</b>		2,887	(5,258)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(4,588)	26,044
Cash and cash equivalents at beginning of financial year	11	32,830	6,721
Effects of currency translation on cash and cash equivalents		(371)	65
<b>Cash and cash equivalents at end of financial year</b>	11	27,871	32,830

## Reconciliation of liabilities arising from financing activities

	1 January 2017 \$'000	Proceeds from bank loan \$'000	Principal and interest payments \$'000	Non-cash changes \$'000	31 December 2017 \$'000
Bank borrowings	-	26,744	(15,500)	-	11,244

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

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 23 Defu South Street 1, Singapore 533847.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 15.

## 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.

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 2017***

On 1 January 2017, 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 7 Statement of cash flows**

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### Going concern

As at 31 December 2017, certain subsidiaries of the Company are in breaches of loan covenants in relation to borrowings from banks (the "Banks") as disclosed in Note 22(b). Arising from one of the breaches, a portion of a term loan amounting to \$8,025,000 which is due twelve months after the balance sheet date has been reclassified from non-current to current on the balance sheet of the Group as at 31 December 2017. As a result, the Group is in a net current liability position of \$7,258,000.

The financial statements have been prepared on a going concern basis as the Group has obtained waiver of the breaches from the Banks where the facilities remain available to the Group and the repayment terms remains unchanged.

### 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 collectability 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 2.8 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 (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated 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.

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

##### (ii) Acquisition of businesses

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.

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 identifiable net assets acquired is recorded as goodwill.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Group accounting (continued)

#### (a) Subsidiaries (continued)

##### (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 2.9 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.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in a joint venture equals to or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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 2.9 for the accounting policy on investments in joint ventures in the separate financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Group accounting (continued)

#### (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

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.10).

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. The cost also includes borrowing costs (Note 2.7).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Property, plant and equipment (continued)

#### (b) Depreciation

Assets under construction is not depreciated.

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

	Useful lives
Leasehold property	40 years
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 (losses)/gains - net".

### 2.5 Land lease prepayment

Land lease prepayment is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the lease term of 20 years to 47 years.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 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 2.10). 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.

### 2.7 Borrowing costs

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

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

### 2.8 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Construction contracts (continued)

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".

### 2.9 Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are stated at cost less accumulated impairment losses (Note 2.10) 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.

### 2.10 Impairment of non-financial assets

*Intangible assets*

*Land lease prepayment*

*Property, plant and equipment*

*Investments in subsidiaries and joint ventures*

Intangible assets, land lease prepayment, 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.

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 cash-generating units ("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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Impairment of non-financial assets (continued)

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.

### 2.11 Loans and receivables

*Cash and cash equivalents*

*Trade and other receivables*

*Deposits*

Cash and cash equivalents, trade and other receivables and deposits 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.

### 2.12 Borrowings

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

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

### 2.13 Trade and other payables

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Trade and other payables (continued)

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

### 2.14 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.

### 2.15 Leases

#### (a) When the Group is the lessee:

##### *Operating leases*

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

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

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

##### *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.

### 2.16 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Income taxes (continued)

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

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

Deferred income tax is measured:

- (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 credits where deferred tax assets are recognised for unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised.

### 2.17 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.

The Group recognises the estimated liability to rectify defects still under warranty at the balance sheet date. The provision is calculated based on historical experience of the level of defects.

### 2.18 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Employee compensation (continued)

#### (b) Short-term compensated absences

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.

#### (c) Bonus plans

The Group recognised a liability and an expense for bonuses 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 revises 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 Performance Share Plan 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.

### 2.19 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Currency translation (continued)

#### (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.

#### (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.

### 2.20 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.

### 2.21 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 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.

### 2.23 Warrants

Proceeds from warrants issued that meet the definition of an equity instrument are classified as warrant reserve under equity. Incremental costs directly attributable to the issuance of new warrants are deducted against the warrant reserve.

When the warrants are subsequently exercised for the issuance of new ordinary shares, the proceeds from the warrants issued are reclassified from the warrant reserve to share capital.

When the warrants have expired, the proceeds from the warrants issued are reclassified from the warrant reserve to retained earnings.

### 2.24 Dividends

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

### 2.25 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

### 2.26 Financial guarantee

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet. Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

### 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 is used to estimate the total construction contract costs, variations or claims recognised as contract revenue and provision for liquidated damages that will affect the revenue and profit margins recognised from construction contracts. In making the judgement, the Group evaluates and places reliance on past experience, estimates from quantity surveyors and value of work performed as determined by the architects.

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:

	(Decrease)/Increase	
	2017 \$'000	2016 \$'000
Estimated total construction cost		
- increased by 5%	(8,392)	(22,116)
- decreased by 5%	8,392	22,116

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)	
	2017 \$'000	2016 \$'000
Estimated total construction revenue		
- increased by 5%	8,845	25,318
- decreased by 5%	(8,845)	(25,318)

### 4. REVENUE

	Group	
	2017 \$'000	2016 \$'000
Revenue from construction contracts	200,719	399,034
Revenue from rendering of project management services	50	613
<b>Total revenue</b>	<b>200,769</b>	<b>399,647</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 5. EXPENSES BY NATURE

	Group	
	2017 \$'000	2016 \$'000
Materials, sub-contractors and other construction costs	169,880	339,117
Amortisation of intangible assets (Note 18)	80	68
Amortisation of land lease prepayment (Note 19)	982	888
Depreciation of property, plant and equipment (Note 17)	2,411	2,559
Total depreciation and amortisation	3,473	3,515
Employee compensation (Note 6)	31,263	40,062
Auditors' fees:		
Fees on audit services paid/payable to:		
- Auditor of the Company	198	187
- Other auditors	10	5
Fees on non-audit services paid/payable to:		
- Auditor of the Company	43	42
- Other auditors	19	33
Rental expense	1,261	1,043
Transportation expenses	470	508
Professional fees	860	307
Other expenses	3,288	3,070
Total cost of sales, administrative, marketing and other operating expenses	210,765	387,889

## 6. EMPLOYEE COMPENSATION

	Group	
	2017 \$'000	2016 \$'000
Wages and salaries	29,437	37,493
Employer's contribution to Central Provident Fund	1,901	2,066
Share-based compensation (write back)/expense (Note 26)	(75)	503
Employee compensation recognised in profit or loss (Note 5)	31,263	40,062

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 7(a). OTHER INCOME

	Group	
	2017 \$'000	2016 \$'000
Income from sale of materials	160	131
Interest income	47	45
Service income	751	668
Rental income	214	474
Government grants	260	671
Others	165	395
	1,597	2,384

## 7(b). OTHER GAINS/(LOSSES) - NET

	Group	
	2017 \$'000	2016 \$'000
Loss on disposal of property, plant and equipment	(156)	(304)
Foreign exchange gain - net	7	578
	(149)	274

## 8. FINANCE EXPENSES

	Group	
	2017 \$'000	2016 \$'000
Interest expense on bank borrowings	71	33

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 9. INCOME TAXES

### (a) Income tax (credit)/expense

	Group	
	2017 \$'000	2016 \$'000
Tax (credit)/expense attributable to (loss)/profit is made up of:		
(Loss)/profit from current financial year:		
- Current income tax	178	1,932
- Deferred income tax (Note 21)	(1,569)	655
	(1,391)	2,587
(Over)/under provision in prior financial years:		
- Current income tax	(452)	(207)
- Deferred income tax (Note 21)	124	154
	(1,719)	2,534

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

	Group	
	2017 \$'000	2016 \$'000
(Loss)/profit before tax	(8,025)	14,410
Share of profit of joint ventures, net of tax	(594)	(27)
(Loss)/profit before tax and share of profit of joint ventures	(8,619)	14,383
Tax calculated at tax rate of 17% (2016: 17%)	(1,465)	2,445
Effects of:		
- different tax rates in other countries	(105)	167
- Singapore statutory stepped income exemption	(29)	(113)
- tax incentives	(321)	(279)
- income not subject to tax	(47)	(116)
- expenses not deductible for tax purposes	576	483
- over provision of tax	(328)	(53)
Tax (credit)/charge	(1,719)	2,534

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 9. INCOME TAXES (CONTINUED)

### (b) Movements in current income tax liabilities

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Beginning of financial year	2,016	2,432	145	125
Tax expense	178	1,932	95	139
Income tax paid	(1,536)	(2,141)	(140)	(125)
(Over)/under provision in prior financial years	(452)	(207)	1	6
Currency translation differences	20	-	-	-
End of financial year	226	2,016	101	145

### (c) Movements in current income tax recoverable

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Beginning of financial year	-	-	-	-
Income tax paid	(685)	-	-	-
End of financial year	(685)	-	-	-

## 10. EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

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

	2017	2016
Net (loss)/profit attributable to equity holders of the Company (\$'000)	(6,303)	11,876
Weighted average number of ordinary shares outstanding for basic (loss)/earnings per share ('000)	671,995	668,513
Basic (loss)/earnings per share (cents per share)	(0.94)	1.78



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 10. EARNINGS PER SHARE (CONTINUED)

### (b) Diluted (loss)/earnings per share

For the purpose of calculating diluted (loss)/earnings per share, (loss)/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 two categories of dilutive potential ordinary share: Soilbuild Construction Performance Share Plan ("PSP") and warrants.

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 shares is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net (loss)/profit.

For the warrants, the weighted average number of shares on issue has been adjusted for the dilutive effects of the warrants. The expected proceeds from the exercise of the warrants are deemed to be used by the Company in purchasing as many of its ordinary shares as possible in the open market, using an average market price for the period. Since these shares are fairly priced and are neither dilutive nor anti-dilutive, they are ignored in the diluted (loss)/earnings per share calculation. They are therefore, deducted from the number of shares issued under the warrants to give the number of shares deemed to be issued at no consideration. As these shares are dilutive, they are added to the number of ordinary shares outstanding in the computation of diluted (loss)/earnings per share. No adjustment is made to the net (loss)/profit.

	2017	2016
Net (loss)/profit attributable to equity holders of the Company (\$'000)	(6,303)	11,876
Weighted average number of ordinary shares outstanding for diluted (loss)/earnings per share ('000)	707,249	693,488
Diluted (loss)/earnings per share (cents per share)	(0.89)	1.71

## 11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash at bank and on hand	27,871	32,830	1,038	5,312

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<u>Current</u>				
Trade receivables				
- Related companies <sup>#</sup>	900	2,190	-	-
- Related parties <sup>*</sup>	-	122	-	-
- Subsidiaries	-	-	6	6
- A joint operator	-	197	-	-
- Non-related parties	11,672	28,173	-	-
	12,572	30,682	6	6
Less: Allowance for impairment of receivables - non-related parties [Note 32(b)]	(29)	(50)	-	-
Trade receivables - net	12,543	30,632	6	6
Construction contracts				
- Due from customers (Note 13)	14,786	28,309	-	-
- Due from related companies <sup>#</sup> (Note 13)	7,933	170	-	-
- Due from a joint operator (Note 13)	-	5,345	-	-
- Due from a related party <sup>*</sup> (Note 13)	110	-	-	-
	22,829	33,824	-	-
Retentions				
- Related companies <sup>#</sup> (Note 13)	1,793	3,314	-	-
- Related parties <sup>*</sup> (Note 13)	105	105	-	-
- Joint venture (Note 13)	1,162	3,810	-	-
- Non-related parties (Note 13)	10,457	9,348	-	-
	13,517	16,577	-	-
Accrued revenue				
- Related companies <sup>#</sup>	179	1,214	-	-
- Non-related parties	4,534	3,979	-	-
	4,713	5,193	-	-
Amounts due from related companies <sup>#</sup> (non-trade)	146	553	-	-
Amounts due from subsidiaries (non-trade)	-	-	907	1,918
Loan due from subsidiaries	-	-	35,168	40,092
Other receivables	2,352	16,648	9	78
	56,100	103,427	36,090	42,094

\* Related parties pertain to family members of a director of the Company, and a key management personnel of the Group.

# Related companies pertain to companies which are wholly-owned by a director of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<u>Non-current</u>				
Retentions				
- Related companies# (Note 13)	1,581	696	-	-
- A joint operator (Note 13)	-	2,323	-	-
- Non-related parties (Note 13)	4,010	11,899	-	-
	5,591	14,918	-	-
Total trade and other receivables	61,691	118,345	36,090	42,094

The Group has non-trade amounts due from 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.

The Company has loans due from subsidiaries amounting to \$35,168,000 (2016: \$40,092,000) which are unsecured, repayable on demand, and interest-bearing at the rate of 1.80% per annum (2016: 1.80% per annum) over Singapore Interbank Rate ("SIBOR"). The loans have an average effective interest rate of 2.63% (2016: 3.06%) per annum as at 31 December 2017.

Included in other receivables are short term advances amounting to \$Nil (2016: \$13,661,000) given to a customer in relation to a construction contract which are unsecured, interest-free and is expected to be recovered within twelve months from the balance sheet date.

## 13. CONSTRUCTION CONTRACTS

	Group	
	2017 \$'000	2016 \$'000
Aggregate costs incurred and profits recognised (less losses recognised) to date	440,865	655,798
Less: Progress billings	(431,571)	(628,331)
	9,294	27,467
Presented as:		
Due from customers on construction contracts (Note 12)	14,786	28,309
Due from related companies on construction contracts# (Note 12)	7,933	170
Due from a joint operator on construction contract (Note 12)	-	5,345
Due from a related party on construction contract* (Note 12)	110	-
Due to customers on construction contracts (Note 20(a))	(11,859)	(4,683)
Due to a related company on construction contracts# (Note 20(a))	(1,676)	(1,674)
	9,294	27,467

\* Related party pertains to a key management personnel of the Group.

# Related companies pertain to companies which are wholly-owned by a director of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 13. CONSTRUCTION CONTRACTS (CONTINUED)

	Group	
	2017 \$'000	2016 \$'000
Retentions on construction contracts (Note 12)	19,108	31,495

## 14. OTHER ASSETS

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<u>Current</u>				
Deposits	10,937	1,412	-	-
Dividend receivable	-	-	-	6,500
Prepayments	3,700	763	6	12
	14,637	2,175	6	6,512
<u>Non-current</u>				
Deposits	-	10,000	-	-

Included in deposits is a security deposits amounting to \$10,000,000 given to a customer in relation to a construction contract. The security deposit is classified as current as at 31 December 2017 as it is expected to be recovered within twelve months from the balances sheet date. The security deposit was classified as non-current as at 31 December 2016.

## 15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 \$'000	2016 \$'000
<i>Equity investments at cost</i>		
Beginning of financial year	23,270	19,770
Subscription of new ordinary shares of subsidiaries	8,525	3,500
End of financial year	31,795	23,270

During the financial year ended 31 December 2017, the Company increased its investment in the share capital of its wholly-owned subsidiaries, SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd., by subscribing for an additional 8,500,000 and 25,000 ordinary shares in cash amounting to an aggregate consideration of \$8,525,000.

During the financial year ended 31 December 2016, the Company increased its investment in the share capital of its wholly-owned subsidiary, SB Procurement Pte. Ltd., by subscribing for an additional 3,500,000 ordinary shares in cash amounting to an aggregate consideration of \$3,500,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The subsidiaries in the Group are:

Name of subsidiaries	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2017 %	2016 %	2017 %	2016 %
<b>HELD BY THE COMPANY:</b>						
Soil-Build (Pte.) Ltd. <sup>(a)</sup>	Building contractors	Singapore	100	100	-	-
SB Procurement Pte. Ltd. <sup>(a)</sup>	Construction and procurement services	Singapore	100	100	-	-
SB Project Services Pte. Ltd. <sup>(a)</sup>	Project and construction management services	Singapore	100	100	-	-
Soilbuild Construction International Pte. Ltd. <sup>(a)</sup>	Project and construction management services	Singapore	100	100	-	-
Soilbuild Construction Engineering Pte. Ltd. <sup>(a)</sup>	Building contractors	Singapore	100	100	-	-
Soilbuild E&C Pte. Ltd. <sup>(a)</sup>	Building contractors	Singapore	100	100	-	-
<b>HELD BY A SUBSIDIARY:</b>						
Soilbuild (Myanmar) Company Limited <sup>(b)</sup>	Construction and project management	Myanmar	100	100	-	-
Soilbuild Construction (Myanmar) Company Limited <sup>(b)</sup>	Construction and procurement services	Myanmar	100	100	-	-
Soilbuild (Thilawa) Company Limited <sup>(b)</sup>	Manufacturing of construction materials and parts	Myanmar	100	-	-	-
CS Corp Pte. Ltd. <sup>(a)</sup>	General contractors	Singapore	70	-	30	-

<sup>(a)</sup> Audited by PricewaterhouseCoopers LLP, Singapore

<sup>(b)</sup> Audited by Win Thin & Associates (Certified Public Accountants, Myanmar)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 16. INVESTMENTS IN JOINT VENTURES

	<b>Group</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Beginning of financial year	2,784	2,774
Distributions received from a joint venture	(435)	(17)
Dividends received from a joint venture	(2,000)	-
Share of profits	594	27
End of financial year	943	2,784

Set out below are the joint ventures of the Group as at 31 December 2017, 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.

<b>Name of entity</b>	<b>Place of business/ country of incorporation</b>	<b>% of ownership interest</b>	
		<b>2017</b>	<b>2016</b>
Forte Builder Pte. Ltd. <sup>(a)</sup>	Singapore	50	50
Solstice Development Pte. Ltd. <sup>(b)</sup>	Singapore	19*	19*
Soilbuild-Shincon J.V. <sup>(c)</sup>	Singapore	51	51

<sup>(a)</sup> Audited by Nexia TS Public Accounting Corporation

<sup>(b)</sup> Audited by Ken Tan & Co.

\* Although the Group has only 19% ownership in Solstice Development Pte. Ltd., decisions about the relevant activities of Solstice Development Pte. Ltd. require the unanimous consent of the Group and the other joint venture partners. Accordingly, the Group has joint control over Solstice Development Pte. Ltd..

<sup>(c)</sup> Unaudited.

Forte Builder Pte. Ltd. is a general contractor for construction of buildings, including major upgrading works in Singapore.

Solstice Development Pte. Ltd. is in the business of investment in properties, development of properties for sale and management of properties in Singapore.

Soilbuild-Shincon J.V. is in the business of general building construction and civil engineering works in Singapore.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

### Summarised financial information for joint ventures

Set out below are the summarised financial information for Forte Builder Pte. Ltd., Solstice Development Pte. Ltd. and Soilbuild-Shincon J.V..

### Summarised balance sheet

	Forte Builder Pte. Ltd.		Solstice Development Pte. Ltd.		Soilbuild-Shincon J.V.		Total	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Current assets</b>	1,629	11,885	141	152	4,451	344	6,221	12,381
Includes:								
- Cash and cash equivalents	1,629	4,763	141	152	16	10	1,786	4,925
<b>Current liabilities</b>	12	6,386	11	12	4,234	328	4,257	6,726
Includes:								
- Financial liabilities (including trade payables)	5	6,374	11	12	4,234	328	4,250	6,714
<b>Net assets</b>	1,617	5,499	130	140	217	16	1,964	5,655

### Summarised statement of comprehensive income

	Forte Builder Pte. Ltd.		Solstice Development Pte. Ltd.		Soilbuild-Shincon J.V.		Total	
	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue	1,627	300	-	-	21,513	1,025	23,140	1,325
Interest income	31	29	-	-	-	-	31	29
<b>Profit/(loss) from continuing operations</b>	124	12	(13)	(19)	1,054	50	1,165	43
Income tax (expense)/credit	(6)	(1)	3	-	-	-	(3)	(1)
<b>Post-tax profit/(loss) from continuing operations</b>	118	11	(10)	(19)	1,054	50	1,162	42
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	-
<b>Total comprehensive income/(loss)</b>	118	11	(10)	(19)	1,054	50	1,162	42
<b>Dividends and distributions received from joint ventures</b>	(4,000)	-	-	-	(853)	(34)	(4,853)	(34)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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.

### *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.		Solstice Development Pte. Ltd.		Soilbuild-Shincon J.V.		Total	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Net Assets</b>								
<b>At 1 January</b>	5,499	5,488	140	159	16	-	5,655	5,647
Profit/(loss) for the year	118	11	(10)	(19)	1,054	50	1,162	42
Dividends and distributions paid	(4,000)	-	-	-	(853)	(34)	(4,853)	(34)
<b>At 31 December</b>	1,617	5,499	130	140	217	16	1,964	5,655
Interest in joint ventures (50%; 19%; 51%)	809	2,750	24	26	110	8	943	2,784
<b>Carrying value</b>	809	2,750	24	26	110	8	943	2,784
<b>Carrying value of Group's interest in joint ventures</b>							943	2,784



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property \$'000	Plant and equip- ment \$'000	Motor vehicles \$'000	Renovation, furniture and equip- ment \$'000	Compu- ters \$'000	Contain- ers \$'000	Assets under construc- tion \$'000	Total \$'000
<b>Group</b>								
<b>2017</b>								
<i>Cost</i>								
Beginning of financial year	-	21,530	1,888	235	691	393	8,516	33,253
Additions	431	440	210	150	114	46	32,628	34,019
Disposals	-	(3,919)	-	-	(73)	(159)	-	(4,151)
Currency translation differences	-	(33)	(4)	(2)	(5)	-	-	(44)
End of financial year	431	18,018	2,094	383	727	280	41,144	63,077
<i>Accumulated depreciation</i>								
Beginning of financial year	-	8,163	520	215	611	270	-	9,779
Depreciation charge (Note 5)	1	1,905	391	5	58	51	-	2,411
Disposals	-	(3,267)	-	-	(73)	(124)	-	(3,464)
Currency translation differences	-	(6)	(2)	-	(1)	-	-	(9)
End of financial year	1	6,795	909	220	595	197	-	8,717
<b>Net book value End of financial year</b>	430	11,223	1,185	163	132	83	41,144	54,360

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant and equip- ment \$'000	Motor vehicles \$'000	Renovation, furniture and equip- ment \$'000	Compu- ters \$'000	Contain- ers \$'000	Assets under construc- tion \$'000	Total \$'000
<i>Group</i>							
<b>2016</b>							
<i>Cost</i>							
Beginning of financial year	22,933	1,298	223	643	404	547	26,048
Additions	1,316	643	12	49	10	7,969	9,999
Disposals	(2,718)	(57)	-	-	(20)	-	(2,795)
Currency translation differences	(1)	4	-	(1)	(1)	-	1
End of financial year	21,530	1,888	235	691	393	8,516	33,253
<i>Accumulated depreciation</i>							
Beginning of financial year	7,595	268	215	533	220	-	8,831
Depreciation charge (Note 5)	2,115	307	1	79	57	-	2,559
Disposals	(1,549)	(57)	-	-	(7)	-	(1,613)
Currency translation differences	2	2	(1)	(1)	-	-	2
End of financial year	8,163	520	215	611	270	-	9,779
<b>Net book value</b>							
<b>End of financial year</b>	13,367	1,368	20	80	123	8,516	23,474

### *Assets under construction*

The Group's property, plant and equipment included assets under construction amounting to \$41,144,000 (2016: \$8,516,000) which relate to expenditure directly attributable for construction of building and plant for Integrated Construction and Precast Hub ("ICPH") located at Defu South Street 1 and Tuas South Link 3.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 18. INTANGIBLE ASSETS

Acquired computer software licences

	<b>Group</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<i>Cost</i>		
Beginning of financial year	437	414
Additions	356	23
End of financial year	793	437
<i>Accumulated amortisation</i>		
Beginning of financial year	258	190
Amortisation charge (Note 5)	80	68
End of financial year	338	258
Net book value	455	179

Amortisation of intangible assets of \$80,000 (2016: \$68,000) was recognised in the statement of comprehensive income under "Expenses - Others".

## 19. LAND LEASE PREPAYMENT

	<b>Group</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<i>Cost</i>		
Beginning of financial year	26,645	26,645
Additions	5,552	-
End of financial year	32,197	26,645
<i>Accumulated amortisation</i>		
Beginning of financial year	1,110	222
Amortisation charge (Note 5)	982	888
Currency translation differences	(1)	-
End of financial year	2,091	1,110
Net book value	30,106	25,535

	<b>Group</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Amount to be amortised:		
- Not later than one year	1,086	888
- Later than one year but not later than five years	5,432	3,553
- Later than five years	23,588	21,094

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 19. LAND LEASE PREPAYMENT (CONTINUED)

Land lease prepayment relates to the lease of land located at Defu South Street 1 and Tuas South Link 3 in Singapore and land located in Thilawa Special Economic Zone, Myanmar. The leases will expire in 2045, 2037 and 2064 respectively.

## 20. TRADE AND OTHER PAYABLES & PROVISION FOR OTHER LIABILITIES

### (a) Trade and other payables

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<u>Current</u>				
Trade payables:				
- Non-related parties	27,529	43,209	-	-
- Joint venture	-	333	-	-
- Related Companies <sup>#</sup>	2,686	-	-	-
	30,215	43,542	-	-
Retentions:				
- Non-related parties	25,144	28,432	-	-
Due to customers on construction contracts (Note 13)	11,859	4,683	-	-
Due to a related company <sup>#</sup> on construction contracts (Note 13)	1,676	1,674	-	-
Rental deposits	53	43	-	-
Interest payable	4	-	-	-
Accrued operating expenses	2,769	4,435	253	282
Accrued construction costs	18,437	14,149	-	-
Other payables	3,794	9,050	4	96
Amounts due to related companies <sup>#</sup> (non-trade)	37	6,694	3	-
Loans due to subsidiaries	-	-	500	-
	93,988	112,702	760	378
<u>Non-current</u>				
Retentions:				
- Non-related parties	1,253	-	-	-
Total trade and other payables	95,241	112,702	760	378

<sup>#</sup> Related companies pertain to companies which are wholly-owned by a director of the Company.

The non-trade amounts due to related companies are unsecured, interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 20. TRADE AND OTHER PAYABLES & PROVISION FOR OTHER LIABILITIES (CONTINUED)

### (b) Provision for other liabilities

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Provision for cost of defects	554	580	-	-
Other provisions	539	539	-	-
	1,093	1,119	-	-

Movement in provision for cost of defects is as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Beginning of financial year	580	989	-	-
Provision made	427	267	-	-
Provision utilised	(453)	(676)	-	-
End of financial year	554	580	-	-

Movement in other provisions is as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Beginning of financial year	539	362	-	-
Provision made	-	180	-	-
Provision utilised	-	(3)	-	-
End of financial year	539	539	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 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	
	2017 \$'000	2016 \$'000
<b>Deferred income tax assets</b>		
- To be settled within one year	-	-
- To be settled after one year	50	-
	50	-
<b>Deferred income tax liabilities</b>		
- To be settled within one year	-	-
- To be settled after one year	-	1,394
	-	1,394

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	Tax losses \$'000	Capital allowances \$'000	Total \$'000
<b>2017</b>				
Beginning of financial year	(202)	-	-	(202)
Charged/(credited) to profit or loss	18	(790)	(952)	(1,724)
Currency translation differences	-	1	1	2
End of financial year	(184)	(789)	(951)	(1,924)
<b>2016</b>				
Beginning of financial year	(265)	(436)	-	(701)
Charged to profit or loss	63	436	-	499
End of financial year	(202)	-	-	(202)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 21. DEFERRED INCOME TAXES (CONTINUED)

### Group

#### Deferred income tax liabilities

	Accelerated tax depreciation \$'000
<b>2017</b>	
Beginning of financial year	1,596
Charged to profit or loss	279
Currency translation differences	(1)
End of financial year	1,874
<b>2016</b>	
Beginning of financial year	1,286
Charged to profit or loss	310
End of financial year	1,596

## 22. BORROWINGS

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<u>Current</u>				
Term loan	8,571	-	-	-
Short term bank borrowing	2,673	-	-	-
	11,244	-	-	-

The borrowings are unsecured and the Company has issued corporate guarantees to banks for borrowings of certain subsidiaries as disclosed in Note 30. The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Not later than one year	11,244	-	-	-

### (a) Fair value of borrowings

The fair value of the borrowings are expected to approximate their carrying value as interest rates of these borrowings are adjusted for changes in the relevant market interest rates.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 22. BORROWINGS (CONTINUED)

### (b) Breach of loan covenants

As at 31 December 2017, certain subsidiaries of the Company are in breaches of loan covenants in relation to borrowings from banks (the "Banks").

The breaches are as follows:

- (i) Breach of the maintenance of leverage ratio of a subsidiary in relation to short-term borrowings amounting to \$2,673,000. There is no changes in the classification of the short-term borrowings as it is already classified as current in the financial statements of the Group as at 31 December 2017.
- (ii) Breach of the maintenance of debt service ratio of the Group in relation to term loan amounting to \$8,571,000. Arising from the breach, a portion of the term loan amounting to \$8,025,000 which is due twelve months after the balance sheet date has been reclassified from non-current to current on the balance sheet of the Group as at 31 December 2017.

Subsequent to the balance sheet date, the Group has obtained waiver of the breaches from the Banks where the facilities remain available to the Group and the repayment terms remain unchanged.

## 23. SHARE CAPITAL

	← Issued share capital →	
	No. of ordinary shares '000	Amount \$'000
<b>Group and Company</b>		
<b>2017</b>		
Beginning of financial year	669,489	58,798
Conversion of warrant to ordinary shares	673	155
Issuance of shares pursuant to the Performance Share Plan <sup>(a)</sup> (Note 26)	2,827	644
End of financial year	672,989	59,597
<b>2016</b>		
Beginning of financial year	666,265	58,047
Conversion of warrant to ordinary shares	13	3
Issuance of shares pursuant to the Performance Share Plan <sup>(b)</sup> (Note 26)	3,211	748
End of financial year	669,489	58,798

<sup>(a)</sup> During the financial year ended 31 December 2017, the Company allotted and issued 2,827,000 new shares (Note 26) amounting to \$644,000 pursuant to the Performance Share Plan.

<sup>(b)</sup> During the financial year ended 31 December 2016, the Company allotted and issued 3,211,000 new shares (Note 26) amounting to \$748,000 pursuant to the Performance Share Plan.

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 24. CAPITAL RESERVE

	<b>Group</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Beginning and end of financial year	1,070	1,070

During the financial year ended 31 December 2013, pursuant to a restructuring exercise, the Company entered into a sales and purchase agreement with a related company to acquire the entire equity interests of Soil-Build (Pte.) Ltd., SB Procurement Pte. Ltd. and SB Project Services Pte. Ltd.. A related company pertains to a company which is wholly-owned by a director of the Company.

The capital reserve represents the difference between the purchase consideration amounting to \$16,570,000 which is entirely satisfied by the allotment and issuance of shares and the carrying value of the net assets acquired amounting to \$15,500,000.

## 25. CURRENCY TRANSLATION RESERVE

	<b>Group</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Beginning of financial year	116	51
Net currency translation differences of foreign operations	(426)	65
End of financial year	(310)	116

## 26. PERFORMANCE SHARE PLAN RESERVE

	<b>Group and Company</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Beginning of financial year	719	964
Share-based compensation (write-back)/expenses (Note 6)	(75)	503
Issuance of shares pursuant to the PSP (Note 23)	(644)	(748)
End of financial year	-	719

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' Statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 26. PERFORMANCE SHARE PLAN RESERVE (CONTINUED)

### (a) Performance share awards granted for the financial year ended 31 December 2014 (“2014 PSP Awards”)

During the financial year ended 31 December 2014, 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 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 statements 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.

During the financial year ended 31 December 2017, 1,663,476 shares (2016: 1,663,476 shares) have been issued by virtue of the release of the awards under the 2014 PSP Awards.

Further details of the 2014 PSP Awards which include the movement during the financial year ended 31 December 2017 and the number outstanding as at 31 December 2017 are as disclosed under ‘Share Plans’ in the Directors’ Statement.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 26. PERFORMANCE SHARE PLAN RESERVE (CONTINUED)

### (b) Performance share awards granted for the financial year ended 31 December 2015 (“2015 PSP Awards”)

During the financial year ended 31 December 2015, 2015 PSP Awards in respect of an aggregate of up to 6,782,000 ordinary shares in the Company were granted to the relevant participants on 31 March 2015. The grant of the 2015 PSP Award to Mr Lim Chap Huat, a controlling shareholder of the Company, was conditional on independent shareholders’ approval for the grant of the 2015 PSP Award to him. Such approval was obtained on 24 April 2015. The 2015 PSP Awards are subject to the accomplishment of certain performance targets set over the performance period for the financial year ended 31 December 2015. Arising from the 2015 PSP Awards, ordinary shares or cash at the discretion of the RC 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 2015, the grant of 2015 PSP Awards were reviewed by the RC on 24 February 2016, taking into consideration, among others, the performance of the participants of the 2015 PSP Awards for the financial year ended 31 December 2015. Based on such review, the number of shares awarded under the 2015 PSP Awards amounted to 3,874,327 shares, and 2,907,673 shares under the 2015 PSP Awards have lapsed.

The vesting period of the respective tranches of the 2015 PSP Awards amounting to 40%, 30% and 30% is from 31 March 2015 to their release dates which are within one month from the issuance of the audited financial statements of the Group for FY2015, FY2016 and FY2017 respectively. The 2015 PSP Awards will be released provided the respective participants have remained in the employment of the Group up to the respective release dates.

During the financial year ended 31 December 2017, 1,163,524 (2016: 1,547,524) shares have been issued by virtue of the release of the awards under the 2015 PSP Awards and 1,163,279 (2016: Nil) shares have been voluntarily relinquished by the participants.

Further details of the 2015 PSP Awards which include the movement during the financial year ended 31 December 2017 and the number outstanding as at 31 December 2017 are as disclosed under ‘Share Plans’ in the Directors’ Statement.

The fair value of the 2015 PSP Awards was determined using the Black Scholes Valuation Model. The significant inputs into the model were the share price of \$0.231 and \$0.245 per share at the grant dates of 31 March 2015 and 24 April 2015 respectively, the standard deviation of expected share price returns of 29.4%, the dividend yield of 8%, the vesting period of the 2015 PSP Awards as disclosed above, and annual risk-free interest rate of 2.63%. 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 2015.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 26. PERFORMANCE SHARE PLAN RESERVE (CONTINUED)

### (c) Performance share awards granted for the financial year ended 31 December 2016 (“2016 PSP Awards”)

During the financial year ended 31 December 2016, 2016 PSP Awards in respect of an aggregate of up to 7,696,000 ordinary shares in the Company were granted to the relevant participants on 18 March 2016. The grant of the 2016 PSP Award to Mr Lim Chap Huat, a controlling shareholder of the Company, was conditional on independent shareholders’ approval for the grant of the 2016 PSP Award to him. Such approval was obtained on 26 April 2016. The 2016 PSP Awards are subject to the accomplishment of certain performance targets set over the performance period for the financial year ended 31 December 2016. Arising from the 2016 PSP Awards, ordinary shares or cash at the discretion of the RC 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 2016, the grant of 2016 PSP Awards were reviewed by the RC on 22 February 2017, taking into consideration, among others, the performance of the participants of the 2016 PSP Awards for the financial year ended 31 December 2016. Based on such review, there were no shares awarded under the 2016 PSP Awards, and 7,696,000 shares under the 2016 PSP Awards have lapsed.

The vesting period of the respective tranches of the 2016 PSP Awards amounting to 40%, 30% and 30% is from 18 March 2016 to their release dates which are within one month from the issuance of the audited financial statement of the Group for FY2016, FY2017 and FY2018 respectively. The 2016 PSP Awards will be released provided the respective participants have remained in the employment of the Group up to the respective release dates.

During the financial year ended 31 December 2016 and 31 December 2017, no shares have been issued by virtue of the release of the awards under the 2016 PSP Awards.

Further details of the 2016 PSP Awards which include the movement during the financial year ended 31 December 2017 and the number outstanding as at 31 December 2017 are as disclosed under ‘Share Plans’ in the Directors’ Statement.

There are no fair value measurements required for the 2016 PSP Awards as there were no shares awarded under 2016 PSP Awards based on review by the RC.

### (d) Performance share awards granted for the financial year ended 31 December 2017 (“2017 PSP Awards”)

During the financial year ended 31 December 2017, 2017 PSP Awards in respect of an aggregate of up to 7,913,000 ordinary shares in the Company were granted to the relevant participants on 2 March 2017. The grant of the 2017 PSP Award to Mr Lim Chap Huat, a controlling shareholder of the Company, was conditional on independent shareholders’ approval for the grant of the 2017 PSP Award to him. Such approval was obtained on 24 April 2017. The 2017 PSP Awards are subject to the accomplishment of certain performance targets set over the performance period for the financial year ended 31 December 2017. Arising from the 2017 PSP Awards, ordinary shares or cash at the discretion of the RC will be released provided the respective participants have remained in the employment of the Group up to the respective release dates.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 26. PERFORMANCE SHARE PLAN RESERVE (CONTINUED)

- (d) Performance share awards granted for the financial year ended 31 December 2017 (“**2017 PSP Awards**”) (continued)

Subsequent to the financial year ended 31 December 2017, the grant of 2017 PSP Awards were reviewed by the RC on 26 February 2018, taking into consideration, among others, the performance of the participants of the 2017 PSP Awards for the financial year ended 31 December 2017. Based on such review, there were no shares awarded under the 2017 PSP Awards, and 7,913,000 shares under the 2017 PSP Awards have lapsed.

The vesting period of the respective tranches of the 2017 PSP Awards amounting to 40%, 30% and 30% is from 2 March 2017 to their release dates which are within one month from the issuance of the audited financial statement of the Group for FY2017, FY2018 and FY2019 respectively. The 2017 PSP Awards will be released provided the respective participants have remained in the employment of the Group up to the respective release dates.

During the financial year ended 31 December 2017, no shares have been issued by virtue of the release of the awards under the 2017 PSP Awards.

Further details of the 2017 PSP Awards which include the movement during the financial year ended 31 December 2017 and the number outstanding as at 31 December 2017 are as disclosed under ‘Share Plans’ in the Directors’ Statement.

There are no fair value measurements required for the 2017 PSP Awards as there were no shares awarded under the 2017 PSP Awards based on review by the RC.

## 27. WARRANT RESERVE

	<b>Group and Company</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Beginning of financial year	8,161	-
Proceeds from preferential offering of warrants	-	8,368
Expenses relating to preferential offering of warrants	-	(206)
Issuance of shares pursuant to exercise of warrants	(33)	(1)
End of financial year	<b>8,128</b>	<b>8,161</b>

On 13 July 2016, the Company issued 167,369,000 warrants pursuant to its preferential offering of warrants. The proceeds from the preferential offering of warrants amounting to \$8,368,000 are classified as warrant reserve under equity. The expenses relating to the preferential offering of warrants amount to \$206,000 are deducted against the warrant reserve.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 28. RETAINED PROFITS

Movement in retained profits for the Group and the Company is as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Beginning of financial year	31,367	32,881	8,987	12,931
Total net (loss)/profit for the year	(6,303)	11,876	(232)	9,446
Dividends paid (Note 29)	(8,412)	(13,390)	(8,412)	(13,390)
End of the financial year	16,652	31,367	343	8,987

## 29. DIVIDENDS

	Group and Company	
	2017 \$'000	2016 \$'000
<i>Ordinary dividends paid</i>		
Final dividends paid in respect of the prior financial year		
- Soilbuild Construction Group Ltd. of \$0.005 (2016: \$0.005) per share	3,365	3,347
Special dividends paid in respect of the prior financial year		
- Soilbuild Construction Group Ltd. of \$0.0075 (2016: \$0.0075) per share	5,047	6,695
Interim dividends paid in respect of the current financial year		
- Soilbuild Construction Group Ltd. of \$Nil (2016: \$0.005) per share	-	3,348
	8,412	13,390

## 30. CONTINGENCIES

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to \$11,244,000 (2016: Nil) at the balance sheet date.

## 31. COMMITMENTS

### (a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2017 \$'000	2016 \$'000
Property, plant and equipment	11,042	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 31. COMMITMENTS (CONTINUED)

- (b) Operating lease commitments - where the Group is a lessor

The Group leases out land to a non-related party under non-cancellable operating lease. The lessee is required to make fixed rental payments for the lease.

	Group	
	2017 \$'000	2016 \$'000
Not later than one year	131	-

- (c) Operating lease commitments - where the Group is a lessee

The Group leases a production area, warehouse, workers' accommodation and office premises from related parties under non-cancellable operating leases. The Group is required to make fixed rental payments for the leases. The Group leases land and office premises from non-related parties under non-cancellable operating leases. The Group is required to make upfront payments for the leases.

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

	Group	
	2017 \$'000	2016 \$'000
Not later than one year	739	621
Between one and five years	-	53
	739	674

## 32. 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk

#### (i) Currency risk

The Group operates predominately in Singapore and Myanmar and the functional currencies of the entities in each of the countries are the Singapore Dollar ("SGD") and the United States Dollar ("USD") respectively. Currency risks arise within entities in the Group when transactions denominated in foreign currencies such as the SGD, USD and Myanmar Kyat ("MMK"). Entities in the Group transact predominately in their functional currencies and hold matching currency assets and liabilities to manage the currency risk.

The currency exposure of the Group and the Company based on the information provided to key management is as follows:

	Group		Company
	USD \$'000	MMK \$'000	USD \$'000
<b>At 31 December 2017</b>			
<b>Financial assets</b>			
Cash and cash equivalents	1,522	402	-
Trade and other receivables	24,487	-	573
Other financial assets	12	-	-
	26,021	402	573
<b>Financial liabilities</b>			
Trade and other payables	(18,890)	(3,695)	-
Borrowings	(2,673)	-	-
	(21,563)	(3,695)	-
<b>Net financial assets/(liabilities)</b>	4,458	(3,293)	-
Less: Net financial assets denominated in the respective entities' functional currencies	(3,270)	-	-
<b>Currency exposure</b>	1,188	(3,293)	573
<b>At 31 December 2016</b>			
<b>Financial assets</b>			
Cash and cash equivalents	637	2,643	-
Trade and other receivables	5,927	3,828	573
Other financial assets	233	-	-
	6,797	6,471	573
<b>Financial liabilities</b>			
Trade and other payables	(7,416)	(1,133)	-
	(7,416)	(1,133)	-
<b>Net financial (liabilities)/assets</b>	(619)	5,338	573
Add: Net financial liabilities denominated in the respective entities' functional currencies	3,160	-	-
<b>Currency exposure</b>	2,541	5,338	573



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

##### *Sensitivity analysis for currency risk*

If the USD changes against the SGD by 5% (2016: 5%) and the MMK changes against the SGD by 5% (2016: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	Increase/(decrease) Profit after tax	
	2017 \$'000	2016 \$'000
<b>Group</b>		
USD against SGD		
- strengthened	49	105
- weakened	(49)	(105)
MMK against SGD		
- strengthened	(124)	200
- weakened	124	(200)
<b>Company</b>		
USD against SGD		
- strengthened	24	24
- weakened	(24)	(24)

#### (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 and the Company are not exposed to any significant price risks.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk (continued)

#### (iii) Cash flow and fair value interest rate risks (continued)

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If the SGD interest rates had been higher/lower by 0.50% (2016: Nil) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by \$46,000 (2016:Nil) as a result of higher/lower interest expense on these borrowings.

The Company has interest bearing loans due from subsidiaries at variable rates on which effective hedges have not been entered into. If the interest rates had been higher/lower by 0.50% (2016: 0.50%) with all other variables including tax rate being held constant, the profit after tax would be higher/lower by \$145,000 (2016: \$166,000) as a result of higher/lower interest income on these loans due from subsidiaries.

### (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 and Company's major classes of financial assets are cash and cash equivalents, trade and other receivables and deposits.

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.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet except as follows:

	<b>Company</b>	
	<b>2017</b> <b>\$'000</b>	<b>2016</b> <b>\$'000</b>
Corporate guarantees provided to banks on subsidiaries' loans	11,244	-

The trade receivables of the Group comprise 6 debtors (2016: 4 debtors) that individually represented 6 - 29% (2016: 10 - 31%) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (continued)

#### 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 and other receivables and deposits 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.

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Past due 0 to 30 days	757	3,011	-	-
Past due 31 to 90 days	199	666	-	-
Past due 91 days	2,036	10,745	-	-
	2,992	14,422	-	-

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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Gross amount	29	50	-	-
Less: Allowance for impairment (Note 12)	(29)	(50)	-	-
	-	-	-	-
Beginning of financial year	50	50	-	-
Allowance written off	(21)	-	-	-
End of financial year	29	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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (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.

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.

	<b>Not later than 1 year \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>
<u>Group</u>			
<b>At 31 December 2017</b>			
Trade and other payables	(93,988)	(1,253)	-
Borrowings			
- Principal	(11,244)	-	-
- Interest	(171)	(158)	(245)
	(105,403)	(1,411)	(245)
<b>At 31 December 2016</b>			
Trade and other payables	(112,702)	-	-
<u>Company</u>			
<b>At 31 December 2017</b>			
Trade and other payables	(760)	-	-
<b>At 31 December 2016</b>			
Trade and other payables	(378)	-	-

### (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.

The Group is required by the banks to maintain a gearing ratio of not exceeding 125% (2016: 125%). The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Capital risk (continued)

	<b>Group</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Net debt	78,614	79,872
Total equity	82,994	98,091
Total capital	161,608	177,963
<b>Gearing ratio</b>	49%	45%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 2017, except for the breaches of debt covenants in relation to bank borrowings of subsidiaries as disclosed in Note 22.

### (e) Financial instruments by category

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

	<b>Group</b>		<b>Company</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Loans and receivables	100,499	162,587	37,128	53,906
Financial liabilities at amortised cost	106,485	112,702	760	378

### (f) Fair value measurements

The carrying amounts of non-current trade receivables, non-current assets and non-current trade and other payables as disclosed in Note 12, Note 14 and Note 20(a) respectively approximate their fair values.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 33. 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	
	2017 \$'000	2016 \$'000
Revenue from construction contracts from related companies <sup>#</sup>	18,889	11,385
Revenue from construction contracts from a joint operator	16,012	21,582
Revenue from construction contracts from related parties <sup>*</sup>	(22)	1,655
Revenue from rendering of project management services to related companies <sup>#</sup>	34	41
Rental expense charged by related companies <sup>#</sup>	1,178	723
Renovation/reinstatement services received/receivable from related companies <sup>#</sup>	73	371
Other service income received/receivable from related companies <sup>#</sup>	161	47
Share of common overheads paid/payable to related companies <sup>#</sup>	306	409
Share of common overheads received/receivable from related companies <sup>#</sup>	133	95

\* Related parties pertain to family members of a director of the Company, and a key management personnel of the Group.

# Related companies pertain to companies which are wholly-owned by a director of the Company.

- (b) Key management personnel compensation

The key management personnel compensation is as follows:

	Group	
	2017 \$'000	2016 \$'000
Salaries and other short-term employee benefits	2,989	3,478
Other long term benefits - share based compensation	-	503
Contribution to Central Provident Fund	195	208
	3,184	4,189

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

## 34. 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, and is the Group's chief operating decision-maker.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 34. SEGMENT INFORMATION (CONTINUED)

Senior management considers the business of the Group from the geographical perspective. Geographically, senior management manages and monitors the business in the two primary geographic areas namely Singapore and Myanmar. All geographic areas are engaged mainly in the construction business.

The segment information provided to senior management for the reportable segments is as follows:

	Singapore \$'000	Myanmar \$'000	Elimination \$'000	Total \$'000
<u>Group</u>				
<b>2017</b>				
<b>Revenue</b>				
External customers	179,548	21,221	-	200,769
Inter-segment revenue	2,716	-	(2,716)	-
	182,264	21,221	(2,716)	200,769
<b>Result</b>				
Segment result before interest	(9,195)	1,168	(45)	(8,072)
Interest income				47
Loss before income tax				(8,025)
Income tax credit				1,719
Net loss				(6,306)
<b>Segment results include:</b>				
- Depreciation of property, plant and equipment	2,229	182	-	2,411
- Amortisation of intangible assets	80	-	-	80
- Amortisation of land lease prepayment	946	36	-	982
- Share of profit of joint ventures	594	-	-	594
<b>Segment assets</b>	185,153	27,481	(21,836)	190,798
Segment assets includes:				
Investment in joint ventures	943	-	-	943
Additions to:				
- Property, plant and equipment	33,185	1,325	(491)	34,019
- Intangible assets	356	-	-	356
- Land lease prepayment	2,788	2,764	-	5,552
<b>Segment liabilities</b>	(106,260)	(23,380)	21,836	(107,804)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 34. SEGMENT INFORMATION (CONTINUED)

	Singapore \$'000	Myanmar \$'000	Elimination \$'000	Total \$'000
<u>Group</u>				
<b>2016</b>				
<b>Revenue</b>				
External customers	388,262	11,385	-	399,647
	388,262	11,385	-	399,647
<b>Result</b>				
Segment result before interest	12,304	2,061	-	14,365
Interest income				45
Profit before income tax				14,410
Income tax expense				(2,534)
Net profit				11,876
<b>Segment results include:</b>				
- Depreciation of property, plant and equipment	2,535	24	-	2,559
- Amortisation of intangible assets	68	-	-	68
- Amortisation of land lease prepayment	888	-	-	888
- Share of profit of joint ventures	27	-	-	27
<b>Segment assets</b>	206,636	9,578	(892)	215,322
Segment assets includes:				
Investment in joint ventures	2,784	-	-	2,784
Additions to:				
- Property, plant and equipment	9,642	357	-	9,999
- Intangible assets	23	-	-	23
<b>Segment liabilities</b>	(114,363)	(7,472)	4,604	(117,231)

Revenue between segments are recognised at market terms. The revenue from external parties reported to the senior management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Senior management assesses the performance of the operating segments based on net profit whereby the amounts are prepared on the same basis as the financial statements. Accordingly, there are no reconciling items to be disclosed.

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

Revenues of \$130,630,000 (2016: \$282,853,000) are derived from 6 external customers (2016: 5 external companies). These revenues are attributable to the Singapore and Myanmar segments.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 35. JOINT OPERATIONS

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 over 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.

## 36. ULTIMATE CONTROLLING PARTY

The Company's ultimate controlling party is Mr Lim Chap Huat who is a controlling shareholder and director of the Company.

## 37. 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 2018 or later periods and which the Group has not early adopted:

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 *Financial instruments: Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there are no changes to classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designed at fair value through profit or loss, such changes are recognised in OCI.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 37. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

- FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018) (continued)

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 38). The new accounting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 38.

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 38). The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 38.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 37. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

- FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments of the Group may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 38). The new accounting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

## 38. ADOPTION OF SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018 in April 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

- (a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under IFRS 1. The Group plans to elect relevant optional exemptions and these elected exemptions results in no significant adjustments to the Group's financial statements currently prepared under FRS.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 38. ADOPTION OF SFRS(I) (CONTINUED)

### (b) Adoption of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, requirements of SFRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017.

#### (i) Impairment of financial assets

The following financial assets will be subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

- trade receivables and contract assets recognised under SFRS(I) equivalent of IFRS 15;
- loans to related parties and other receivables at amortised cost.

The Group has assessed that there is no significant impact from the application of the expected credit loss impairment model.

### (c) Adoption of SFRS(I) equivalent of IFRS 15

In accordance with the requirements of IFRS 1, the Group will adopt SFRS(I) equivalent of IFRS 15 retrospectively. The main adjustments are as follows:

#### (i) Accounting for loss-making construction contracts

Under FRS, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately on a contract-by-contract basis, and is accounted for on the balance sheet in accordance with Note 2.8.

Under the SFRS(I) 15, there is no guidance on how to account for expected losses on loss-making contracts. As such, the Group will need to apply SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets to identify and account for onerous contracts. The Group has assessed and concluded that these loss-making contracts are onerous and will be recognised and measure as a provision.

#### (ii) Presentation of contract assets and liabilities

The Group is expected to change the presentation of certain amounts in the balance sheet to reflect the terminology in SFRS(I) equivalent of IFRS 15:

- Amount due from customers arising from construction contracts will be reclassified to be presented as part of contract assets.
- Amount due to customers arising from construction contracts under SFRS will be reclassified to be presented as part of contract liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended  
31 December 2017

## 38. ADOPTION OF SFRS(I) (CONTINUED)

(d) Summary of provisional financial impact

	As at 31 December 2017 reported under SFRS \$'000	(Provisional) As at 1 January 2018 reported under SFRS(I) \$'000	As at 1 January 2017 reported under SFRS \$'000	(Provisional) As at 1 January 2017 reported under SFRS(I) \$'000
<b>Current</b>				
Trade and other receivables	56,100	33,271	103,427	69,603
Contract assets	-	22,829	-	34,307
Trade and other payables	(93,988)	(80,453)	(112,702)	(106,345)
Contract liabilities	-	(13,535)	-	(6,352)
Provision for other liabilities	(1,093)	(1,093)	(1,119)	(1,607)

The Group is in the process of finalising its assessment of the impact arising from adoption of SFRS(I) 15. Accordingly, the impact determined from the finalised assessment may differ from the provisional figures determined at the moment.

## 39. 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 29 March 2018.

# STATISTICS OF SHAREHOLDERS

As at  
15 March 2018

Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share
No. of Issued Shares ("Shares")	:	672,988,500

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	252	17.17	233,497	0.03
1,001 – 10,000	452	30.79	2,680,700	0.40
10,001 – 1,000,000	739	50.34	71,058,803	10.56
1,000,001 – and above	25	1.70	599,015,500	89.01
	1,468	100.00	672,988,500	100.00

## **Substantial Shareholders**

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Lim Chap Huat	492,560,215	73.19	-	-

# STATISTICS OF SHAREHOLDERS

As at  
15 March 2018

## Twenty Largest Shareholders

No.	Name of Shareholders	Number of Shares	% of Issued Share Capital
1.	Lim Chap Huat	492,560,215	73.19
2.	Lim Han Ren (Lin Hanren)	27,250,000	4.05
3.	DBS Nominees Pte Ltd	15,367,300*	2.28
4.	Lim Han Feng (Lin Hanfeng)	11,000,000	1.63
5.	Lim Han Qin	11,000,000	1.63
6.	Raffles Nominees (Pte) Ltd	5,470,000	0.81
7.	DBS Vickers Securities (Singapore) Pte Ltd	4,775,000	0.71
8.	Ho Kiat Chong	3,574,000	0.53
9.	Ng Hock Kon	3,090,000	0.46
10.	RHB Securities Singapore Pte Ltd	2,587,900	0.38
11.	Ng Siew Lan	2,420,000	0.36
12.	DB Nominees (S) Pte Ltd	2,000,000	0.30
13.	Lee Chee Seng	2,000,000	0.30
14.	Tan Hee Nam	2,000,000	0.30
15.	Lim Chap Heng	1,639,400	0.24
16.	Chia Cheng Liang	1,525,700	0.23
17.	Lim Sze Pheng	1,500,000	0.22
18.	Ho Toon Bah	1,265,785	0.19
19.	Wire & Metal Products (Pte) Ltd	1,260,000	0.19
20.	Amir Hamzah Bin Mohamed Salleh	1,205,700	0.18
		<b>593,491,000</b>	<b>88.18</b>

\* Include 10,389,000 Shares held for Mr Ho Toon Bah. In aggregate, Mr Ho Toon Bah holds 11,654,785 Shares in the Company.

## 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, 17.65% of the issued share capital of the Company was held in the hands of public as at 15 March 2018. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# STATISTICS OF WARRANTHOLDERS

As at  
15 March 2018

Distribution of warrantholders by size of warrantholdings as at 15 March 2018.

Size of Warrantholdings	Number of Warrantholders	% of Warrantholders	Number of Warrants	% of Issued Warrants
1 – 99	3	1.05	125	–
100 – 1,000	11	3.86	8,000	–
1,001 – 10,000	79	27.72	486,225	0.29
10,001 – 1,000,000	182	63.86	18,660,553	11.20
1,000,001 – and above	10	3.51	147,528,597	88.51
	285	100.00	166,683,500	100.00

## Twenty Largest Warrantholders

No.	Name of Warrantholders	Number of Warrants	% of Issued Warrants
1.	Lim Chap Huat	122,812,750	73.68
2.	Lim Han Ren (Lin Hanren)	8,000,047	4.80
3.	Lim Han Feng (Lin Hanfeng)	2,860,000	1.72
4.	Lim Han Qin	2,860,000	1.72
5.	DBS Vickers Securities (Singapore) Pte Ltd	2,700,350	1.62
6.	Ho Toon Bah	2,597,250	1.56
7.	Ng Hock Kon	1,875,000	1.12
8.	DBS Nominees Pte Ltd	1,407,000	0.84
9.	RHB Securities Singapore Pte Ltd	1,212,000	0.73
10.	Raffles Nominees (Pte) Ltd	1,204,200	0.72
11.	Tan Hee Nam	1,000,000	0.60
12.	Philip Securities Pte Ltd	999,625	0.60
13.	Low Chin Yee	858,600	0.52
14.	Ho Kiat Chong	834,000	0.50
15.	Lim Chap Heng	753,100	0.45
16.	Ng Siew Lan	605,000	0.36
17.	Ang Kim Leng	600,000	0.36
18.	DB Nominees (S) Pte Ltd	500,000	0.30
19.	Lee Chee Seng	500,000	0.30
20.	Chong Ah Lan	400,000	0.24
		154,578,922	92.74



# NOTICE OF FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of Soilbuild Construction Group Ltd. (the “**Company**”) will be held at 23 Defu South Street 1, Singapore 533847 on Thursday, 26 April 2018 at 2.00 p.m. to transact the following business:

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors’ Statement and Independent Auditor’s Report thereon. **(Resolution 1)**
2. To approve the Directors’ fees of S\$340,000.00 for the financial year ending 31 December 2018. (2017: S\$340,000.00) *(See Explanatory Note 1)* **(Resolution 2)**
3. To re-elect the following Directors retiring by rotation pursuant to Article 94 of the Company’s Constitution:
  - (i) Mr Ho Toon Bah (Article 94) *(see Explanatory Note 2)* **(Resolution 3)**
  - (ii) Mr Poon Hon Thang (Article 94) *(see Explanatory Note 3)* **(Resolution 4)**

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.

4. To re-appoint PricewaterhouseCoopers LLP as auditor 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 resolutions, of which Resolutions 6, 7, 8 and 9 will be proposed as ordinary resolutions, with or without modifications:

### ORDINARY RESOLUTIONS

5. **Authority to allot and issue shares**
  - (a) That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and the Listing Manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (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 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; and
    - (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

# NOTICE OF FIFTH ANNUAL GENERAL MEETING

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- (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:

- (1) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of 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 and subsidiary holdings of the Company. Unless prior shareholder approval is required under the Listing Manual, 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 and subsidiary holdings is based on the Company's total number of issued shares excluding treasury shares and subsidiary holdings at the time this resolution is passed, after adjusting for:

- (a) new shares arising from the conversion or exercise of convertible securities;
- (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and
- (c) any subsequent bonus issue, consolidation or subdivision of the Company's shares; and
- (2) 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 4) (Resolution 6)*

## 6. **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 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 Soilbuild Construction Performance Share Plan shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time, as determined in accordance with the provisions of the Scheme. *(See Explanatory Note 5) (Resolution 7)*

# NOTICE OF FIFTH ANNUAL GENERAL MEETING

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## 7. **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 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 Soilbuild Construction Employee Share Option Scheme, shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time, as determined in accordance with the provisions of the PSP. *(See Explanatory Note 6) (Resolution 8)*

## 8. **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 of the Singapore Exchange Securities Trading Limited (“Chapter 9”), 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 Fifth Annual General Meeting (the “Appendix”) which is enclosed with the Company’s Annual Report 2017, 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 7) (Resolution 9)*

## 9. **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, 11 April 2018

# NOTICE OF FIFTH ANNUAL GENERAL MEETING

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## Explanatory Notes:

1. The ordinary resolution proposed in item 2 above is to seek approval for the payment of Directors' fees for the financial year ending 31 December 2018.

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 2017.

2. In relation to the ordinary resolution proposed in item 3(i) above, Mr Ho Toon Bah is an Executive Director of the Company. Apart from that, 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 detailed information on Mr Ho Toon Bah is set out in the section entitled "Board of Directors" and in the Corporate Governance Report section of the Company's Annual Report 2017.
3. In relation to the ordinary resolution proposed in item 3(ii) 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 detailed information on Mr Poon Hon Thang is set out in the section entitled "Board of Directors" and in the Corporate Governance Report section of the Company's Annual Report 2017.
4. The ordinary resolution proposed in item 5 above is to authorise the Directors of the Company from the date of the Meeting until the next Annual General Meeting to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in aggregate 50% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, of which the total number of shares (including shares to be issued in pursuance of instruments made or granted) 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 and subsidiary holdings 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 the Singapore Exchange Securities Trading Limited currently provides that the total number of issued shares excluding treasury shares and subsidiary holdings of the Company for this purpose shall be the total number of issued shares excluding treasury shares and subsidiary holdings at the time this resolution is passed (after adjusting for new shares arising from the conversion or exercise of convertible securities or share options or vesting of share awards outstanding or subsisting 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.
5. The ordinary resolution proposed in item 6 above, if passed, will empower the Directors of the Company to offer and grant options under the Soilbuild Construction Employee Share Option Scheme (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 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 under the Scheme and awards granted under the Soilbuild Construction Performance Share Plan (the "**PSP**") shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.
6. The ordinary resolution proposed in item 7 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 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 under the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.
7. The ordinary resolution proposed in item 8 above, if passed, will renew, effective until the conclusion of the next Annual General Meeting, the mandate (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 Fifth Annual General Meeting (the "**Appendix**") which is enclosed with the Company's Annual Report 2017.

# NOTICE OF FIFTH ANNUAL GENERAL MEETING

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## Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

**"Relevant intermediary"** has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.
3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898 not less than 72 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 Annual General Meeting and/or any adjournment thereof, a member of the Company (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over 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 or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

**PROXY FORM**

**IMPORTANT**

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. This proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. 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 Fifth Annual General Meeting dated 11 April 2018.

\*I/We \_\_\_\_\_

\*NRIC/Passport/Co. Reg 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, speak and vote for \*me/us on \*my/our behalf at the Fifth Annual General Meeting of the Company to be held at 23 Defu South Street 1, Singapore 533847 on Thursday, 26 April 2018 at 2.00 p.m. and at any adjournment thereof.

\*I/We direct \*my/our proxy/proxies to vote for or against the resolutions to be proposed at the 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: Each resolution at the Annual General Meeting will be voted on by way of a poll. The Chairman will not exercise his casting vote.

No.	ORDINARY RESOLUTIONS	For	Against
<b>Ordinary Business</b>			
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2017 and the Directors' Statement and Independent Auditor's Report thereon.		
2.	To approve the Directors' fees for the financial year ending 31 December 2018.		
3.	To re-elect Mr Ho Toon Bah retiring by rotation pursuant to Article 94 of the Company's Constitution.		
4.	To re-elect Mr Poon Hon Thang retiring pursuant to Article 94 of the Company's Constitution.		
5.	To re-appoint PricewaterhouseCoopers LLP as auditor of the Company and to authorise the Directors to fix their remuneration.		
<b>Special Business</b>			
6.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and the Listing Manual ("Listing Manual") 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 to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

**Total Number of Shares Held**

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal of Corporate Shareholder

\* Delete accordingly

**IMPORTANT:** Please read notes overleaf



**Notes:**

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898 not less than 72 hours before the time appointed for holding the meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

AFFIX  
STAMP

**The Company Secretary  
SOILBUILD CONSTRUCTION GROUP LTD.  
c/o Tricor Barbinder Share Registration  
Services  
80 Robinson Road #11-02  
Singapore 068898**



**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 FIFTH ANNUAL GENERAL MEETING  
DATED 11 April 2018**

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## DEFINITIONS

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

<b>“AGM”</b>	:	The Annual General Meeting of the Company to be held on 26 April 2018
<b>“Associate”</b>	:	An associate as defined under the Listing Manual
<b>“Audit Committee”</b>	:	The Audit Committee of the Company, comprising Mr Poon Hon Thang, Mr Tan Jee Ming and Mr Teo Chee Seng
<b>“Auditor”</b>	:	The auditor of the Company for the time being
<b>“Board”</b>	:	The board of directors of the Company
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Companies Act”</b>	:	The Companies Act, Chapter 50 of Singapore
<b>“Company”</b>	:	Soilbuild Construction Group Ltd.
<b>“Control”</b>	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
<b>“Controlling Shareholder”</b>	:	A person who holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the Company (unless otherwise determined by the SGX-ST that a person who satisfies this sub-paragraph is not a Controlling Shareholder), or in fact exercises Control over the Company
<b>“Director”</b>	:	A director of the Company for the time being
<b>“FY”</b>	:	Financial year ended or, as the case may be, ending 31 December
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST
<b>“Non-executive Director”</b>	:	A director of the Company and/or its subsidiaries, other than one who performs an executive function
<b>“Securities Account”</b>	:	Securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent

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## DEFINITIONS

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<b>"SFA"</b>	:	Securities and Futures Act, Chapter 289 of Singapore
<b>"SGX-ST"</b>	:	Singapore Exchange Securities Trading Limited
<b>"Shareholders"</b>	:	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
<b>"Shares"</b>	:	Ordinary shares of the Company
<b>"S\$"</b>	:	Singapore dollars
<b>"%"</b>	:	Percentage or per centum

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them in the SFA.

The term "subsidiary holdings" means shares referred to in sections 21(4), 21(4B), 21(6A) and 21(6C) 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.

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## APPENDIX TO THE NOTICE OF FIFTH ANNUAL GENERAL MEETING

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### 1. INTRODUCTION

- 1.1 The Company refers to Resolution 9 of the Notice of Fifth Annual General Meeting of the Company (“**AGM**”). Resolution 9 is an ordinary resolution to be proposed at the AGM for the renewal of the Company’s general mandate for interested person transactions (the “**IPT Mandate**”).
- 1.2 The purpose of this Appendix is to provide Shareholders with information relating to Resolution 9.

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

#### 2.1 Background

At the fourth annual general meeting of the Company held on 24 April 2017 (the “**2017 AGM**”), Shareholders had approved the renewal of the IPT Mandate for the purposes of the Listing Manual. The terms of the IPT Mandate were set out in the Appendix to the Notice of Fourth Annual General Meeting dated 7 April 2017.

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. Mr Lim Chap Huat is considered a Controlling Shareholder, and Mr Lim Chap Huat and his Associates, including Soilbuild Group Holdings Ltd. (“**Soilbuild Group Holdings**”), as well as the rest of the Directors and their Associates, are regarded as “interested persons” of the Company for the purposes of Chapter 9 of the Listing Manual.

#### 2.2 Annual Renewal of the IPT Mandate

The IPT Mandate renewed at the 2017 AGM was expressed to be effective until the conclusion of the forthcoming AGM. Hence, the IPT Mandate will continue in force only until the conclusion of the forthcoming AGM, which is to be held on 26 April 2018. 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 SBC Group, 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 2017 AGM; and
- (b) the methods and procedures referred to in sub-paragraph (a) above are sufficient to ensure that the Mandated Transactions (as defined below) carried out thereunder will be on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders.

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 2017, the consolidated NTA of the Company was S\$83.0 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 2018 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 the SBC Group’s day-to-day operations. These transactions may not include the purchase or sale of assets, undertakings or businesses which are not part of the SBC Group’s day-to-day operations.

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## APPENDIX TO THE NOTICE OF FIFTH ANNUAL GENERAL MEETING

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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;
- (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 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.

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### 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 the Company to obtain an IPT Mandate pursuant to Rule 920(1) of the Listing Manual.

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 its 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 its continued application to the Mandated Transactions.

2.6.2 **Rationale for and Benefits of the IPT Mandate.** The SBC Group will benefit from transacting with Mandated Interested Persons (as defined below), 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.



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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 Group 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**”).

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 sub-paragraphs (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 (i) above.

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2.6.6 **Review Procedures for Mandated Transactions with Mandated Interested Persons.** The SBC Group 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 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 SBC Group 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 SBC Group 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 SBC Group 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 SBC Group to account for differences between the comparable third party contracts and the transaction with the Mandated Interested Person, as described above.

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## APPENDIX TO THE NOTICE OF FIFTH ANNUAL GENERAL MEETING

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- (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 SBC Group may not have executed projects of a similar nature with third parties. For example, the SBC Group 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 SBC Group 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 marked up with an acceptable gross profit margin.

In determining the appropriate gross profit margin, the SBC Group 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.

### 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 the SBC 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:

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- (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 sub-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 the Company's Executive Chairman or the Company's 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 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 (i) and (ii) 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 are not nominees for the time being of the Mandated Interested Person, save that if both of the Executive Chairman of the Company and the Executive Director of the Company 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 Audit Committee or such other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose.

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- (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 Company will revert to Shareholders for a fresh general mandate based on new internal control procedures and review procedures so that the 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.

### **3. 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 49 and 123 of the Company's Annual Report 2017.

### **4. ABSTENTION FROM VOTING**

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

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## APPENDIX TO THE NOTICE OF FIFTH ANNUAL GENERAL MEETING

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Mr Lim Chap huat, Ms Lim Cheng Hwa, the Relevant Directors (as defined below), Soilbuild Group Holdings and their respective Associates, which or who are interested persons in relation to the renewal of the IPT Mandate, will also abstain from voting their Shares, if any, at the AGM in respect of Resolution 9 relating to the renewal of the IPT Mandate, and will also decline to accept appointment as proxy for any Shareholder 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.

### 5. DIRECTORS' RECOMMENDATIONS

#### **Proposed Renewal of the General Mandate for Interested Person Transactions**

Notwithstanding that all the Directors are Mandated Interested Persons (as described in paragraph 2.6.4 above), it is anticipated that none of Mr Ho Toon Bah, Mr Poon Hon Thang, Mr Tan Jee Ming and Mr Teo Chee Seng (the "**Relevant Directors**") (or their respective Associates) will enter into any Mandated Transactions (as described in paragraph 2.6.5 above) with the SBC Group (as described in paragraph 2.1 above). Accordingly, the Relevant Directors are considered independent for the purposes of the proposed renewal of the IPT Mandate. Having considered the terms of the IPT Mandate, the Relevant Directors are of the opinion that the entry by the SBC Group into the Mandated Transactions with the Mandated Interested Persons 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 above, they recommend that minority Shareholders vote in favour of Resolution 9 relating to the renewal of the IPT Mandate at the AGM.

### 6. 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, and the Company and its subsidiaries which are relevant to the proposal renewal of the IPT Mandate, 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.

### 7. INSPECTION OF DOCUMENTS

The Constitution of the Company 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.

# CORPORATE INFORMATION

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## **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**

23 Defu South Street 1  
Singapore 533847  
Tel: (65) 6542 2882  
Fax: (65) 6543 1818  
Website: [www.soilbuildconstruction.com](http://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**  
7 Straits View, Marina One  
East Tower, Level 12  
Singapore 018936  
Partner-in-charge: Mr Lam Hock Choon  
Financial year appointed: 31 December 2016

## **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**

For enquiries, please contact:  
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Annual Report 2017

