SoilBuild CONSTRUCTION GROUP LTD

NEW EXPERTISE

# GREATER HORIZONS

ANNUAL REPORT 2018

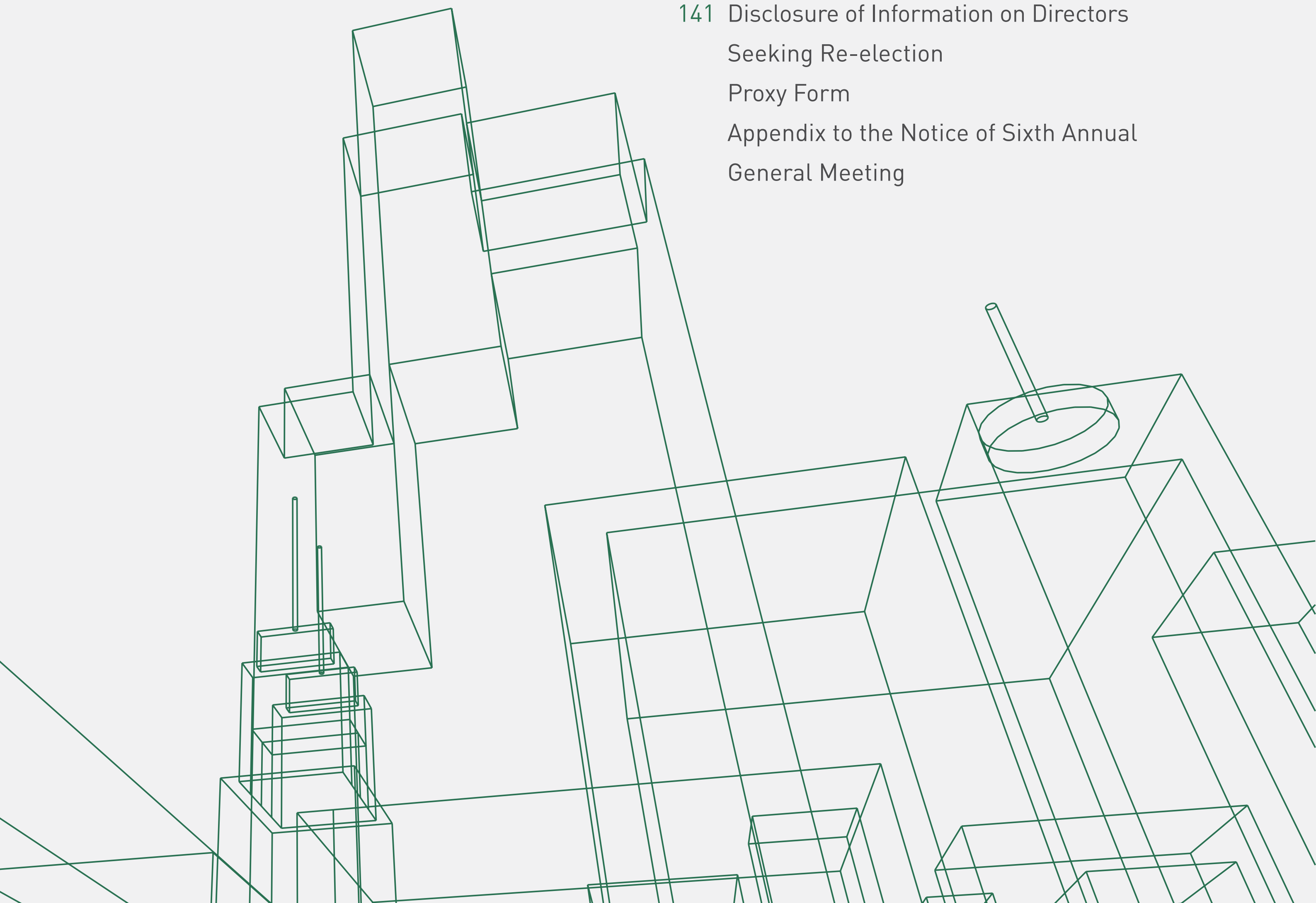
# NEW EXPERTISE
# GREATER HORIZONS

## CORPORATE REVIEW



## FINANCIAL CONTENTS





# CORPORATE PROFILE

## VISION

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

## MISSION

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

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$85.0 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 HDB Construction Award and 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 9 construction projects in Myanmar with aggregate contract value exceeding US$160.0 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 completed and the manufacturing facilities have been commissioned.

In 2018, the Group has completed a transaction to acquire 100% interest in Precast Concrete Builders Pte. Ltd. (formerly known as Sembcorp EOSM Pte. Ltd.) and its subsidiaries (the "Acquisition"). Through this Acquisition, the Group has gained strategic ownership of manufacturing facilities for precast concrete building components in Johor, Malaysia. The Group believes that these manufacturing facilities will extend its manufacturing capabilities to meet the growing demand for the needed prefabricated products in the Singapore market.

As at 31 December 2018, our order books amounted to approximately S$400.7 million, which comprise S$387.0 million of construction projects (of which S$261.6 million for projects in Singapore and S$125.4 million for projects in Myanmar) and S$13.7 million of precast and prefabricated supply contract.

# GREATER CAPABILITIES

## ENHANCED POTENTIAL

# CHAIRMAN'S STATEMENT

In FY2018, the Group recorded a marginal increase in revenue while gross profit and gross profit margin improved to S$6.6 million and 3.2%, compared to S$0.2 million and 0.1% respectively, a year ago.

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 2018 ("FY2018").

Set against the backdrop of trade tensions between the two largest economies in the world and the new property cooling measures in the domestic market, the Singapore construction market continued to decline, though at a more gradual pace, in 2018, following three consecutive years of sector consolidation since 2015. According to the Building and Construction Authority ("BCA"), an estimated total of S$30.5 billion in contracts was awarded in FY2018, which comprised public sector construction contracts worth approximately S$18.4 billion and private sector construction contracts worth approximately S$12.1 billion. While infrastructure projects made up most of the construction demand in the public sector, the private sector was supported by projects such as the redevelopment of residential sites. The prolonged decline in the domestic construction market has resulted in tender bids remaining competitive in FY2018, though with slight improvement.

## REVIEW OF FINANCIAL PERFORMANCE

In FY2018, the Group recorded a marginal increase in revenue while gross profit and gross profit margin improved to S$6.6 million and 3.2%, compared to S$0.2 million and 0.1% respectively, a year ago. The higher gross profit and gross profit margin for FY2018 was contributed by the progressive recognition of revenue from construction projects, which corresponded to their respective stages of completion, that generated relatively higher project margins, as well as cost optimization initiatives achieved for certain projects which were completed during the year.

As announced on 26 February 2019, the Group's financial performance for FY2018 was adversely impacted by a grant of arbitration award by an arbitrator against a wholly-owned subsidiary of the Group, which has resulted in the Group having to recognise approximately S$5.3 million additional cost of sales in respect of a construction project. Excluding the recognition of these additional cost of sales, the Group's gross profit and gross profit margin for FY2018 would have been approximately S$11.9 million and 5.7%.

Arising from the above, the Group recorded a net loss of S$3.3 million in FY2018.

*Financial performance of Myanmar operations*

Notwithstanding the net loss reported for FY2018, the Group is pleased to note the continued increase in revenue contribution from our Myanmar operations. In FY2018, the Group recognised approximately S$50.8 million in revenue from our Myanmar division's business, an increase of 85.1% from the revenue recognised in the previous year, while the corresponding net profit has also increased by 150.9% to approximately S$4.1 million.

We expect revenue contributions from our Myanmar operations to grow further going forward when the construction work for the projects in Myanmar progress as scheduled.

# CHAIRMAN'S STATEMENT

## STAYING RESILIENT IN THE CHALLENGING OPERATING ENVIRONMENT

Despite the prolonged challenging market conditions for the domestic construction sector, the Group secured three new construction contracts in Singapore with an aggregate value of S$160.3 million in FY2018, compared to five construction contracts with an aggregate value of S$289.1 million secured in the previous year. The new construction contracts secured in FY2018 include two projects awarded by the Housing and Development Board (HDB) for the erection of a public housing development at Yishun area and an upgrading project for existing residential blocks at the Serangoon and Bedok Reservoir area, as well as a project awarded by the Jurong Town Corporation for the construction of covered linkways and cycling paths at various locations.

For the Myanmar division, the Group secured a new project in FY2018 to construct a warehouse cum distribution centre, which is worth approximately S$3.5 million.

The Group will continue to participate actively in tenders, while seeking to offer a comprehensive suite of construction services, including better development solutions to our customers and partners.

## A SIGNIFICANT MILESTONE ACHIEVED IN EXTENDING OUR CAPABILITIES AND GENERATING A NEW REVENUE STREAM

Since 2012, the Group has set out to extend our capabilities in the built environment by investing to adopt new and advance technologies. The Group supports the Construction Industry Transformation Map ("ITM") launched by BCA whereby the adoption of Design for Manufacturing Assembly ("DfMA") technologies in the construction industry is a key element.

The Group's Integrated Construction and Precast Hub ("ICPH"), secured through a concept and price tender by BCA, utilises highly automated offsite manufacturing facilities for precast building components. This is one of the Group's major initiatives in supporting the ITM, as constructing using prefabricated building components in construction projects is the underlying principle of DfMA technologies.

Commencing in 2015, the Group's development of its ICPH and the installation of the automated manufacturing equipment has since been completed and commissioned in December 2018. It is a significant milestone for the

# CHAIRMAN'S STATEMENT

In 2018, the Group also completed a transaction to acquire a 100% interest in Precast Concrete Builders Pte. Ltd. (formerly known as Sembcorp EOSM Pte. Ltd.) and its subsidiaries.

Group as the manufacturing facilities not only provide us with a competitive advantage during tendering process but also in the execution of construction projects. And more importantly, represents a new revenue stream for the Group through the supply and delivery of precast building components to our customers in the built environment sector. The current capability of the Group's ICPH include the production of precast large panel slabs, hollow cores, reinforcing steel wire mesh and a wide range of other precast components.

In 2018, the Group also completed a transaction to acquire a 100% interest in Precast Concrete Builders Pte. Ltd. (formerly known as Sembcorp EOSM Pte. Ltd.) and its subsidiaries ("Acquisition"). Through this Acquisition, the Group has gained strategic ownership of the manufacturing facilities, complementing its ICPH for precast concrete building components; including Prefabricated Prefinished Volumetric Construction ("PPVC") modules in Johor, Malaysia. The Group believes that with its current manufacturing facilities, the Group is well-positioned to capture the growing demand for the needed prefabricated products in the Singapore market.

In FY2018, the Group has secured its maiden contract of approximately S$13.7 million to supply and deliver precast building components to a third-party main contractor for a HDB project. The Group will continue to implement strategies to secure more supply and delivery contracts for precast building components.

## ORDER BOOKS

As at 31 December 2018, the Group's order book stood at S$400.7 million (FY2017: S$451.9 million), consisting of 68.7% of local projects with the remaining 31.3% from Myanmar projects.

## 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.

We would also like to express our sincere gratitude to Mr Ho Toon Bah for his contributions and dedication during his tenure of service. The Group will continue to benefit from his invaluable advice and vast experience.

Lim Chap Huat
Executive Chairman

29 March 2019

# FIVE-YEAR FINANCIAL HIGHLIGHTS

| BREAKDOWN OF REVENUE | FY2014 | | FY2015 | | FY2016 | | FY2017 | | FY2018 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | S$'000 | % | S$'000 | % | S$'000 | % | S$'000 | % | S$'000 | % |
| Business Space Projects | 190,608 | 66.8 | 184,869 | 56.3 | 134,004 | 33.7 | 100,459 | 50.3 | **137,385** | **65.9** |
| Residential Projects | 94,052 | 33.0 | 142,163 | 43.3 | 260,076 | 65.5 | 90,167 | 45.2 | **62,959** | **30.2** |
| Civil Work Projects | – | - | – | – | 2,494 | 0.6 | 8,930 | 4.5 | **8,203** | **3.9** |
| Project Management | 589 | 0.2 | 1,238 | 0.4 | 613 | 0.2 | 50 | - | **37** | **-** |
| Total | 285,249 | 100.0 | 328,270 | 100.0 | 397,187 | 100.0 | 199,606 | 100.0 | **208,584** | **100.0** |
| Internal Projects[1] | 109,120 | 38.3 | 15,484 | 4.7 | 10,356 | 2.6 | 19,634 | 9.8 | **86,003** | **41.2** |
| External Projects[2] | 176,129 | 61.7 | 312,786 | 95.3 | 386,831 | 97.4 | 179,972 | 90.2 | **122,581** | **58.8** |
| Total | 285,249 | 100.0 | 328,270 | 100.0 | 397,187 | 100.0 | 199,606 | 100.0 | **208,584** | **100.0** |

| FINANCIAL RESULTS | FY2014 S$'000 | FY2015 S$'000 | FY2016 S$'000 | FY2017 S$'000 | FY2018 S$'000 |
|---|---|---|---|---|---|
| Revenue | 285,249 | 328,270 | 397,187 | 199,606 | **208,584** |
| Gross profit | 31,175 | 30,619 | 20,599 | 236 | **6,608** |
| Profit/(loss) before income tax | 23,778 | 21,180 | 12,680 | (7,595) | **(2,411)** |
| Profit/(loss) after income tax | 20,887 | 18,562 | 10,479 | (5,974) | **(3,282)** |
| Comprehensive income/(loss) attributable to shareholders | 20,885 | 18,616 | 10,544 | (6,379) | **(3,026)** |

| STATEMENT OF FINANCIAL POSITION | FY2014 S$'000 | FY2015 S$'000 | FY2016 S$'000 | FY2017 S$'000 | FY2018 S$'000 |
|---|---|---|---|---|---|
| Property, plant and equipment | 13,664 | 17,217 | 23,474 | 54,360 | **101,891** |
| Land lease prepayment | - | 26,423 | 25,535 | 30,106 | **33,928** |
| Cash and cash equivalents | 51,247 | 6,721 | 32,830 | 27,871 | **15,252** |
| Current assets | 124,892 | 144,974 | 138,645 | 99,382 | **86,814** |
| Total assets | 168,251 | 212,747 | 215,535 | 191,111 | **231,624** |
| Current liabilities | 83,320 | 121,289 | 117,804 | 107,932 | **149,498** |
| Total liabilities | 83,782 | 121,874 | 118,865 | 109,185 | **152,681** |
| Working capital | 41,572 | 23,685 | 20,841 | (8,550) | **(62,684)** |
| Equity attributable to owners of the Company | 84,469 | 90,873 | 96,670 | 81,926 | **78,943** |

| RATIOS | FY2014 S$'000 | FY2015 S$'000 | FY2016 S$'000 | FY2017 S$'000 | FY2018 S$'000 |
|---|---|---|---|---|---|
| Current ratio (times) | 1.50 | 1.20 | 1.18 | 0.92 | **0.58** |
| Return on equity attributable to owners of the Company (%)[3] | 26.51 | 21.17 | 11.18 | (6.69) | **(4.08)** |
| Return on assets (%)[3] | 12.67 | 9.74 | 4.89 | (2.94) | **(1.55)** |
| Basic earnings/(loss) per share ("EPS") (cents)[4] | 3.15 | 2.79 | 1.57 | (0.89) | **(0.48)** |
| Net asset value per share ("NAV") (cents)[5] | 12.72 | 13.64 | 14.44 | 12.17 | **11.73** |

**NOTES:**

1 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

2 External projects refer to projects awarded by third parties

3 In calculating return on equity attributable to owners of the Company and return on assets, the average basis has been used

4 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

5 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

# FIVE-YEAR FINANCIAL HIGHLIGHTS

## REVENUE (S$'000)
**208,584**

| | |
|---|---|
| FY2014 | 285,249 |
| FY2015 | 328,270 |
| FY2016 | 397,187 |
| FY2017 | 199,606 |
| FY2018 | 208,584 |

## GROSS PROFIT (S$'000)
**6,608**

| | |
|---|---|
| FY2014 | 31,175 |
| FY2015 | 30,619 |
| FY2016 | 20,599 |
| FY2017 | 236 |
| FY2018 | 6,608 |

## PROFIT/(LOSS) AFTER INCOME TAX (S$'000)
**(3,282)**

| | |
|---|---|
| FY2014 | 20,887 |
| FY2015 | 18,562 |
| FY2016 | 10,479 |
| FY2017 | (5,974) |
| FY2018 | (3,282) |

## BASIC EARNINGS/(LOSS) PER SHARE (CENTS)
**(0.48)**

| | |
|---|---|
| FY2014 | 3.15 |
| FY2015 | 2.79 |
| FY2016 | 1.57 |
| FY2017 | (0.89) |
| FY2018 | (0.48) |

## NET ASSET VALUE (CENTS)
**11.73**

| | |
|---|---|
| FY2014 | 12.72 |
| FY2015 | 13.64 |
| FY2016 | 14.44 |
| FY2017 | 12.17 |
| FY2018 | 11.73 |

# GREATER CAPABILITIES

## ENHANCED POTENTIAL

# OPERATING AND FINANCIAL REVIEW

## Operating Review

### A. CONSTRUCTION CONTRACTS

#### (I) COMPLETED PROJECTS

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

1.

**YISHUN HDB PROJECT**

Erection of a public housing development at Yishun Avenue 4 / Yishun Ring Road

**TYPE OF PROJECT** Residential
**COMPLETION DATE**[1] 2018
**CONTRACT VALUE (IN MILLION)**[2] S$169.1

In Singapore

2.

**SEMBAWANG HDB PROJECT**

Erection of a public housing development at Sembawang

**TYPE OF PROJECT** Residential
**COMPLETION DATE**[1] 2018
**CONTRACT VALUE (IN MILLION)**[2] S$127.9

In Singapore

3.

**ARC 380 PROJECT**

Erection of a 16-storey commercial development at Jalan Besar / Lavender Street

**TYPE OF PROJECT** Business space
**COMPLETION DATE**[1] 2018
**CONTRACT VALUE (IN MILLION)**[2] S$55.7

In Singapore

4.

**EIGHTRIUM PROJECT**

Additions and alterations to a Part 8 / Part 5-storey multi-tenanted business park at Changi Business Park Central 1

**TYPE OF PROJECT** Business space
**COMPLETION DATE**[1] 2018
**CONTRACT VALUE (IN MILLION)**[2] S$2.2

In Singapore

5.

**SINGAPORE STORAGE AND WAREHOUSE PROJECT**

Redevelopment of a warehouse located at Pasir Panjang Road

**TYPE OF PROJECT** Business space
**COMPLETION DATE**[1] 2018
**CONTRACT VALUE (IN MILLION)**[2] S$10.6

In Singapore

6.

**COVERED LINKWAYS PROJECT**

Construction of covered linkways to Downtown Line 3 and Tuas West Extension Stations

**TYPE OF PROJECT** Civil works
**COMPLETION DATE**[1] 2018
**CONTRACT VALUE (IN MILLION)**[2] S$14.6

In Singapore

7.

**LIFT SHAFTS PROJECT**

Construction of lift shafts to existing pedestrian overhead bridges

**TYPE OF PROJECT** Civil works
**COMPLETION DATE**[1] 2018
**CONTRACT VALUE (IN MILLION)**[2] S$19.4

In Singapore

8.

**METRO STAR II PROJECT**

Civil work and superstructure work for a food distribution centre

**TYPE OF PROJECT** Business space
**COMPLETION DATE**[1] 2018
**CONTRACT VALUE (IN MILLION)**[2] S$5.6

In Myanmar

9.

**BREAD FACTORY PROJECT**

Construction work for one storey steel factory building

**TYPE OF PROJECT** Business space
**COMPLETION DATE**[1] 2018
**CONTRACT VALUE (IN MILLION)**[2] S$0.4

In Myanmar

NOTES:

1 Completion date refers to TOP date or date of completion certificate or date of final construction account, where applicable
2 Contract value refers to the contract value of building works, architectural works and/or project management services, as applicable, and includes any variation orders confirmed or expected as at 31 December 2018

# OPERATING AND FINANCIAL REVIEW

## (II) ON-GOING PROJECTS

During the financial year under review, the Group secured a total of three new construction projects in Singapore and one construction project in Myanmar. With these new construction projects, the Group has thirteen on-going construction projects as at 31 December 2018. The Group expects that these projects will be progressively completed and recognised over the next three years.

1.

**164 KALLANG WAY PROJECT**
Construction of a multiple-user general industrial factory development at Geylang Planning Area

**TYPE OF PROJECT** Business space
**EXPECTED YEAR OF COMPLETION** 2019
**CONTRACT VALUE (IN MILLION)**[1] S$68.4

In Singapore

2.

**171 KALLANG WAY PROJECT**
Construction of a general industrial factory development at Geylang Planning Area

**TYPE OF PROJECT** Business space
**EXPECTED YEAR OF COMPLETION** 2019
**CONTRACT VALUE (IN MILLION)**[1] S$36.2

In Singapore

3.

**BEDOK FOOD CITY PROJECT**
Construction of a high-rise multi-user food factory at Bedok North Avenue 4

**TYPE OF PROJECT** Business space
**EXPECTED YEAR OF COMPLETION** 2019
**CONTRACT VALUE (IN MILLION)**[1] S$149.4

In Singapore

4.

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

**TYPE OF PROJECT** Residential
**EXPECTED YEAR OF COMPLETION** 2019
**CONTRACT VALUE (IN MILLION)**[1] S$25.9

In Singapore

5.

**28 WILKINSON ROAD PROJECT**
Construction works in relation to erection of detached dwelling houses at Wilkinson Road

**TYPE OF PROJECT** Residential
**EXPECTED YEAR OF COMPLETION** 2019
**CONTRACT VALUE (IN MILLION)**[1] S$7.1

In Singapore

6.

**40 WILKINSON ROAD PROJECT**
Construction works in relation to erection of detached dwelling houses at Wilkinson Road

**TYPE OF PROJECT** Residential
**CEXPECTED YEAR OF COMPLETION** 2019
**CONTRACT VALUE (IN MILLION)**[1] S$4.8

In Singapore

7.

**YISHUN HDB PROJECT**
Erection of a public housing development at Yishun Neighbourhood 4 Contract 18[2]

**TYPE OF PROJECT** Residential
**EXPECTED YEAR OF COMPLETION** 2021
**CONTRACT VALUE (IN MILLION)**[1] S$125.0

In Singapore

8.

**G27D HDB PROJECT**
Design and build of upgrading projects at Serangoon Ave 4 and Bedok Reservoir Road[2]

**TYPE OF PROJECT** Residential
**EXPECTED YEAR OF COMPLETION** 2020
**CONTRACT VALUE (IN MILLION)**[1] S$28.3

In Singapore

9.

**COVERED LINKWAYS AND CYCLING PATHS PROJECT**
Construction of covered linkways and cycling paths at Changi Business Park and One-North[2]

**TYPE OF PROJECT** Civil Work
**EXPECTED YEAR OF COMPLETION** 2020
**CONTRACT VALUE (IN MILLION)**[1] S$7.0

In Singapore

# OPERATING AND FINANCIAL REVIEW

## 10.

### SAYAR SAN HOTEL PROJECT

Construction and completion of a 12-storey hotel building in Yangon

**TYPE OF PROJECT** Business space
**EXPECTED YEAR OF COMPLETION** 2020
**CONTRACT VALUE (IN MILLION)**[1] S$14.3

In Myanmar

## 11.

### KYI SU CITY MART WAREHOUSE CUM DISTRIBUTION CENTRE PROJECT

Construction of a structural building and related infrastructural work of a warehouse cum distribution centre[2]

**TYPE OF PROJECT** Business space
**EXPECTED YEAR OF COMPLETION** 2019
**CONTRACT VALUE (IN MILLION)**[1] S$3.5

In Myanmar

## 12.

### 68 RESIDENCE PROJECT

Construction and completion of a 26½ storey serviced apartment and a 26½ storey condominium in Yangon Central Area

**TYPE OF PROJECT** Residential
**EXPECTED YEAR OF COMPLETION** 2019
**CONTRACT VALUE (IN MILLION)**[1] S$110.8

In Myanmar

## 13.

### ROSEHILL RESIDENCES (MAIN CONSTRUCTION) PROJECT

Erection of 24-storey residential development at Yangon, Myanmar

**TYPE OF PROJECT** Residential
**EXPECTED YEAR OF COMPLETION** 2020
**CONTRACT VALUE (IN MILLION)**[1] S$64.9

In Myanmar

NOTE:

1 Contract value refers to the contract value of building works, architectural works and/or project management services, as applicable, and includes any variation orders confirmed or expected as at 31 December 2018
2 Contracts awarded during the financial year ended 31 December 2018

# OPERATING AND FINANCIAL REVIEW

## B. SUPPLY AND DELIVERY OF PRECAST AND PPVC CONTRACTS

The construction of the Group's Integrated Construction Precast Hub, as well as the installation of its automated plant and machineries have been completed in December 2018. Meanwhile, the acquisition of additional land and buildings, plant and machineries in Malaysia for the manufacturing of precast and prefabricated building components during FY2018 has also been completed. With these newly added capabilities and facilities, the Group is poised to capture the increasing market demand for the needed prefabricated products.

In FY2018, the Group's Precast and Prefabrication division secured its maiden contract of approximately S$13.7 million to supply and deliver precast building components to a HDB project. The production of the precast building components for this contract will take place in the Group's manufacturing plants in Singapore and Malaysia.

# OPERATING AND FINANCIAL REVIEW

## Financial Review

### REVIEW OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

#### REVENUE

In FY2018, the Group reported a higher revenue of S$208.6 million compared to S$199.6 million reported in FY2017. The approximately 4.5% increase in revenue was attributable mainly to the increase in construction activities during the financial year under review. Construction projects that contributed revenue in FY2018 comprised Bedok Food City Project, 164 Kallang Way Project, 171 Kallang Way Project, 68 Residence Project and Rosehill Residence Project. Revenue recognised from projects in Myanmar continue to increase during FY2018, from approximately S$27.4 million in FY2017 to S$50.8 million in FY2018, representing an increase of approximately 85.1%.

#### GROSS PROFIT AND GROSS PROFIT MARGIN

The Group reported a gross profit of S$6.6 million in FY2018 compared to a gross profit of S$0.2 million in FY2017. Correspondently, the Group reported a gross margin of 3.2% in FY2018 compared to a gross margin of 0.1% in FY2017. The gross profit in FY2018 was led by recognition of revenue from construction projects that generate relatively higher project margins and cost savings achieved on certain projects in Singapore and Myanmar during the financial year under review.

On 25 February 2019, the Group received the grant of arbitration award ("Award") by an arbitrator against the Company's wholly-owned subsidiary, Soil-Build (Pte.) Ltd. ("SBPL"), in connection with an arbitration commenced by SBPL against a sub-contractor for damages suffered due to the sub-contractor's delay in the completion of its sub-contracted work for a construction project. Under the Award, the sub-contractor is not liable to pay SBPL any damages for delay, liquidated or otherwise, and SBPL is liable to pay the sub-contractor the balance of the amount due to the sub-contractor (of approximately S$1.4 million without taking into account, amongst other, accrued interest payable) which was originally anticipated to be not payable as a result of the sub-contractor's delay in the completion of its sub-contracted work prior to the launch of the arbitration.

The Award has resulted in the Company having to recognise S$5.3 million additional cost of sales in respect of the relevant construction project for FY2018, which include (a) the amount of S$1.4 million as mentioned in the above; (b) damages previously deemed receivable; and (c) interest, prolongation cost and legal fee. Excluding the recognition of these additional cost of sales amounting to S$5.3 million, the Group's gross profit for FY2018 would have been approximately S$11.9 million, and the Group's gross profit margin for FY2018 would have been 5.7%.

#### OTHER INCOME

The Group's other income increased from S$1.6 million in FY2017 to S$2.3 million in FY2018, due mainly to the increase in rental income. However, the increase in rental income in FY2018 was partially offset by decrease in services income and decrease in receipts of grants from various government agencies.

#### OTHER LOSSES, NET

The Group's other losses of S$0.1 million in FY2018 were attributable to foreign exchange losses while the other losses in FY2017 arose mainly from loss on disposal of property, plant and equipment.

#### ADMINISTRATIVE EXPENSES

In FY2018, the Group's administrative expenses decreased by S$0.8 million or 10.8% from S$7.6 million in FY2017 to S$6.8 million. The decrease in administrative expenses was attributable mainly to the decrease in various administrative expenses, including rental expenses as well as payroll expenses.

#### FINANCE EXPENSES

The Group's finance expenses increased by S$0.5 million to S$0.6 million in FY2018. The increase was due mainly to increase in bank borrowings in FY2018 which were drawdown to finance the Group's capital expenditure.

# OPERATING AND FINANCIAL REVIEW

## OTHER OPERATING EXPENSES

The Group's other operating expenses increased by S$1.7 million from S$2.2 million in FY2017 to S$3.9 million in FY2018. The increase in other operating expenses was due mainly to higher depreciation charges on the Group's property, plant and equipment in FY2018 following the completion of the Group's Integrated Construction and Precast Hub during the financial year.

## SHARE OF PROFIT OF JOINT VENTURES

The Group's share of profit of its joint ventures amounted to approximately S$0.1 million in FY2018 as compared with S$0.6 million in FY2017. The decrease was due mainly to the completion of a construction project in a joint venture in FY2018.

## LOSS BEFORE INCOME TAX

The Group reported a loss before income tax of S$2.4 million in FY2018, compared to a loss before income tax of S$7.6 million in FY2017, as gross profit generated in FY2018 was lower than the overall operating expenses.

## INCOME TAX EXPENSES

The Group recognised income tax expenses of approximately S$0.9 million for FY2018 due mainly to (i) income tax arising from profit reported by the Group's Myanmar operations, which were not available to offset income tax losses reported by the Group's subsidiaries in Singapore, (ii) expenses not deductible for tax purposes, and (iii) income tax under-provided in prior year.

## NET LOSS

The Group reported a net loss of S$3.3 million in FY2018, compared to a net loss of S$6.0 million in FY2017. Correspondently, the Group's net loss margin was 1.6% in FY2018, compared to a net loss margin of 3.0% in FY2017.

## REVIEW OF THE GROUP'S BALANCE SHEET

## CURRENT ASSETS

The Group's current assets decreased from S$99.4 million as at 31 December 2017 to S$86.8 million as at 31 December 2018. The decrease was attributable mainly to the decrease in cash and cash equivalents by S$12.6 million as a result of payment for capital expenditure of the Group in FY2018, as well as decrease in other current assets by S$13.3 million.

The decrease in current assets discussed above were partly offset by an increase in trade and other receivable by S$14.0 million which was due mainly to increase in progress billings receivable from customers.

# OPERATING AND FINANCIAL REVIEW

## NON-CURRENT ASSETS

The Group's non-current assets increased from S$91.7 million as at 31 December 2017 to S$144.8 million as at 31 December 2018. The increase was attributable mainly to the increase in property, plant and equipment by S$47.5 million, which was arisen from:

(I) the construction cost and the plant and machinery costs incurred for the Group's Integrated Construction and Precast Hub;

(II) the construction costs incurred for the Group's factories and warehouses located at Tuas South Link; and

(III) acquisition of additional land and buildings, as well as plant and machineries.

## CURRENT LIABILITIES

The Group's current liabilities increased from S$107.9 million as at 31 December 2017 to S$149.5 million as at 31 December 2018. The increase was attributable mainly to the increase in bank borrowings, which were drawdown to finance the Group's capital expenditure.

## NON-CURRENT LIABILITIES

The Group's non-current liabilities increased to S$3.2 million as at 31 December 2018 due mainly to the increase in non-current trade and other payable, which comprised retention payable to sub-contractors.

## TOTAL EQUITY

The Group's total equity decreased by S$3.0 million from S$81.9 million as at 31 December 2017 to S$78.9 million as at 31 December 2018. The decrease was attributable to the net loss after tax of the Group for FY2018 which amounted to S$3.3 million.

# SUSTAINABILITY REPORT

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 second Sustainability Report for year 2018 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 the 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.

# BOARD OF DIRECTORS

**MR LIM CHAP HUAT**
**Executive Chairman And CEO**

**MR HO TOON BAH**
**Non-Executive Director**

Age 65, 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 Chairman 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 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.

Age 56, Mr Ho Toon Bah is the Company's Non-Executive Director. He was appointed to the Board on 14 January 2013 and was last re-elected as Director on 26 April 2018. Mr Ho has been the Executive Director of the Company from 2013 to 2018 and is currently providing his advice on the Company's strategic development and his input on various operations and resource matters.

**Prior experience**

- 2013 to 2018, Executive Director of Soilbuild Construction Group Ltd.
- 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.

# BOARD OF DIRECTORS

**MS LIM CHENG HWA**
**Non-Executive Director**

**MR POON HON THANG**
**Lead Independent Director**

Age 46, 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.

Pursuant to Article 94 of the Company's Constitution, Ms Lim will retire by rotation and is eligible for re-election at the forthcoming Sixth Annual General meeting of the Company.

Age 70, 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 26 April 2018. 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.

# BOARD OF DIRECTORS

**MR TAN JEE MING**
**Independent Director**

**MR TEO CHEE SENG**
**Independent Director**

Age 60, 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 2018, Consultant at Quahe Woo & Palmer LLC
- 2010 to 2018, 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.

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

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

Age 65, 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

**MR HO CHAN TECK PATRICK**
**Director, Projects**

**MR NG KWOON HONG**
**Director, Projects**

Mr Ho Chan Teck Patrick is our Director, Projects. His role includes 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 over 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.

Mr Ng Kwoon Hong is our Director, Projects. 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

# MANAGEMENT TEAM

**MR CHUA MENG KIM**
**Director, Projects**

**MR GANESSARAJ SOOCELARAJ**
**Director, Precast & Prefabrication**

Mr Chua Meng Kim joined the Group in 2014 and his responsibilities includes 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.

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 over 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.

# MANAGEMENT TEAM

**MS WINNY MONICA OEI**
**Director, Contract & Procurement**

**MR LIM THIAM LAY**
**Director, Mechanical & Electrical**

**MR WONG YOON THIM**
**Director, Corporate Services**

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 over 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.

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.

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

**MR MOE ZAW**
**Non-Executive Chairman For Myanmar Business**

**MR NGWE ZAW**
**Director, Myanmar Business**

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.

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

SoilBuild
CONSTRUCTION GROUP LTD

- Soilbuild Construction International Pte. Ltd. — 100%
  - Soilbuild (Myanmar) Co., Ltd. — 100%
  - Soilbuild Construction (Myanmar) Co., Ltd. — 100%
  - Soilbuild (Thilawa) Company Limited — 100%
- Soil-Build (Pte.) Ltd. — 100%
  - Forte Builder Pte. Ltd. — 50%
  - Solstice Development Pte. Ltd. — 19%
  - Soilbuild-Shincon J.V. — 51%
- SB Procurement Pte. Ltd. — 100%
- Soilbuild Construction Engineering Pte. Ltd. — 100%
- Soilbuild E&C Pte. Ltd. — 100%
- Precast Concrete Pte. Ltd. (f.k.a SB Project Services Pte. Ltd.) — 100%
  - Precast Concrete Builders Pte. Ltd. (f.k.a Sembcorp EOSM Pte. Ltd.) — 100%
    - Precast Concrete (Pontian) Sdn. Bhd. (f.k.a Sembcorp EOSM (Malaysia) Sdn. Bhd.) — 100%
    - PrecastConcrete Builder (India) Private Limited (f.k.a Sembcorp EOSM (India) Private Limited) — 100%
  - Precast Concrete (M) Sdn. Bhd. — 100%

# FINANCIAL CONTENTS



# CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") is committed to ensuring the highest standards of corporate governance are practised throughout Soilbuild Construction Group Ltd. (the "**Company**" and 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 2018, 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 as fiduciaries 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;
- ensuring accurate, adequate and timely reporting to, and communication with shareholders;
- considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation;
- identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;

# CORPORATE GOVERNANCE REPORT

- 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 a comprehensive and tailored 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 Company provides trainings for first time directors in areas such as accounting, legal and industry specific knowledge as appropriate.

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.

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 2018 is disclosed below:

| MEETING OF | Board | AC | NC | RC |
|---|---|---|---|---|
| Total meetings held | 4 | 4 | 1 | 1 |
| Total meetings attended | | | | |
| Lim Chap Huat | 4 | 4* | 1* | - |
| Ho Toon Bah | 4 | 4* | 1* | - |
| Lim Cheng Hwa | 4 | 4* | 1* | 1* |
| Poon Hon Thang | 4 | 4 | 1 | 1 |
| Tan Jee Ming | 4 | 4 | 1 | 1 |
| Teo Chee Seng | 3 | 3 | 1 | 1 |

* Attendance by invitation of the relevant Board Committee

# CORPORATE GOVERNANCE REPORT

**Board Composition and Guidance**

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

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

**Executive Director:**
Mr Lim Chap Huat (Executive Chairman)

**Non-Executive Directors:**
Mr Ho Toon Bah
Ms Lim Cheng Hwa

**Independent Directors:**
Mr Poon Hon Thang (Lead Independent Director)
Mr Tan Jee Ming
Mr Teo Chee Seng

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, as well as the requirements of business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

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 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 five 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.

# CORPORATE GOVERNANCE REPORT

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.

**Chairman and Chief Executive Officer**

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

Mr Lim Chap Huat is the Executive Chairman and Chief Executive Officer ("CEO") of the Company.

As the Executive Chairman, Mr Lim Chap Huat 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 and ensures adequate time is available for discussion of all agenda items, in particular strategic issues, 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. Mr Lim Chap Huat also 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.

As the CEO of the Company, Mr Lim Chap Huat is responsible for making 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.

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. 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 is 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.

# CORPORATE GOVERNANCE REPORT

**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.

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;

- review of training and professional development programs for the Board; 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 2018. The matrix on the frequency of meetings and the attendance of directors at these meetings is disclosed on page 27 of this Annual Report.

# CORPORATE GOVERNANCE 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, experience and gender on the Board, and the requirements of the Group as well as the need for progressive renewal. In the light of such evaluation and in consultation with Management, the NC determines the role and the desirable competencies and experience that an incoming director should possess.

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

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

On 2 January 2019, Mr Ho Toon Bah stepped down from his appointment as the Executive Director of the Company to pursue his personal interest, and has been re-designated as Non-Executive Director of the Company. Together with the Board, he will continue to provide advices on the Group's strategic development and input on key operation and resource matters.

On-going executive succession planning are an integral part of the Group's corporate governance policy. The NC works with the Board and Management to ensure that due processes are in place and on-going for key executive succession and transition, including the CEO, to reduce uncertainties and business interruptions.

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 was the Director of Straits Law Practice LLC, which provides legal and professional services to the Group in respect of an arbitration proceeding. 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 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 2018, Straits Law Practice LLC rendered such legal and professional consultancy services to the Group and payment amounting to approximately S$72,000 was made to Straits Law Practice LLC for the services received. Mr Tan Jee Ming ceased to be the Director of Straits Law Practice LLC with effect from 31 July 2018.

During the financial year ended 31 December 2018, 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 2018, 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.

# CORPORATE GOVERNANCE REPORT

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.

The NC has, in its deliberations on the re-election of existing directors, taken into consideration the relevant director's competencies, commitment, contribution and performance. The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of participation and special contribution.

At the forthcoming AGM, Ms Lim Cheng Hwa and Mr Tan Jee Ming 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.

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 page 17 to 19 of this Annual Report.

**Board Performance**

Principle 5
**There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committee and the contribution by each director to the effectiveness of the Board.**

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

The NC, together with the Board, assesses the effectiveness of the Chairman, 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 also consider whether each director continues to contribute effectively and demonstrate commitment to the role. The NC and the Board endorse the performance criteria. No external facilitators were used.

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.

# CORPORATE GOVERNANCE REPORT

The NC is generally satisfied with the results of the board performance for the financial year ended 31 December 2018, 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.

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 and are entitled to request for such additional information as needed to make informed decisions. 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. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Board Committees and between Management and Non-Executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. 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

## (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 fair and 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 as well as each director, 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.

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. No external remuneration consultants were engaged for the financial year ended 31 December 2018.

# CORPORATE GOVERNANCE REPORT

During the financial year ended 31 December 2018, 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 one meeting during the financial year ended 31 December 2018. The matrix on the frequency of meetings and the attendance of directors at these meetings is disclosed on page 27 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.

The Company has a service agreement with Mr Lim Chap Huat, which commenced on 1 January 2019 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.

# CORPORATE GOVERNANCE REPORT

During the financial year ended 31 December 2018, there were no share awards under the PSP granted to the Executive Directors and key management personnel. Details of the share awards granted in prior financial years are set out in pages 48 to 51 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 2018 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 37 of this Annual Report, during the financial year ended 31 December 2018, in view of the challenging market conditions in the Singapore construction industry, there were no variable performance bonus granted to the Executive Directors.

**Disclosure on Remuneration**

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

**Level and Mix of Remuneration**

The following information relates to the level and mix of remuneration of the directors and key management executives (other than directors) of the Group during the financial year ended 31 December 2018:

| Name of directors | Fee | Salaries | Variable / Performance bonus | Benefits in kind[1] | Long-term incentives | Total |
|---|---|---|---|---|---|---|
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Executive Directors:** | | | | | | |
| Mr Lim Chap Huat[2] | 70 | 258 | -[4] | 6 | -[5] | 334 |
| Mr Ho Toon Bah[3] | 40 | 216 | -[4] | 11 | -[5] | 267 |
| **Non-executive Director:** | | | | | | |
| Ms Lim Cheng Hwa | 40 | - | - | - | - | 40 |
| **Independent Directors:** | | | | | | |
| Mr Poon Hon Thang | 70 | - | - | - | - | 70 |
| Mr Tan Jee Ming | 60 | - | - | - | - | 60 |
| Mr Teo Chee Seng | 60 | - | - | - | - | 60 |

# CORPORATE GOVERNANCE REPORT

| Name of key management personnel: | Salaries | Variable / Performance bonus | Benefits in kind[1] | Long-term incentives | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| **S$150,000 to S$300,000** | | | | | |
| Mr Ho Chan Teck Patrick | 76 | 16 | 8 | –[5] | 100 |
| Mr Ng Kwoon Hong | 81 | 14 | 5 | –[5] | 100 |
| Mr Chua Meng Kim | 79 | 13 | 8 | –[5] | 100 |
| Mr Tan Yeow Koon | 80 | 12 | 8 | –[5] | 100 |
| Mr Ngwe Zaw | 70 | 12 | 18 | –[5] | 100 |
| Mr Ganessaraj Soocelaraj | 77 | 13 | 10 | –[5] | 100 |
| Ms Winny Monica Oei | 79 | 13 | 8 | –[5] | 100 |
| Mr Lim Thiam Lay | 76 | 16 | 8 | –[5] | 100 |
| Mr Wong Yoon Thim | 80 | 13 | 7 | –[5] | 100 |
| Mr Chooi Yue Chiong[6] | 72 | 8 | 20 | –[5] | 100 |

1 Benefits in kind is inclusive of Central Provident Fund contribution and fixed allowances, if any.

2 Mr Lim Chap Huat's total remuneration for the financial year ended 31 December 2018 amounted to approximately S$334,000 (2017: S$335,000). There were no adjustments in his remuneration notwithstanding that Mr Lim Chap Huat also assumes the responsibilities of a CEO of the Company with effect from 1 January 2018.

3 Mr Ho Toon Bah has stepped down his appointment as the Executive Director of the Company to pursue his personal interest, and has been re-designated as Non-Executive Director of the Company with effect from 2 January 2019.

4 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 2018.

5 During the financial year ended 31 December 2018, considering the challenging market conditions in the Singapore construction industry, there were no long-term incentives granted to the Executive Directors and key management personnel.

6 On 2 January 2019, Mr Chooi Yue Chiong, has stepped down from his appointment with the Group and has taken up an appointment in a related corporation.

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 2018.

The aggregate total remuneration paid to top ten key management personnel (who are not directors or the CEO of the Company) amounted to approximately S$2,090,000 for the financial year ended 31 December 2018.

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 2018.

# CORPORATE GOVERNANCE REPORT

## (C) ACCOUNTABILITY AND AUDIT

**Accountability**

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

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.

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 oversight of management in the design, implementation and monitoring of 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.

# CORPORATE GOVERNANCE REPORT

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 noncompliance 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 2018, 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 systems are effective, the financial records have been properly maintained and the financial statements give a true and fair view of the Group, operations and finances.

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

**Audit Committee**

Principle 12
The board should establish an Audit Committee ("***AC***") with written terms of reference which clearly set out its authority and duties.

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

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

The members of the AC are appropriately qualified to discharge their responsibilities. The AC Chairman has recent and relevant accounting or related financial management expertise or experience.

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 2018. The matrix on the frequency of the meetings and the attendance of directors at these meetings is disclosed on page 27 of this Annual Report. The meetings were also attended by the Executive Chairman, Executive Director and Non-Executive Director, 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 was briefed at the AC meeting by the External Auditor on changes in Financial Reporting Standards which are relevant to the Group's businesses. This allows the AC to keep abreast of accounting standards and issues which have a direct impact on financial statements.

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;

# CORPORATE GOVERNANCE REPORT

- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;

- 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 as well as significant financial reporting issues and judgements;

- 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, scope and results of the audit and the independence, objectivity and performance of the external auditors and reviewing the adequacy and effectiveness of the internal audit function;

- reviewing arrangements under which staff of the Group may in confidence, raise concerns about possible wrongdoing in financial reporting or, other matters;

- nominating and reviewing the appointment or re-appointment of the external auditors and the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced, and matters relating to the resignation or dismissal of the auditors, if any;

- approving the remuneration and terms of engagement of the external auditors and the hiring, removal, evaluation and compensation of the internal auditors;

- 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 2018, 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.

# CORPORATE GOVERNANCE REPORT

During the financial year ended 31 December 2018, the aggregate amount of fees paid to the external auditors amounted to S$274,000, comprising S$213,000 in audit fees and S$61,000 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 2018, which pertained mainly to the Company's income tax advisory services, sustainability reporting and other advisory services. In the AC's opinion, the provision of such non-audit services does not affect the independence and objectivity of PricewaterhouseCoopers LLP as the external auditor.

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

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

No former partner or director of the Company's existing auditing firm or auditing corporation: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation, was appointed to the AC.

*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 2018.

**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 internal audit function has unfettered access to all the Company's documents, records, properties and personnel, includes access to the AC.

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.

# CORPORATE GOVERNANCE REPORT

## (D) SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

**Shareholder Rights**

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

**Communication with Shareholders**

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

**Conduct of Shareholder Meetings**

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

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

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

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

Briefings and meetings for analysts and the media when appropriate 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. In light of the financial performance of the Company for the financial year ended 31 December 2018, and cash preservation and financing of operations being key considerations, the Board has not proposed any dividend for FY2018.

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.

# CORPORATE GOVERNANCE REPORT

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.

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.

All directors will attend the AGM. In particular, the Executive Chairman of the Board, and the Chairman of the 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 2018 or if not then subsisting, entered into since the end of the financial year ended 31 December 2017.

# 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 2018, 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** |
| **Renovation/property reinstatement services and Service income** | | |
| Soilbuild Group Holdings Ltd. and its subsidiaries | – | 122 |
| **Share of common overheads** | | |
| Soilbuild Group Holdings Ltd. and its subsidiaries | | |
| – Paid and payable | – | 160 |
| – Received and receivables | – | 100 |
| **Rental of office / warehouse premises** | | |
| Soilbuild Group Holdings Ltd. and its subsidiaries | | |
| – Paid and payable | – | 278 |
| – Received and receivables | – | 182 |
| DBS Trustee Limited (as Trustee of Soilbuild Business Space REIT) | | |
| – Paid and payable | – | 267 |
| **Logistic services** | | |
| Asian Worldwide Services Pte Ltd | – | 579 |

# 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:

| USE OF PROCEEDS FROM THE PREFERENTIAL OFFERING OF WARRANTS | Amount allocated S$'000 | Amount utilised as at 31 December 2018 S$'000 | Amount unutilised as at 31 December 2018 S$'000 |
|---|---|---|---|
| Acquisition of plant and equipment for construction works in Myanmar | Up to 2,500 | 2,500 | – |
| Working capital purposes | Up to 5,700 | 5,700 | – |
| Total | 8,200 | 8,200 | – |

The proceeds used for working capital purposes amounting to S$5.7 million up to 31 December 2018 comprise mainly payment to suppliers and sub-contractors for the execution of the Group's pre-existing construction contracts in Singapore.

As at 31 December 2018, the Company has utilised all the net proceeds from the issue of the warrants.

**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 directorships 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 2018

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

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 57 to 132 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due due to the reasons as stated in Note 2.1.

## 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 2018

## 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 31.12.2018** | **At 1.1.2018** | **At 31.12.2018** | **At 1.1.2018** |
| **Company** | | | | |
| (No. of ordinary shares) | | | | |
| Mr Lim Chap Huat | 492,560,215 | 492,560,215 | – | – |
| Mr Ho Toon Bah | 11,654,785 | 11,654,785 | – | – |
| Ms Lim Cheng Hwa | 200,000 | 200,000 | – | – |
| Mr Tan Jee Ming | 300,000 | 300,000 | – | – |
| Mr Teo Chee Seng | 200,000 | 200,000 | – | – |
| (No. of warrants) | | | | |
| 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, none of the 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.

(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 2019 were the same as those as at 31 December 2018.

## 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 2018

**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.

(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.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

## SHARE PLANS (CONTINUED)

(b) Soilbuild Construction Performance Share Plan (continued)

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.

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.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

## SHARE PLANS (CONTINUED)

(b) Soilbuild Construction Performance Share Plan (continued)

Details of the awards granted under PSP are as follows:

| | Aggregate number of shares under the PSP granted since commencement of the PSP to 31 December 2018 | Aggregate number of shares under the PSP Awards as at 1 January 2018 | Aggregate number of shares under the PSP Awards granted during the financial year ended 31 December 2018 | Aggregate number of shares under the PSP Awards lapsed during the financial year ended 31 December 2018 | Aggregate number of shares under the PSP Awards released upon vesting during the financial year ended 31 December 2018 | Aggregate number of shares under the PSP Awards outstanding as at 31 December 2018 |
|---|---|---|---|---|---|---|
| **Controlling shareholders and/or their associates** | | | | | | |
| Mr Lim Chap Huat | | | | | | |
| 2017 PSP Award | – | Up to 3,050,000 | – | 3,050,000 | – | – |
| **Director of the Company** | | | | | | |
| Mr Ho Toon Bah | | | | | | |
| 2017 PSP Award | – | Up to 3,142,000 | – | 3,142,000 | – | – |
| **Other Participants** | | | | | | |
| 2017 PSP Award | – | Up to 1,721,000 | – | 1,721,000 | – | – |

There are no performance share awards granted during the financial year ended 31 December 2018. The details of the performance share awards granted during the financial year ended 31 December 2017 are as follows:

(i) *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.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

## SHARE PLANS (CONTINUED)

(b) Soilbuild Construction Performance Share Plan (continued)

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

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 and 31 December 2018, 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 2018

## 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 non-executive and independent directors.

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

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

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

## INDEPENDENT AUDITOR

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

On behalf of the directors

Lim Chap Huat
Director

Ho Toon Bah
Director

29 March 2019

# 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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

*What we have audited*

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

### Basis for Opinion

We 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.

*Key Audit Matters*

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

# INDEPENDENT AUDITOR'S REPORT

To the members of Soilbuild Construction Group Ltd.

**Our Audit Approach (continued)**

*Key Audit Matters (continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Accounting for construction contracts**<br>*Refer to Note 3 (Critical accounting estimates, assumptions and judgements) and Note 13 (Contract assets and liabilities) to the financial statements*<br><br>During the financial year ended 31 December 2018, revenue from construction contract amounted to S$208,547,000 and it represented 99% of the total revenue of the Group.<br><br>The Group accounts for its contract revenue and contract costs over time by reference to the Group's progress toward completing the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs.<br><br>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 measure of progress 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:<br><br>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).<br><br>In relation to total contract revenue, our audit procedures include the following:<br><br>a. Traced total contract sums to contract and variation orders entered into by the Group and its customers;<br><br>b. Assessed the adequacy of provision for liquidated damages to be net off against contract revenue recognised (where relevant); and<br><br>c. Assessed the reasonableness of the revenue recognised via discussion with the project teams and obtaining corroborating evidence such as correspondences with the customers.<br><br>In relation to total contract cost, our audit procedures include the following:<br><br>a. Reviewed the actual costs incurred by tracing to supplier invoices or sub-contractor progress billings; and<br><br>b. Reviewed management's estimates of total construction costs and cost to complete via the following:<br><br>i. Substantiated to quotations and contracts entered for sub contracting costs.<br>ii. Reviewed the estimation of the materials, labour and other construction costs with reference to the progress of the project.<br><br>c. Recomputed the measure of progress of the construction contracts which is determined based on the proportion of contract costs incurred to date to the estimated total contract costs.<br><br>Based on the audit procedures performed, we have assessed management's estimates to be reasonable.<br><br>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.<br><br>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. |

# INDEPENDENT AUDITOR'S REPORT

To the members of Soilbuild Construction Group Ltd.

## 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.

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

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

## RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

To the members of 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 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| Revenue | 4 | 208,584 | 199,606 |
| Cost of sales | | (201,976) | (199,370) |
| **Gross profit** | | 6,608 | 236 |
| Other income | 7(a) | 2,277 | 1,597 |
| Other losses - net | 7(b) | (102) | (149) |
| Expenses | | | |
| - Administrative | | (6,764) | (7,587) |
| - Marketing | | (8) | (40) |
| - Finance | 8 | (635) | (71) |
| - Others | | (3,930) | (2,175) |
| Share of profit of joint ventures | 16 | 143 | 594 |
| **Loss before income tax** | | (2,411) | (7,595) |
| Income tax (expense)/credit | 9(a) | (871) | 1,621 |
| **Net loss** | | (3,282) | (5,974) |
| **Other comprehensive loss:** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Currency translation differences arising from consolidation | | 256 | (405) |
| **Total comprehensive loss** | | (3,026) | (6,379) |
| **Loss attributable to:** | | | |
| Equity holders of the Company | | (3,242) | (5,971) |
| Non-controlling interests | | (40) | (3) |
| | | (3,282) | (5,974) |
| **Total comprehensive loss attributable to:** | | | |
| Equity holders of the Company | | (2,986) | (6,376) |
| Non-controlling interests | | (40) | (3) |
| | | (3,026) | (6,379) |
| **Loss per share attributable to equity holders of the Company (cents per share)** | 10 | | |
| - Basic | | (0.48) | (0.89) |
| - Diluted | | (0.48) | (0.84) |

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

# BALANCE SHEETS

As at 31 December 2018

| | Note | Group 31 December 2018 $'000 | Group 31 December 2017 $'000 | Group 1 January 2017 $'000 | Company 31 December 2018 $'000 | Company 31 December 2017 $'000 | Company 1 January 2017 $'000 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | 11 | 15,252 | 27,871 | 32,830 | 354 | 1,038 | 5,312 |
| Trade and other receivables | 12 | 70,175 | 56,189 | 103,640 | 53,468 | 36,090 | 42,094 |
| Other current assets | 14 | 1,387 | 14,637 | 2,175 | 8 | 6 | 6,512 |
| Income tax recoverable | 9(c) | – | 685 | – | – | – | – |
| | | 86,814 | 99,382 | 138,645 | 53,830 | 37,134 | 53,918 |
| **Non-current assets** | | | | | | | |
| Trade and other receivables | 12 | 7,305 | 5,591 | 14,918 | – | – | – |
| Other non-current assets | 14 | – | – | 10,000 | – | – | – |
| Investments in subsidiaries | 15 | – | – | – | 32,020 | 31,795 | 23,270 |
| Investments in joint ventures | 16 | 525 | 943 | 2,784 | – | – | – |
| Property, plant and equipment | 17 | 101,891 | 54,360 | 23,474 | – | – | – |
| Intangible assets | 18 | 330 | 455 | 179 | – | – | – |
| Land lease prepayment | 19 | 33,928 | 30,106 | 25,535 | – | – | – |
| Deferred income tax assets | 21 | 831 | 274 | – | – | – | – |
| | | 144,810 | 91,729 | 76,890 | 32,020 | 31,795 | 23,270 |
| **Total assets** | | 231,624 | 191,111 | 215,535 | 85,850 | 68,929 | 77,188 |
| **LIABILITIES** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Trade and other payables | 20(a) | 96,018 | 95,181 | 114,233 | 17,478 | 760 | 378 |
| Current income tax liabilities | 9(b) | 436 | 226 | 2,016 | 85 | 101 | 145 |
| Borrowings | 22 | 51,554 | 11,244 | – | – | – | – |
| Provision for other liabilities | 20(b) | 1,490 | 1,281 | 1,555 | – | – | – |
| | | 149,498 | 107,932 | 117,804 | 17,563 | 861 | 523 |
| **Non-current liabilities** | | | | | | | |
| Trade and other payables | 20(a) | 3,183 | 1,253 | – | – | – | – |
| Deferred income tax liabilities | 21 | – | – | 1,061 | – | – | – |
| | | 3,183 | 1,253 | 1,061 | – | – | – |
| **Total liabilities** | | 152,681 | 109,185 | 118,865 | 17,563 | 861 | 523 |
| **NET ASSETS** | | 78,943 | 81,926 | 96,670 | 68,287 | 68,068 | 76,665 |
| **EQUITY** | | | | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | | | | |
| Share capital | 23 | 59,597 | 59,597 | 58,798 | 59,597 | 59,597 | 58,798 |
| Capital reserve | 24 | (1,070) | (1,070) | (1,070) | – | – | – |
| Currency translation reserve | 25 | (149) | (405) | – | – | – | – |
| Performance share plan reserve | 26 | – | – | 719 | – | – | 719 |
| Warrant reserve | 27 | 8,128 | 8,128 | 8,161 | 8,128 | 8,128 | 8,161 |
| Retained profits | 28 | 12,437 | 15,679 | 30,062 | 562 | 343 | 8,987 |
| | | 78,943 | 81,929 | 96,670 | 68,287 | 68,068 | 76,665 |
| Non-controlling interests | | – | (3) | – | – | – | – |
| **TOTAL EQUITY** | | 78,943 | 81,926 | 96,670 | 68,287 | 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 2018

| | | ← Attributable to equity holders of the Company → | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **2018** | **Note** | **Share capital** | **Capital reserve** | **Currency translation reserve** | **Performance share plan reserve** | **Warrant reserve** | **Retained profits** | **Equity attributable to owners of the Company** | **Non-controlling interests** | **Total equity** |
| | | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Balance as at 31 December 2017** | | 59,597 | (1,070) | (310) | – | 8,128 | 16,652 | 82,997 | (3) | 82,994 |
| Adoption of SFRS(I) 1 | 2.2(b) | – | – | (92) | – | – | 92 | – | – | – |
| Adoption of SFRS(I) 15 | 2.2(b) | – | – | (3) | – | – | (1,065) | (1,068) | – | (1,068) |
| **Balance as at 1 January 2018** | | 59,597 | (1,070) | (405) | – | 8,128 | 15,679 | 81,929 | (3) | 81,926 |
| Loss for the year | | – | – | – | – | – | (3,242) | (3,242) | (40) | (3,282) |
| Other comprehensive income for the year | | – | – | 256 | – | – | – | 256 | – | 256 |
| **Total comprehensive loss for the year** | | – | – | 256 | – | – | (3,242) | (2,986) | (40) | (3,026) |
| Issuance of shares to non-controlling interests | | – | – | – | – | – | – | – | 75 | 75 |
| Disposal of controlling interest in subsidiary | | – | – | – | – | – | – | – | (32) | (32) |
| **Total transactions with owners, recognised directly in equity** | | – | – | – | – | – | – | – | 43 | 43 |
| **Balance as at 31 December 2018** | | 59,597 | (1,070) | (149) | – | 8,128 | 12,437 | 78,943 | – | 78,943 |

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 2018

| | | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | Note | Share capital $'000 | Capital reserve $'000 | Currency translation reserve $'000 | Performance share plan reserve $'000 | Warrant reserve $'000 | Retained profits $'000 | Equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **Balance as at 31 December 2016** | | 58,798 | (1,070) | 116 | 719 | 8,161 | 31,367 | 98,091 | – | 98,091 |
| Adoption of SFRS(I) 1 | 2.2(b) | – | – | (92) | – | – | 92 | – | – | – |
| Adoption of SFRS(I) 15 | 2.2(b) | – | – | (24) | – | – | (1,397) | (1,421) | – | (1,421) |
| **Balance as at 1 January 2017** | | 58,798 | (1,070) | – | 719 | 8,161 | 30,062 | 96,670 | – | 96,670 |
| Loss for the year | | – | – | – | – | – | (5,971) | (5,971) | (3) | (5,974) |
| Other comprehensive loss for the year | | – | – | (405) | – | – | – | (405) | – | (405) |
| **Total comprehensive loss for the year** | | – | – | (405) | – | – | (5,971) | (6,376) | (3) | (6,379) |
| 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) |
| **Total transactions with owners, recognised directly in equity** | | 799 | – | – | (719) | (33) | (8,412) | (8,365) | – | (8,365) |
| **Balance as at 31 December 2017** | | 59,597 | (1,070) | (405) | – | 8,128 | 15,679 | 81,929 | (3) | 81,926 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net loss | | (3,282) | (5,974) |
| Adjustments for: | | | |
| - Amortisation of intangible assets | | 125 | 80 |
| - Depreciation of property, plant and equipment | | 3,411 | 2,411 |
| - Amortisation of land lease prepayment | | 1,186 | 982 |
| - Share-based compensation write-back | | – | (75) |
| - Interest income | | (31) | (47) |
| - Interest expense | | 635 | 71 |
| - Income tax expense/(credit) | | 871 | (1,621) |
| - (Gain)/loss on disposal of property, plant and equipment | | (34) | 156 |
| - Loss on disposal of a subsidiary | | 45 | – |
| - Property, plant and equipment written off | | 23 | – |
| - Share of profit of joint ventures | | (143) | (594) |
| Operating cash flows before working capital changes | | 2,806 | (4,611) |
| Changes in working capital: | | | |
| - Trade and other receivables | | (14,890) | 56,778 |
| - Other current assets | | 13,273 | (12,462) |
| - Other non-current assets | | – | 10,000 |
| - Trade and other payables | | (1,744) | (17,805) |
| - Provision for other liabilities | | 209 | (273) |
| Cash (used in)/generated from operations | | (346) | 31,627 |
| Income tax paid | | (549) | (2,221) |
| **Net cash (used in)/provided by operating activities** | | (895) | 29,406 |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | | (37,894) | (34,019) |
| Additions of intangible assets | | – | (356) |
| Proceeds from disposal of property, plant and equipment | | 589 | 531 |
| Additions of land lease prepayment | | (2,892) | (5,552) |
| Acquisition of assets, net of cash acquired | 35 | (7,625) | – |
| Disposal of a subsidiary, net of cash disposed of | 11 | 88 | – |
| Distributions received from a joint venture | | 261 | 435 |
| Dividend received from a joint venture | | 300 | 2,000 |
| Interest received | | 31 | 47 |
| **Net cash used in investing activities** | | (47,142) | (36,914) |
| **Cash flows from financing activities** | | | |
| Dividends paid to equity holders of the Company | 29 | – | (8,412) |
| Proceeds from issuance of shares to non-controlling interest | | 75 | – |
| Proceeds from conversion of warrants to ordinary shares | | – | 122 |
| Proceeds from bank loans | | 56,756 | 26,744 |
| Repayment of bank loans | | (20,976) | (15,500) |
| Interest paid | | (599) | (67) |
| **Net cash provided by financing activities** | | 35,256 | 2,887 |
| **Net decrease in cash and cash equivalents** | | (12,781) | (4,621) |
| Cash and cash equivalents at beginning of financial year | 11 | 27,871 | 32,830 |
| Effects of currency translation on cash and cash equivalents | | 162 | (338) |
| **Cash and cash equivalents at end of financial year** | 11 | 15,252 | 27,871 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

**Reconciliation of liabilities arising from financing activities**

| | 1 January 2018 $'000 | Proceeds from bank loan $'000 | Principal and interest payments $'000 | Non-cash changes Acquisition $'000 | Non-cash changes Interest expense $'000 | Non-cash changes Foreign exchange movement $'000 | 31 December 2018 $'000 |
|---|---|---|---|---|---|---|---|
| Bank borrowings | 11,244 | 56,756 | (20,976) | 4,476 | – | 54 | 51,554 |
| Interest payable | 4 | – | (599) | – | 635 | – | 40 |

| | 1 January 2017 $'000 | Proceeds from bank loan $'000 | Principal and interest payments $'000 | Non-cash changes Acquisition $'000 | Non-cash changes Interest expense $'000 | Non-cash changes Foreign exchange movement $'000 | 31 December 2017 $'000 |
|---|---|---|---|---|---|---|---|
| Bank borrowings | – | 26,744 | (15,500) | – | – | – | 11,244 |
| Interest payable | – | – | (67) | – | 71 | – | 4 |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying 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 (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

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

**Going concern**

The Group incurred a loss of $3,282,000 during the financial year ended 31 December 2018. In addition, the Group's current liabilities exceed its current assets by $62,684,000 as at 31 December 2018.

The Group is in a loss position during the financial year 31 December 2018 mainly due to the grant of an arbitration award ("Award") on 25 February 2019 by an arbitrator against the Company's wholly-owned subsidiary, Soil-Build (Pte.) Ltd. ("SBPL"), in connection with an arbitration commenced by SBPL against a sub-contractor for damages suffered due to the sub-contractor's delay in the completion of its sub-contracted work for a construction project. Under the Award, the sub-contractor is not liable to pay SBPL for any damages for delay, liquidated or otherwise, and SBPL is liable to pay the sub-contractor the balance of the amount due to the sub-contractor (of approximately $1,400,000 without taking into account, amongst other, accrued interest payable) which was originally anticipated to be not payable as a result of the sub-contractor's delay in the completion of its sub-contracted work prior to the launch of the arbitration.

The Award has resulted in the Group having to recognise additional costs of sales of approximately $5,300,000 in respect of the relevant construction project which include the amount of $1,400,000 as mentioned in the above; damages previously deemed receivable; and interest, prolongation cost and legal fee. Excluding the recognition of these additional cost of sales amounting to approximately $5,300,000, the Group will be in a profitable position during the financial year ended 31 December 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

**Going concern (continued)**

The Group is in a net current liabilities position as at 31 December 2018 mainly due to the following reasons:

a) The Group has acquired significant non-current assets close to the financial year-end on 26 November 2018 for expansion purposes as disclosed in Note 35, with majority of the payment paid in cash.

b) Due to the Award as mentioned above in which the Group has to incur an additional cost of sales amounting to approximately $5,300,000 the Group is in breach of a loan covenant in relation to borrowing from a bank as disclosed in Note 22(c). Arising from the breach, a portion of a term loan amounting to $48,500,000 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 2018.

The financial statements have been prepared on a going concern basis due to the following reasons:

a) Based on the Group's cash flow forecast for the next twelve months, management believes that the Group will be able to pay its debts as and when they fall due. The Group has strong order books amounting to $400,673,000 as at 31 December 2018, which it is expected to be fulfilled over the next few years. The Group is expected to meet the cash flow requirements from its normal course of business through its existing and future order books.

b) The Group has obtained waiver of the breach from the bank subsequent to the balance sheet date on 5 March 2019 where the term loan facility remain available to the Group and the repayments terms remain unchanged. Accordingly, there is no immediate repayment of the term loan required during the next twelve months after the balance sheet date. If the non-current portion of the term loan amounting to $48,500,000 is not reclassified from non-current to current, the Group's net current liability position as at 31 December 2018 will be reduced to $14,184,000.

c) The Group has existing bank facilities amounting to $19,036,000 which have yet to be utilised and can be tapped on for its funding requirements.

d) The Group is looking to obtain long-term financing for its significant non-current assets acquired on 26 November 2018 as disclosed in Note 35. The non-current assets remain unpledged and the Group has existing banking relationships with a number of banks, which it will be able to obtain additional financing for the non-current assets.

### 2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

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

(a) Optional exemptions applied

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

(i) Cumulative translation differences

The Group has elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017.

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

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

- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;

- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and

- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

(iii) Short-term exemption of SFRS(I) *9 Financial Instruments*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

| As at 1 January 2017 | Note | Reported under SFRS $'000 | Effects of applying SFRS(I) 1 $'000 | Effects of applying SFRS(I) 15 $'000 | Reported under SFRS(I) $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | 32,830 | - | - | 32,830 |
| Trade and other receivables | B1 | 103,427 | - | 213 | 103,640 |
| Other current assets | | 2,175 | - | - | 2,175 |
| | | 138,432 | - | 213 | 138,645 |
| **Non-current assets** | | | | | |
| Trade and other receivables | | 14,918 | - | - | 14,918 |
| Other non-current assets | | 10,000 | - | - | 10,000 |
| Investments in joint ventures | | 2,784 | - | - | 2,784 |
| Property, plant and equipment | | 23,474 | - | - | 23,474 |
| Intangible assets | | 179 | - | - | 179 |
| Land lease prepayment | | 25,535 | - | - | 25,535 |
| | | 76,890 | - | - | 76,890 |
| **Total assets** | | 215,322 | - | 213 | 215,535 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | B1,B2 | 112,702 | - | 1,531 | 114,233 |
| Current income tax liabilities | | 2,016 | - | - | 2,016 |
| Provision for other liabilities | B2 | 1,119 | - | 436 | 1,555 |
| | | 115,837 | - | 1,967 | 117,804 |
| **Non-current liabilities** | | | | | |
| Deferred income tax liabilities | B1 | 1,394 | - | (333) | 1,061 |
| | | 1,394 | - | (333) | 1,061 |
| Total liabilities | | 117,231 | - | 1,634 | 118,865 |
| **NET ASSETS** | | 98,091 | - | (1,421) | 96,670 |
| **EQUITY** | | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | | 58,798 | - | - | 58,798 |
| Capital reserve | | (1,070) | - | - | (1,070) |
| Currency translation reserve | A1,B1 | 116 | (92) | (24) | - |
| Performance share plan reserve | | 719 | - | - | 719 |
| Warrant reserve | | 8,161 | - | - | 8,161 |
| Retained profits | A1,B1 | 31,367 | 92 | (1,397) | 30,062 |
| | | 98,091 | - | (1,421) | 96,670 |
| **Non-controlling interests** | | - | - | - | - |
| **Total equity** | | 98,091 | - | (1,421) | 96,670 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

| As at 31 December 2017 | Note | Reported under SFRS $'000 | Effects of applying SFRS(I) 1 $'000 | Effects of applying SFRS(I) 15 $'000 | Reported under SFRS(I) $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | 27,871 | - | - | 27,871 |
| Trade and other receivables | B1 | 56,100 | - | 89 | 56,189 |
| Other current assets | | 14,637 | - | - | 14,637 |
| Income tax recoverable | | 685 | - | - | 685 |
| | | 99,293 | - | 89 | 99,382 |
| **Non-current assets** | | | | | |
| Trade and other receivables | | 5,591 | - | - | 5,591 |
| Investments in joint ventures | | 943 | - | - | 943 |
| Property, plant and equipment | | 54,360 | - | - | 54,360 |
| Intangible assets | | 455 | - | - | 455 |
| Land lease prepayment | | 30,106 | - | - | 30,106 |
| Deferred income tax assets | B1 | 50 | - | 224 | 274 |
| | | 91,505 | - | 224 | 91,729 |
| **Total assets** | | 190,798 | - | 313 | 191,111 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | B1,B2 | 93,988 | - | 1,193 | 95,181 |
| Borrowings | | 11,244 | - | - | 11,244 |
| Current income tax liabilities | | 226 | - | - | 226 |
| Provision for other liabilities | B2 | 1,093 | - | 188 | 1,281 |
| | | 106,551 | - | 1,381 | 107,932 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | | 1,253 | - | - | 1,253 |
| | | 1,253 | - | - | 1,253 |
| Total liabilities | | 107,804 | - | 1,381 | 109,185 |
| **NET ASSETS** | | 82,994 | - | (1,068) | 81,926 |
| **EQUITY** | | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | | 59,597 | - | - | 59,597 |
| Capital reserve | | (1,070) | - | - | (1,070) |
| Currency translation reserve | A1,B1 | (310) | (92) | (3) | (405) |
| Warrant reserve | | 8,128 | - | - | 8,128 |
| Retained profits | A1,B1 | 16,652 | 92 | (1,065) | 15,679 |
| | | 82,997 | - | (1,068) | 81,929 |
| **Non-controlling interests** | | (3) | - | - | (3) |
| **Total equity** | | 82,994 | - | (1,068) | 81,926 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

| For the financial year ended 31 December 2017 | Note | Reported under SFRS $'000 | Effects of applying SFRS(I) 1 $'000 | Effects of applying SFRS(I) 15 $'000 | Reported under SFRS(I) $'000 |
|---|---|---|---|---|---|
| Revenue | B1 | 200,769 | - | (1,163) | 199,606 |
| Cost of sales | B1 | (200,963) | - | 1,593 | (199,370) |
| Gross (loss)/profit | | (194) | - | 430 | 236 |
| Other income | | 1,597 | - | - | 1,597 |
| Other gains and losses | | (149) | - | - | (149) |
| Expenses | | | | | |
| - Administrative | | (7,587) | - | - | (7,587) |
| - Marketing | | (40) | - | - | (40) |
| - Finance | | (71) | - | - | (71) |
| - Others | | (2,175) | - | - | (2,175) |
| Share of profit of joint venture | | 594 | - | - | 594 |
| Loss before income tax | | (8,025) | - | 430 | (7,595) |
| Income tax credit | B1 | 1,719 | - | (98) | 1,621 |
| **Net loss** | | (6,306) | - | 332 | (5,974) |
| **Other comprehensive loss** | | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | | |
| Currency translation differences arising from consolidation | B1 | (426) | - | 21 | (405) |
| **Total comprehensive loss** | | (6,732) | - | 353 | (6,379) |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Explanatory notes to reconciliations:

The effects of transition to SFRS(I) mainly arises from the optional exemptions provided for under SFRS(I) 1 and the adoption of SFRS(I) 15 *Revenue from Contracts with Customers.* There is no material impact with the adoption of SFRS(I) 9 *Financial Instruments*.

**A. Optional exemptions**

As disclosed in Note 2.2(a), the Group has applied certain exemptions in preparing this first set of financial statements in accordance with SFRS(I). The exemptions that resulted in adjustments to the previously issued SFRS financial statements are as follows:

A1. Cumulative translation differences

As disclosed in Note 2.2(a)(i), the Group has elected to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to SFRS(I) on 1 January 2017. As a result, currency translation reserves and retained profits as at 1 January 2017 was reduced/increased by $92,000 respectively.

**B. Adoption of SFRS(I) 15**

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2.2(a)(ii), the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) 15 at 1 January 2018.

The adoption of SFRS(I) 15 resulted in adjustments to the previously issued SFRS financial statements as explained below:

B1. Change in method for recognition of revenue and margin from construction contracts

Before 1 January 2018, the Group recognised construction contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period ("percentage-of-completion method"), where the outcome of a construction contract can be estimated reliably. 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 ("Output method").

With the adoption of SFRS(I) 15, the Group continues to recognise construction contracts revenue over time by measuring the progress toward complete satisfaction of performance obligations. Under the new standard, the methods of measuring progress include Output method (As defined above) and Input Method (which is cost-based input method). The Group has determined that the Input Method reflects the over-time transfer of control to customer. Accordingly, with effect from 1 January 2018, the Group adopted the Input Method under SFRS(I) 15, in recognising its contract revenue.

The Group has also assessed the corresponding tax impact with the adoption of SFRS(I) 15.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### B. Adoption of SFRS(I) 15 (continued)

B2. Accounting for loss-making construction contracts

Before 1 January 2018, under FRS 11 *Construction Contracts*, when it is probable that the 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 as part of construction contract balances under trade and other receivables or trade and other payables.

With the adoption of 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 loss-making contracts. Accordingly, there will be a classification impact and the provision for foreseeable losses will be classified and disclosed separately as provision for other liabilities on the balance sheet.

B3. Presentation of contract assets and contract liabilities

The Group has also changed the presentation of certain amounts within the trade and other receivables (Note 12) and trade and other payables (Note 20(a)) notes as at 31 December 2017 on adopting SFRS(I) 15:

(i) Contract assets relating to construction contracts for building works were previously presented as "amounts due from customers/ related parties/ joint operator on construction contracts" under SFRS.

(ii) Contract liabilities in relation to construction contracts for building works were previously presented as "amounts due to customers/ related parties/ joint operator arising from construction contracts" under SFRS.

#### C. Adoption of SFRS(I) 9

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

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

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

There were no material impact to the Group's balances on adoption of SFRS(I) 9. The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.11.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### C. Adoption of SFRS(I) 9 (continued)

*(i) Impairment of financial assets*

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

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

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.11 and Note 32(b).

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

The Company's opening balance sheet was prepared as at 1 January 2017, which was the Company's date of transition to SFRS(I). There were no material impact to the Company's balances on adoption of SFRS(I) 9.

*(i) Impairment of financial assets*

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

- trade receivables; and
- loans to related parties and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.11 and Note 32(b).

### 2.3 Revenue recognition

*(a) Construction contracts*

The Group performs construction works for customers through fixed-price contracts. Contract revenue is recognised when the Group's performance creates or enhance an asset that the customer controls as the asset is created or enhanced.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Revenue recognition (continued)

*(a) Construction contracts (continued)*

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

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

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

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

*(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) on property, plant and equipment is recognised on a straight-line basis over the lease term.

*(d) Interest income*

Interest income is recognised using the effective interest method.

### 2.4 Group accounting

*(a) Subsidiaries*

*(i) Consolidation*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Group accounting (continued)

*(a) Subsidiaries (continued)*

*(i) Consolidation (continued)*

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

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

*(ii) Acquisitions*

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

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

Acquisition-related costs are expensed as incurred.

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

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 identifiable net 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.

*(iii) Disposals*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Group accounting (continued)

*(a) Subsidiaries (continued)*

*(iii) Disposals (continued)*

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

Please refer to Note 2.9 for the accounting policy on "Investment in subsidiaries and joint ventures" 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 arrangements, 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 impairment of the asset transferred. The accounting policies of joint ventures are 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 "Investment in subsidiaries and joint ventures" in the separate financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 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 for the liabilities, relating to the arrangement.

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

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

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

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.

### 2.5 Property, plant and equipment

*(a) Measurement*

Freehold land is initially recognised at cost and subsequently carried at cost less accumulated impairment losses. All other 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*(b) Depreciation*

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

| | **Useful lives** |
|---|---|
| Leasehold property | 20 to 30 years |
| Plant and equipment | 5 to 15 years |
| Motor vehicles | 5 years |
| Renovation, furniture and equipment | 3 to 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 each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

*(c) Subsequent expenditure*

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

*(d) Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within other gains/(losses).

### 2.6 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 to 72 years.

### 2.7 Intangible assets

*Acquired computer software licences*

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Intangible assets (continued)

*Acquired computer software licences (continued)*

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 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.

### 2.8 Borrowing costs

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

### 2.9 Investment in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are carried at cost less accumulated impairment losses (Note 2.10) in the Company's balance sheet. On disposal of 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 CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Financial assets

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

*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.

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

The Group classifies its financial assets into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

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

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

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

*(i)* *At initial recognition*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Financial assets (continued)

(b) The accounting for financial assets from 1 January 2018 are as follows: (continued)

*(ii)* *At subsequent measurement*

*Debt instruments*

Debt instruments of the Group mainly comprise of cash and cash equivalents, trade and other receivables and deposits.

The Group managed these financial assets by collecting the contractual cash flow and these cash flows represents solely payment of principal and interest. Accordingly, these financial assets are measured at amortised cost subsequent to initial recognition.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets are recognised using the effective interest rate method.

*(iii)* *Impairment*

The Group assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

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

For loan to related corporation, cash and cash equivalents and deposits, the general 3-stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 balance sheet date.

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

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 balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

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. This provision is calculated based on historical experience of the level of defects.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(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 balance sheet date.

(c) *Bonus plans*

The Group recognises 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 the Group is 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.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 ("functional currency"). The financial statements are presented in Singapore Dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

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

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within other gains/(losses).

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 with loss of control of the foreign operation.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 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.

## 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.

The Group has significant ongoing construction contracts for building works. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the building works. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Significant judgement is used to estimate these 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 1% from management's estimates, the effects on the Group's net loss after tax will be as follows:

| | Increase/(Decrease) | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Estimated total construction cost | | |
| - increased by 1% | 2,723 | 4,655 |
| - decreased by 1% | (2,364) | (3,669) |

If the estimated total construction revenue of uncompleted contracts increase/decrease by 1% from management's estimates, the effects on the Group's net loss after tax will be as follows:

| | (Decrease)/Increase | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Estimated total construction revenue | | |
| - increased by 1% | (2,342) | (3,594) |
| - decreased by 1% | 2,733 | 4,638 |

## 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

| | Over time | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Construction | | |
| - Singapore | 157,809 | 172,148 |
| - Myanmar | 50,738 | 27,408 |
| | 208,547 | 199,556 |
| Others | 37 | 50 |
| Total | 208,584 | 199,606 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 5. EXPENSES BY NATURE

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Materials, sub-contractors and other construction costs | 177,369 | 168,287 |
| Amortisation of intangible assets (Note 18) | 125 | 80 |
| Amortisation of land lease prepayment (Note 19) | 1,186 | 982 |
| Depreciation of property, plant and equipment (Note 17) | 3,411 | 2,411 |
| Total depreciation and amortisation | 4,722 | 3,473 |
| Employee compensation (Note 6) | 24,144 | 31,263 |
| Auditors' fees: | | |
| Fees on audit services paid/payable to: | | |
| - Auditor of the Company | 213 | 198 |
| - Other auditors | 29 | 10 |
| Fees on non-audit services paid/payable to: | | |
| - Auditor of the Company | 61 | 43 |
| - Other auditors | 30 | 19 |
| Rental expense | 523 | 1,261 |
| Transportation expenses | 500 | 470 |
| Professional fees | 864 | 860 |
| Other expenses | 4,223 | 3,288 |
| Total cost of sales, administrative, marketing and other operating expenses | 212,678 | 209,172 |

## 6. EMPLOYEE COMPENSATION

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Wages and salaries | 22,698 | 29,437 |
| Employer's contribution to Central Provident Fund | 1,446 | 1,901 |
| Share-based compensation write back (Note 26) | - | (75) |
| Employee compensation recognised in profit or loss (Note 5) | 24,144 | 31,263 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 7(a). OTHER INCOME

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Income from sale of materials | 193 | 160 |
| Interest income | 31 | 47 |
| Service income | 626 | 751 |
| Rental income | 1,165 | 214 |
| Government grants | 93 | 260 |
| Others | 169 | 165 |
| | 2,277 | 1,597 |

## 7(b). OTHER LOSSES - NET

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Gain/(loss) on disposal of property, plant and equipment | 34 | (156) |
| Loss on disposal of a subsidiary | (45) | - |
| Foreign exchange (loss)/gain - net | (91) | 7 |
| | (102) | (149) |

## 8. FINANCE EXPENSES

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Interest expense on bank borrowings | 635 | 71 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 9. INCOME TAXES

(a) Income tax expense/(credit)

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Tax expense/(credit) attributable to loss is made up of: | | |
| Loss from current financial year: | | |
| - Current income tax | 1,491 | 178 |
| - Deferred income tax (Note 21) | (955) | (1,471) |
| | 536 | (1,293) |
| Under/(over) provision in prior financial years: | | |
| - Current income tax | 6 | (452) |
| - Deferred income tax (Note 21) | 329 | 124 |
| | 871 | (1,621) |

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

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Loss before tax | (2,411) | (7,595) |
| Share of profit of joint ventures, net of tax | (143) | (594) |
| Loss before tax and share of profit of joint ventures | (2,554) | (8,189) |
| Tax calculated at tax rate of 17% (2017: 17%) | (434) | (1,392) |
| Effects of: | | |
| - different tax rates in other countries | 436 | (80) |
| - Singapore statutory stepped income exemption | (26) | (29) |
| - tax incentives | (10) | (321) |
| - income not subject to tax | (47) | (47) |
| - expenses not deductible for tax purposes | 580 | 576 |
| - deferred tax assets not recognised | 37 | - |
| - under/(over) provision of tax | 335 | (328) |
| Tax charge/(credit) | 871 | (1,621) |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 9. INCOME TAXES (CONTINUED)

(b) Movements in current income tax liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Beginning of financial year | 226 | 2,016 | 101 | 145 |
| Tax expense | 1,491 | 178 | 84 | 95 |
| Income tax paid | (1,234) | (1,536) | (96) | (140) |
| Under/(over) provision in prior financial years | 6 | (452) | (4) | 1 |
| Reclassification from deferred income tax | (69) | - | - | - |
| Currency translation differences | 16 | 20 | - | - |
| End of financial year | 436 | 226 | 85 | 101 |

(c) Movements in current income tax recoverable

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Beginning of financial year | (685) | - | - | - |
| Income tax recovered/(paid) | 685 | (685) | - | - |
| End of financial year | - | (685) | - | - |

## 10. EARNINGS PER SHARE

(a) Basic loss per share

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

| | 2018 | 2017 |
|---|---|---|
| Net loss attributable to equity holders of the Company ($'000) | (3,242) | (5,971) |
| Weighted average number of ordinary shares outstanding for basic loss per share ('000) | 672,988 | 671,995 |
| Basic loss per share (cents per share) | (0.48) | (0.89) |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 10. EARNINGS PER SHARE (CONTINUED)

(b) Diluted loss per share

For the purpose of calculating diluted loss per share, loss 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.

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 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 per share. No adjustment is made to the net loss.

| | 2018 | 2017 |
|---|---|---|
| Net loss attributable to equity holders of the Company ($'000) | (3,242) | (5,971) |
| Weighted average number of ordinary shares outstanding for diluted loss per share ('000) | 674,228 | 707,249 |
| Diluted loss per share (cents per share) | (0.48)* | (0.84) |

* There are no dilutive effects for the warrants during the financial year ended 31 December 2018 as the exercise price of the warrants exceed the average market price of the shares.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 11. CASH AND CASH EQUIVALENTS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 1 January 2017 | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cash at bank and on hand | 15,252 | 27,871 | 32,830 | 354 | 1,038 | 5,312 |

Disposal of a subsidiary

On 17 December 2018, the Group disposed of its 70%-owned subsidiary, CS Corp Pte. Ltd. The effects of the disposal on the cash flows of the Group were:

| | Group |
|---|---|
| | At 17 December 2018 |
| | $'000 |
| Carrying amounts of assets and liabilities as at the date of disposal: | |
| Cash and cash equivalents | 3 |
| Trade and other receivables | 166 |
| Total assets | 169 |
| Trade and other payables | 1 |
| Total liabilities | 1 |
| Net assets derecognised | 168 |
| Less: Non-controlling interests | (32) |
| Net assets disposed of | 136 |
| Cash inflows arising from disposal: | |
| Net assets disposed of (as above) | 136 |
| Loss on disposal | (45) |
| Cash proceeds on disposal | 91 |
| Less: Cash and cash equivalents in subsidiary disposed of | (3) |
| Net cash inflow on disposal | 88 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 12. TRADE AND OTHER RECEIVABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 1 January 2017 | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Current | | | | | | |
| Trade receivables | | | | | | |
| - Related parties# | 2,737 | 900 | 2,312 | - | - | - |
| - Subsidiaries | - | - | - | - | 6 | 6 |
| - A joint operator | 570 | - | 197 | - | - | - |
| - Non-related parties | 10,892 | 11,672 | 28,173 | - | - | - |
| | 14,199 | 12,572 | 30,682 | - | 6 | 6 |
| Less: Allowance for impairment of receivables – non-related parties [Note 32(b)] | (29) | (29) | (50) | - | - | - |
| Trade receivables - net | 14,170 | 12,543 | 30,632 | - | 6 | 6 |
| Contract assets (Note 13) | | | | | | |
| - Due from customers | 26,135 | 14,872 | 28,540 | - | - | - |
| - Due from related parties# | 6,252 | 8,045 | 170 | - | - | - |
| - Due from a joint operator | - | - | 5,327 | - | - | - |
| | 32,387 | 22,917 | 34,037 | - | - | - |
| Retentions | | | | | | |
| - Related parties# | 4,922 | 1,898 | 3,419 | - | - | - |
| - Joint venture | 1,162 | 1,162 | 3,810 | - | - | - |
| - Non-related parties | 8,941 | 10,457 | 9,348 | - | - | - |
| | 15,025 | 13,517 | 16,577 | - | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 1 January 2017 | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Current (continued) | | | | | | |
| Accrued revenue | | | | | | |
| - Related parties# | 215 | 180 | 1,214 | - | - | - |
| - Non-related parties | 6,443 | 4,534 | 3,979 | - | - | - |
| | 6,658 | 4,714 | 5,193 | - | - | - |
| Amounts due from related parties# (non-trade) | 95 | 146 | 553 | - | - | - |
| Amounts due from subsidiaries (non-trade) | - | - | - | 1,741 | 907 | 1,918 |
| Loan due from subsidiaries | - | - | - | 51,727 | 35,168 | 40,092 |
| Other receivables | 1,840 | 2,352 | 16,648 | - | 9 | 78 |
| | 70,175 | 56,189 | 103,640 | 53,468 | 36,090 | 42,094 |
| Non-current | | | | | | |
| Retentions | | | | | | |
| - Related parties# | 5,077 | 1,581 | 696 | - | - | - |
| - A joint operator | - | - | 2,323 | - | - | - |
| - Non-related parties | 2,228 | 4,010 | 11,899 | - | - | - |
| | 7,305 | 5,591 | 14,918 | - | - | - |
| Total trade and other receivables | 77,480 | 61,780 | 118,558 | 53,468 | 36,090 | 42,094 |

# Related parties pertain to family members of a director of the Company, a key management personnel of the Group and companies which are wholly-owned by a director of the Company.

The Group has non-trade amounts due from related parties 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 $51,727,000 (31 December 2017: $35,168,000; 1 January 2017: $40,092,000) which are unsecured, repayable on demand, and interest-bearing at the rate of 1.07% to 1.33% per annum (31 December 2017: 1.80% per annum; 1 January 2017: 1.80% per annum) over Singapore Interbank Rate ("SIBOR"). The loans have an average effective interest rate of 2.86% (31 December 2017: 2.63%; 1 January 2017: 3.06%) per annum as at 31 December 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 13. CONTRACT ASSETS AND LIABILITIES

| | Group | | |
|---|---|---|---|
| | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 |
| Contract assets | | | |
| - Construction contracts for building works | 32,387 | 22,917 | 34,037 |
| Total contract assets | 32,387 | 22,917 | 34,037 |
| Contract liabilities | | | |
| - Construction contracts for building works | 2,034 | 17,414 | 14,475 |
| Total contract liabilities | 2,034 | 17,414 | 14,475 |

Contract assets relate to construction contracts for building works. The contract assets balance increased as the Group provided more services and transferred more goods ahead of the agreed payment schedules.

Contract liabilities for construction contracts for building works has decreased due to lesser contracts in which the Group billed and received consideration ahead of the provision of services.

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

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| *Revenue recognised in current period that was included in the contract liability balance at the beginning of the period* | | |
| - Construction contracts for building works | 35,535 | 29,096 |
| *Revenue recognised in current period from performance obligations satisfied in previous periods* | | |
| - Construction contracts for building works | 2,497 | 549 |

*(ii) Unsatisfied performance obligations*

| | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 |
|---|---|---|---|
| Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December | | | |
| - Construction contracts for building works | 386,965 | -* | -* |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 13. CONTRACT ASSETS AND LIABILITIES (CONTINUED)

*(ii) Unsatisfied performance obligations (continued)*

Management expects that the transaction price allocated to the unsatisfied performance obligations as of 31 December 2018 may be recognised as revenue during the next three financial years. The amount disclosed above does not include variable consideration which is subject to significant risk of reversal.

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

## 14. OTHER ASSETS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 |
| Current | | | | | | |
| Deposits | 582 | 10,937 | 1,412 | - | - | - |
| Dividend receivables | - | - | - | - | - | 6,500 |
| Prepayments | 805 | 3,700 | 763 | 8 | 6 | 12 |
| | 1,387 | 14,637 | 2,175 | 8 | 6 | 6,512 |
| Non-current | | | | | | |
| Deposits | - | - | 10,000 | - | - | - |

## 15. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| *Equity investments at cost* | | |
| **Beginning of financial year** | 31,795 | 23,270 |
| Subscription of new ordinary shares of subsidiaries | 225 | 8,525 |
| **End of financial year** | 32,020 | 31,795 |

During the financial year ended 31 December 2018, the Company increased its investment in the share capital of its wholly-owned subsidiary, Precast Concrete Pte. Ltd. by subscribing for an additional 225,000 ordinary shares in cash amounting to an aggregate consideration of $225,000.

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.

## 15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group has the following subsidiaries as at 31 December 2018, 31 December 2017 and 1 January 2017:

| | | | Proportion of ordinary shares directly held by the Group | | | Proportion of ordinary shares held by non-controlling interest | | |
|---|---|---|---|---|---|---|---|---|
| Name of subsidiaries | Principal activities | Country of business/ incorporation | 31 December 2018 % | 31 December 2017 % | 1 January 2017 % | 31 December 2018 % | 31 December 2017 % | 1 January 2017 % |
| Held by the Company | | | | | | | | |
| Soil-Build (Pte.) Ltd.[a] | Building contractors | Singapore | 100 | 100 | 100 | - | - | - |
| SB Procurement Pte. Ltd.[a] | Construction and procurement services | Singapore | 100 | 100 | 100 | - | - | - |
| Precast Concrete Pte. Ltd.[a] (formerly known as SB Project Services Pte. Ltd.) | Manufacturing of construction materials and parts | Singapore | 100 | 100 | 100 | - | - | - |
| Soilbuild Construction International Pte. Ltd.[a] | Project and construction management | Singapore | 100 | 100 | 100 | - | - | - |
| Soilbuild Construction Engineering Pte. Ltd.[a] | Building contractors | Singapore | 100 | 100 | 100 | - | - | - |
| Soilbuild E&C Pte. Ltd.[a] | Building contractors | Singapore | 100 | 100 | 100 | - | - | - |
| Held through subsidiary corporations | | | | | | | | |
| Soilbuild (Myanmar) Company Limited[b] | Construction and project management | Myanmar | 100 | 100 | 100 | - | - | - |
| Soilbuild Construction (Myanmar) Company Limited[b] | Construction and procurement services | Myanmar | 100 | 100 | 100 | - | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group has the following subsidiaries as at 31 December 2018, 31 December 2017 and 1 January 2017: (continued)

| 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 | | |
|---|---|---|---|---|---|---|---|---|
| | | | 31 December 2018 % | 31 December 2017 % | 1 January 2017 % | 31 December 2018 % | 31 December 2017 % | 1 January 2017 % |
| Held through subsidiary corporations (continued) | | | | | | | | |
| Soilbuild (Thilawa) Company Limited[b] | Manufacturing of construction materials and parts | Myanmar | 100 | 100 | - | - | - | - |
| CS Corp Pte. Ltd.[a] | General contractors | Singapore | - | 70 | - | - | 30 | - |
| Precast Concrete Builders Pte. Ltd.[c] (formerly known as Sembcorp EOSM Pte. Ltd.) | Manufacturing of construction materials and parts | Singapore | 100 | - | - | - | - | - |
| Precast Concrete (Pontian) Sdn. Bhd.[d] (formerly known as Sembcorp EOSM (Malaysia) Sdn. Bhd.) | Manufacturing of construction materials and parts | Malaysia | 100 | - | - | - | - | - |
| PrecastConcrete Builder (India) Private Limited[e] (formerly known as Sembcorp EOSM (India) Private Limited) | Manufacturing of construction materials and parts | India | 100 | - | - | - | - | - |
| Precast Concrete (M) Sdn. Bhd.[f] | Manufacturing of construction materials and parts | Malaysia | 100 | - | - | - | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group has the following subsidiaries as at 31 December 2018, 31 December 2017 and 1 January 2017 (continued):

[a] Audited by PricewaterhouseCoopers LLP, Singapore
[b] Audited by Win Thin & Associates (Certified Public Accountants, Myanmar)
[c] Audited by KPMG LLP, Singapore
[d] Audited by KPMG PLT, Malaysia, an independent member firm of KPMG International
[e] Audited by BSR & Associates LLP, India, a member firm of KPMG International
[f] Audited by PricewaterhouseCoopers, PLT, Johor Bahru Malaysia.

In accordance to Rule 715 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and the Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the consolidated financial statements.

## 16. INVESTMENTS IN JOINT VENTURES

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Beginning of financial year | 943 | 2,784 |
| Distributions received from a joint venture | (261) | (435) |
| Dividends received from a joint venture | (300) | (2,000) |
| Share of profits | 143 | 594 |
| End of financial year | 525 | 943 |

Set out below are the joint ventures of the Group as at 31 December 2018, 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

| Name of entity | Place of business/ country of incorporation | % of ownership interest 31 December 2018 | 31 December 2017 | 1 January 2017 |
|---|---|---|---|---|
| Forte Builder Pte. Ltd.[a] | Singapore | 50 | 50 | 50 |
| Solstice Development Pte. Ltd.[b] | Singapore | 19* | 19* | 19* |
| Soilbuild-Shincon J.V.[c] | Singapore | 51 | 51 | 51 |

[a] Audited by Nexia TS Public Accounting Corporation

[b] Audited by Ken Tan & Co.

[c] Unaudited.

* 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.

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 2018

## 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 1 January | As at 31 December | | As at 1 January | As at 31 December | | As at 1 January | As at 31 December | | As at 1 January |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Current assets** | 1,016 | 1,629 | 11,885 | 121 | 141 | 152 | 27 | 4,451 | 344 | 1,164 | 6,221 | 12,381 |
| Includes: | | | | | | | | | | | | |
| - Cash and cash equivalents | 1,016 | 1,629 | 4,763 | 121 | 141 | 152 | 13 | 16 | 10 | 1,150 | 1,786 | 4,925 |
| **Current liabilities** | 10 | 12 | 6,386 | 10 | 11 | 12 | 26 | 4,234 | 328 | 46 | 4,257 | 6,726 |
| Includes: | | | | | | | | | | | | |
| - Financial liabilities (including trade payables) | 10 | 5 | 6,374 | 10 | 11 | 12 | 26 | 4,234 | 328 | 46 | 4,250 | 6,714 |
| **Net assets** | 1,006 | 1,617 | 5,499 | 111 | 130 | 140 | 1 | 217 | 16 | 1,118 | 1,964 | 5,655 |

## 16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

*Summarised financial information for joint ventures (continued)*

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

*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 | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Revenue | - | 1,627 | - | - | 6,063 | 21,513 | 6,063 | 23,140 |
| Interest income | 13 | 31 | - | - | - | - | 13 | 31 |
| **(Loss)/profit from continuing operations** | (11) | 124 | (19) | (13) | 297 | 1,054 | 267 | 1,165 |
| Income tax (expense)/credit | - | (6) | - | 3 | - | - | - | (3) |
| **Post-tax (loss)/profit from continuing operations** | (11) | 118 | (19) | (10) | 297 | 1,054 | 267 | 1,162 |
| **Other comprehensive income** | - | - | - | - | - | - | - | - |
| **Total comprehensive (loss)/income** | (11) | 118 | (19) | (10) | 297 | 1,054 | 267 | 1,162 |
| **Dividends and distributions received from joint ventures** | (600) | (4,000) | - | - | (513) | (853) | (1,113) | (4,853) |

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.

## 16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

*Reconciliation of summarised financial information*

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

| | 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 | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Net Assets** | | | | | | | | |
| **At 1 January** | 1,617 | 5,499 | 130 | 140 | 217 | 16 | 1,964 | 5,655 |
| (Loss)/profit for the year | (11) | 118 | (19) | (10) | 297 | 1,054 | 267 | 1,162 |
| Dividends and distributions paid | (600) | (4,000) | - | - | (513) | (853) | (1,113) | (4,853) |
| **At 31 December** | 1,006 | 1,617 | 111 | 130 | 1 | 217 | 1,118 | 1,964 |
| Interest in joint ventures (50%; 19%; 51%) | 503 | 809 | 21 | 24 | 1 | 110 | 525 | 943 |
| **Carrying value** | 503 | 809 | 21 | 24 | 1 | 110 | 525 | 943 |
| **Carrying value of the Group's interest in joint ventures** | | | | | | | 525 | 943 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land | Leasehold property | Plant and equipment | Motor vehicles | Renovation, furniture and equipment | Computers | Containers | Assets under construction | Total |
|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Group | | | | | | | | | |
| **2018** | | | | | | | | | |
| *Cost* | | | | | | | | | |
| Beginning of financial year | - | 431 | 18,018 | 2,094 | 383 | 727 | 280 | 41,144 | 63,077 |
| Acquisition of assets (Note 35) | 5,608 | 6,623 | 1,235 | - | 9 | 44 | - | - | 13,519 |
| Additions | - | - | 500 | - | 230 | 21 | 5 | 37,138 | 37,894 |
| Disposals | - | - | (1,087) | (165) | - | (181) | (10) | - | (1,443) |
| Written off | - | - | (30) | - | (214) | - | - | - | (244) |
| Reclassification | - | 43,613 | 6,664 | - | 829 | - | - | (51,106) | - |
| Currency translation differences | 8 | 31 | 62 | 2 | 10 | 1 | - | - | 114 |
| End of financial year | 5,616 | 50,698 | 25,362 | 1,931 | 1,247 | 612 | 275 | 27,176 | 112,917 |
| *Accumulated depreciation* | | | | | | | | | |
| Beginning of financial year | - | 1 | 6,795 | 909 | 220 | 595 | 197 | - | 8,717 |
| Depreciation charge (Note 5) | - | 955 | 1,760 | 401 | 203 | 59 | 33 | - | 3,411 |
| Disposals | - | - | (626) | (71) | - | (181) | (10) | - | (888) |
| Written off | - | - | (7) | - | (214) | - | - | - | (221) |
| Currency translation differences | - | 1 | 4 | 1 | -* | 1 | - | - | 7 |
| End of financial year | - | 957 | 7,926 | 1,240 | 209 | 474 | 220 | - | 11,026 |
| ***Net book value*** | | | | | | | | | |
| **End of financial year** | 5,616 | 49,741 | 17,436 | 691 | 1,038 | 138 | 55 | 27,176 | 101,891 |

* Amount less than $1,000

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Leasehold property | Plant and equipment | Motor vehicles | Renovation, furniture and equipment | Computers | Containers | Assets under construction | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Group | | | | | | | | |
| **2017** | | | | | | | | |
| *Cost* | | | | | | | | |
| 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 |
| *Accumulated depreciation* | | | | | | | | |
| 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 |
| ***Net book value*** | | | | | | | | |
| **End of financial year** | 430 | 11,223 | 1,185 | 163 | 132 | 83 | 41,144 | 54,360 |

* Amount less than $1,000

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

*Assets under construction*

The Group's property, plant and equipment included assets under construction amounting to $27,176,000 (31 December 2017: $41,144,000; 1 January 2017: $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.

Bank borrowings are secured on a leasehold property of the Group with carrying amounts of $39,599,000 (31 December 2017: $Nil; 1 January 2017: $Nil) (Note 22).

*Acquisition of assets*

During the financial year ended 31 December 2018, the Group acquired property, plant and equipment amounting to $13,519,000 and land lease prepayment (Note 19) amounting to $2,059,000 via its acquisition of Sembcorp EOSM Pte. Ltd. and its subsidiaries ("Sembcorp EOSM Group") (now known as Precast Concrete Pte. Ltd. and its subsidiaries). Further details of the acquisition are as disclosed in Note 35 of the Financial Statements.

## 18. INTANGIBLE ASSETS

Acquired computer software licences

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| *Cost* | | |
| Beginning of financial year | 793 | 437 |
| Additions | - | 356 |
| End of financial year | 793 | 793 |
| *Accumulated amortisation* | | |
| Beginning of financial year | 338 | 258 |
| Amortisation charge (Note 5) | 125 | 80 |
| End of financial year | 463 | 338 |
| Net book value | 330 | 455 |

Amortisation of intangible assets of $125,000 (2017: $80,000) was recognised in the statement of comprehensive income under "Expenses - Others".

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 19. LAND LEASE PREPAYMENT

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| *Cost* | | |
| Beginning of financial year | 32,197 | 26,645 |
| Acquisition of assets (Note 35) | 2,059 | - |
| Additions | 2,892 | 5,552 |
| Currency translation differences | 58 | - |
| End of financial year | 37,206 | 32,197 |
| *Accumulated amortisation* | | |
| Beginning of financial year | 2,091 | 1,110 |
| Amortisation charge (Note 5) | 1,186 | 982 |
| Currency translation differences | 1 | (1) |
| End of financial year | 3,278 | 2,091 |
| Net book value | 33,928 | 30,106 |

| | Group | | |
|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Amount to be amortised: | | | |
| - Not later than one year | 1,262 | 1,086 | 888 |
| - Later than one year but not later than five years | 6,309 | 5,432 | 3,553 |
| - Later than five years | 26,357 | 23,588 | 21,094 |

Land lease prepayment relates to the lease of land located at Defu South Street 1 and Tuas South Link 3 in Singapore, land located in Thilawa Special Economic Zone, Myanmar and land located in Kayu Ara Pasong, Pontian, Johor, Malaysia. The leases will expire in 2045, 2037, 2064 and 2088 respectively.

Bank borrowings are secured on land lease prepayment of the Group with carrying amounts of $23,759,000 (31 December 2017: $Nil; 1 January 2017: $Nil) (Note 22).

*Acquisition of assets*

During the financial year ended 31 December 2018, the Group acquired property, plant and equipment (Note 17) amounting to $13,519,000 and land lease prepayment amounting to $2,059,000 via its acquisition of Sembcorp EOSM Pte. Ltd. and its subsidiaries ("Sembcorp EOSM Group") (now known as Precast Concrete Pte. Ltd. and its subsidiaries). Further details of the acquisition are as disclosed in Note 35 of the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

### (a) Trade and other payables

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 1 January 2017 | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Current | | | | | | |
| Trade payables: | | | | | | |
| - Non-related parties | 31,051 | 27,529 | 43,209 | - | - | - |
| - Joint venture | - | - | 333 | - | - | - |
| | 31,051 | 27,529 | 43,542 | - | - | - |
| Retention: | | | | | | |
| - Non-related parties | 23,938 | 25,144 | 28,432 | - | - | - |
| Contract liabilities (Note 13) | | | | | | |
| - Due to customers | 242 | 12,690 | 5,235 | - | - | - |
| - Due to related parties# | 1,792 | 4,724 | 8,669 | - | - | - |
| - Due to a joint operator | - | - | 571 | - | - | - |
| | 2,034 | 17,414 | 14,475 | - | - | - |
| Rental deposits | 298 | 53 | 43 | - | - | - |
| Interest payable | 40 | 4 | - | - | - | - |
| Accrued operating expenses | 2,453 | 2,769 | 4,435 | 220 | 253 | 282 |
| Accrued construction costs | 30,430 | 18,437 | 14,149 | - | - | - |
| Other payables | 5,767 | 3,794 | 9,050 | 8 | 4 | 96 |
| Amounts due to related parties# (non-trade) | 7 | 37 | 107 | 65 | 3 | - |
| Loans due to subsidiaries | - | - | - | 17,185 | 500 | - |
| | 96,018 | 95,181 | 114,233 | 17,478 | 760 | 378 |
| Non-current | | | | | | |
| Retention: | | | | | | |
| - Non-related parties | 3,183 | 1,253 | - | - | - | - |
| Total trade and other payables | 99,201 | 96,434 | 114,233 | 17,478 | 760 | 378 |

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 20. TRADE AND OTHER PAYABLES & PROVISION FOR OTHER LIABILITIES (CONTINUED)

### (b) Provision for other liabilities

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 |
| Provision for cost of defects | 801 | 554 | 580 | - | - | - |
| Provision for foreseeable loss | 290 | 188 | 436 | - | - | - |
| Other provision | 399 | 539 | 539 | - | - | - |
| | 1,490 | 1,281 | 1,555 | - | - | - |

Movement in provision for cost of defects is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Beginning of financial year | 554 | 580 | - | - |
| Provision made | 588 | 427 | - | - |
| Provision utilised | (341) | (453) | - | - |
| End of financial year | 801 | 554 | - | - |

Movement in provision for foreseeable loss is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Beginning of financial year | 188 | 436 | - | - |
| Provision made | 290 | 70 | - | - |
| Provision utilised | (188) | (318) | - | - |
| End of financial year | 290 | 188 | - | - |

Movement in other provision is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Beginning of financial year | 539 | 539 | - | - |
| Provision utilised | (140) | - | - | - |
| End of financial year | 399 | 539 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 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 balance sheet as follows:

| | Group | | |
|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| **Deferred income tax assets** | | | |
| - To be settled after one year | 831 | 274 | - |
| | 831 | 274 | - |
| **Deferred income tax liabilities** | | | |
| - To be settled after one year | - | - | 1,061 |
| | - | - | 1,061 |

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 | Tax losses | Capital allowances | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **2018** | | | | |
| Beginning of financial year | (184) | (1,013) | (951) | (2,148) |
| (Credited)/charged to profit or loss | (77) | (873) | 495 | (455) |
| Reclassification to current income tax liabilities | - | 69 | - | 69 |
| End of financial year | (261) | (1,817) | (456) | (2,534) |
| **2017** | | | | |
| Beginning of financial year | (202) | (333) | - | (535) |
| Charged/(credited) to profit or loss | 18 | (692) | (952) | (1,626) |
| Currency translation differences | - | 12 | 1 | 13 |
| End of financial year | (184) | (1,013) | (951) | (2,148) |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 21. DEFERRED INCOME TAXES (CONTINUED)

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

Group

*Deferred income tax liabilities*

| | Accelerated tax depreciation |
|---|---|
| | $'000 |
| **2018** | |
| Beginning of financial year | 1,874 |
| Credited to profit or loss | (171) |
| End of financial year | 1,703 |
| **2017** | |
| Beginning of financial year | 1,596 |
| Charged to profit or loss | 279 |
| Currency translation differences | (1) |
| End of financial year | 1,874 |

The Group has unrecognised tax losses of $170,000 (31 December 2017: $Nil, 1 January 2017: $Nil) and capital allowances of $5,000 (31 December 2017: $Nil, 1 January 2017: $Nil) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses have no expiry date except for the amount of $87,000 relating to Precast Concrete (M) Sdn. Bhd., the amount of $42,000 relating to Soibuild (Thilawa) Company Limited, and the amount of $22,000 relating to PrecastConcrete Builder (India) Private Limited, which will expire in 2025, 2020 and 2026 respectively. The capital allowances have no expiry date.

## 22. BORROWINGS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 1 January 2017 | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Current | | | | | | |
| Term loan | 50,000 | 8,571 | - | - | - | - |
| Short term bank borrowings | 1,554 | 2,673 | - | - | - | - |
| | 51,554 | 11,244 | - | - | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 22. BORROWINGS (CONTINUED)

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 | | |
|---|---|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 1 January 2017 | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | 51,554 | 11,244 | - | - | - | - |

### (a) Security granted

The borrowings of the Group include secured liabilities of $50,000,000 (2017: $Nil, 1 January 2017: $Nil) and unsecured liabilities of $1,554,000 (2017: $11,244,000, 1 January 2017: $Nil). Term loan of the Group is secured over leasehold land and property of the Group and the Company has issued corporate guarantees to banks for borrowings of certain subsidiaries as disclosed in Note 30.

### (b) 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.

### (c) Breach of loan covenants

As at 31 December 2018, one of the subsidiary of the Company is in breach of loan covenants in relation to borrowings from a bank (the "Bank").

The breaches are as follows:

(i) Breach of the maintenance of debt service ratio of the Group in relation to term loan amounting to $50,000,000. Arising from the breach, a portion of the term loan amounting to $48,500,000 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 2018.

Subsequent to 31 December 2018, the Group has obtained waiver of the breaches from the Bank where the facilities remain available to the Group and the repayment terms remain unchanged.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 22. BORROWINGS (CONTINUED)

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 31 December 2017, 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 | Amount |
| | '000 | $'000 |
| Group and Company | | |
| **2018** | | |
| Beginning and end of financial year | 672,989 | 59,597 |
| **2017** | | |
| 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[a] (Note 26) | 2,827 | 644 |
| End of financial year | 672,989 | 59,597 |

[a] 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.

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 2018

## 24. CAPITAL RESERVE

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| 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

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Beginning of financial year | (405) | - |
| Net currency translation differences of foreign operations | 256 | (405) |
| End of financial year | (149) | (405) |

## 26. PERFORMANCE SHARE PLAN RESERVE

| | Group and Company | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Beginning of financial year | - | 719 |
| Share-based compensation write-back (Note 6) | - | (75) |
| Issuance of shares pursuant to the PSP (Note 23) | - | (644) |
| End of financial year | - | - |

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 31 December 2018

## 26. PERFORMANCE SHARE PLAN RESERVE (CONTINUED)

There is no performance share award granted for the financial year ended 31 December 2018. The details of the performance share award granted for the financial year ended 31 December 2017 are as follows:

### (a) 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 2018, 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 2018 and the number outstanding as at 31 December 2018 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

| | Group and Company | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Beginning of financial year | 8,128 | 8,161 |
| Issuance of shares pursuant to exercise of warrants | - | (33) |
| End of financial year | 8,128 | 8,128 |

On 13 July 2016, the Company issued 167,369,000 warrants pursuant to its preferential offering of warrants.

There are 166,683,500 (31 December 2017: 166,683,500; 1 January 2017: 167,355,500) warrants outstanding as at 31 December 2018. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of $0.18 for each new ordinary share. The warrants can be exercised at any time during the period commencing on and including the date of the issue of the warrants and expiring on the date falling five years from the date of issue of the warrants.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 28. RETAINED PROFITS

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Beginning of financial year | 15,679 | 30,062 | 343 | 8,987 |
| Total net (loss)/profit for the year | (3,242) | (5,971) | 219 | (232) |
| Dividends paid (Note 29) | - | (8,412) | - | (8,412) |
| End of the financial year | 12,437 | 15,679 | 562 | 343 |

## 29. DIVIDENDS

| | Group and Company | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| *Ordinary dividends paid* | | |
| Final dividends paid in respect of the prior financial year | | |
| - Soilbuild Construction Group Ltd. of $Nil (2017: $0.005) per share | - | 3,365 |
| Special dividends paid in respect of the prior financial year | | |
| - Soilbuild Construction Group Ltd. of $Nil (2017: $0.0075) per share | - | 5,047 |
| | - | 8,412 |

## 30. CONTINGENCIES

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to $51,554,000 (31 December 2017: $11,244,000; 1 January 2017: $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 | | |
|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Property, plant and equipment | 2,207 | 11,042 | - |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 31. COMMITMENTS (CONTINUED)

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

The Group leases out office premises to related parties under non-cancellable operating leases. The Group leases out part of its leasehold property to non-related parties under non-cancellable operating leases. The lessees are required to make fixed rental payments for the leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

| | Group | | |
|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Not later than one year | 491 | 131 | - |
| Between one and five years | 369 | - | - |
| | 860 | 131 | - |

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

The Group leases land, office premises and equipments from non-related parties under non-cancellable operating leases. The Group is required to make fixed rental and upfront payments for the leases.

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

| | Group | | |
|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Not later than one year | 359 | 739 | 621 |
| Between one and five years | 440 | - | 53 |
| | 799 | 739 | 674 |

## 32. FINANCIAL RISK MANAGEMENT

*Financial risk factors*

The Group's activities expose it to market risks (including currency risk, price risk and cash flow and fair value 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 Groups' financial performance.

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

For the financial year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Currency risk

The Group operates predominately in Singapore, Myanmar, Malaysia and India and the functional currencies of the entities in each of the countries are the Singapore Dollar ("SGD"), the United States Dollar ("USD"), the Malaysian Ringgit ("MYR") and India Rupee ("INR") respectively. Currency risks arise within entities in the Group when transactions are denominated in foreign currencies such as the SGD, USD, Euro ("EUR"), MYR, INR 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** | **MMK** | **EUR** | **MYR** | **INR** | **USD** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **At 31 December 2018** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 2,270 | 843 | 25 | 130 | - | - |
| Trade and other receivables | 40,627 | 513 | - | 715 | 39 | - |
| Other financial assets | 32 | - | - | 82 | 4 | - |
| | 42,929 | 1,356 | 25 | 927 | 43 | - |
| **Financial liabilities** | | | | | | |
| Trade and other payables | (31,131) | (1,447) | (1,847) | (989) | (318) | - |
| Borrowings | (1,554) | - | - | - | - | - |
| | (32,685) | (1,447) | (1,847) | (989) | (318) | - |
| **Net financial assets/ (liabilities)** | 10,244 | (91) | (1,822) | (62) | (275) | - |
| Less: Net financial assets denominated in the respective entities' functional currencies | (8,942) | - | - | 496 | 275 | - |
| **Currency exposure** | 1,302 | (91) | (1,822) | 434 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

| | Group | | Company |
|---|---|---|---|
| | USD | MMK | USD |
| | $'000 | $'000 | $'000 |
| **At 31 December 2017** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 1,522 | 402 | - |
| Trade and other receivables | 24,574 | - | 573 |
| Other financial assets | 12 | - | - |
| | 26,108 | 402 | 573 |
| **Financial liabilities** | | | |
| Trade and other payables | (19,251) | (3,695) | - |
| Borrowings | (2,673) | - | - |
| | (21,924) | (3,695) | - |
| **Net financial assets/(liabilities)** | 4,184 | (3,293) | 573 |
| Less: Net financial assets denominated in the respective entities' functional currencies | (2,996) | - | - |
| **Currency exposure** | 1,188 | (3,293) | 573 |

| | Group | | Company |
|---|---|---|---|
| | USD | MMK | USD |
| | $'000 | $'000 | $'000 |
| **At 1 January 2017** | | | |
| **Financial assets** | | | |
| 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 |
| **Financial liabilities** | | | |
| Trade and other payables | (7,825) | (1,133) | - |
| | (7,825) | (1,133) | - |
| **Net financial assets/(liabilities)** | (1,028) | 5,338 | 573 |
| Less: Net financial assets denominated in the respective entities' functional currencies | 3,568 | - | - |
| **Currency exposure** | 2,540 | 5,338 | 573 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 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% (31 December 2017: 5%; 1 January 2017: 5%), the MMK changes against the SGD by 5% (31 December 2017: 5%; 1 January 2017: 5%), the EUR changes against the SGD by 5% (31 December 2017: Nil%; 1 January 2017: Nil%), and the MYR changes against the SGD by 5% (31 December 2017: Nil%; 1 January 2017: Nil%) 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) | | |
|---|---|---|---|
| | Loss after tax | | Profit after tax |
| | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 |
| **Group** | | | |
| USD against SGD | | | |
| - strengthened | (54) | (49) | 105 |
| - weakened | 54 | 49 | (105) |
| MMK against SGD | | | |
| - strengthened | 3 | 124 | 200 |
| - weakened | (3) | (124) | (200) |
| EUR against SGD | | | |
| - strengthened | 76 | - | - |
| - weakened | (76) | - | - |
| MYR against SGD | | | |
| - strengthened | (18) | - | - |
| - weakened | 18 | - | - |
| **Company** | | | |
| 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks

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

The Group'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% (31 December 2017: 0.50%; 1 January 2017: Nil%) with all other variables including tax rate being held constant, the effects arising from the higher/lower interest expense on these borrowings will be as follows:

| | Increase/(decrease) | | |
|---|---|---|---|
| | Loss after tax | | Profit after tax |
| | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 |
| **Interest rates** | | | |
| - increased by 0.50% | 214 | 46 | - |
| - decreased by 0.50% | (214) | (46) | - |

The Company has interest bearing loans due from and due to subsidiaries at variable rates on which effective hedges have not been entered into. If the interest rates had been higher/lower by 0.50% (31 December 2017: 0.50%; 1 January 2017: 0.50%) with all other variables including tax rate being held constant, the effects arising from the higher/lower interest income on these loans due from and due to subsidiaries will be as follows:

| | Increase/(decrease) | | |
|---|---|---|---|
| | Loss after tax | | Profit after tax |
| | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 |
| **Interest rates** | | | |
| - increased by 0.50% | (143) | (145) | 166 |
| - decreased by 0.50% | 143 | 145 | (166) |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Management based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored by the Management.

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:

| | Company | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Corporate guarantees provided to banks on subsidiaries' loans | 51,554 | 11,244 |

The movements in credit loss allowance are as follows:

| | Trade receivables[a] | Contract assets[a] | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Group | | | |
| **Balance at 1 January 2018 under SFRS** | 29 | - | 29 |
| Application of SFRS(I) 9 (Note 2.2C) | - | - | - |
| **Balance at 1 January 2018 under SFRS(I) 9** | 29 | - | 29 |
| Loss allowance recognised in profit or loss during the year | - | - | - |
| **Balance at 31 December 2018** | 29 | - | 29 |

[a] Loss allowance measured at lifetime ECL

Cash and cash equivalents and other receivables are subject to immaterial credit loss.

*(i) Trade receivables and contract assets*

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

*(i) Trade receivables and contract assets (continued)*

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. Management has considered, among other factors (including forward-looking information), the Group's historical loss pattern over the last three financial years. Based on the above, management concluded that the expected credit loss rate for trade receivables and unbilled revenue is close to zero. The loss allowance provision for trade receivables and unbilled revenue was assessed as not material.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's and the Company's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2018 and 1 January 2018 are set out as follows:

| | | Past due | | | | |
|---|---|---|---|---|---|---|
| | **Current** | **Within 30 days** | **30 to 60 days** | **60 to 90 days** | **More than 90 days** | **Total** |
| Group | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| As at 31 December 2018 | | | | | | |
| **Construction contracts for building works** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Contract assets | 32,387 | - | - | - | - | 32,387 |
| Trade receivables | 4,808 | 6,013 | 798 | 208 | 2,372 | 14,199 |
| Loss allowance | - | - | - | - | 29 | 29 |

| | | Past due | | | | |
|---|---|---|---|---|---|---|
| | **Current** | **Within 30 days** | **30 to 60 days** | **60 to 90 days** | **More than 90 days** | **Total** |
| Group | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| As at 1 January 2018 | | | | | | |
| **Construction contracts for building works** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Contract assets | 22,917 | - | - | - | - | 22,917 |
| Trade receivables | 9,580 | 757 | 125 | 74 | 2,036 | 12,572 |
| Loss allowance | - | - | - | - | 29 | 29 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

*(ii) Financial guarantee contracts*

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

***Previous accounting policy for impairment of trade receivables***

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 90 days overdue).

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the provision matrix as follows:

| | Past due | | | |
|---|---|---|---|---|
| **31 December 2017** | **Within 30 days $'000** | **30 to 90 days $'000** | **More than 90 days $'000** | **Total $'000** |
| Group | | | | |
| **Trade receivables** | | | | |
| Gross carrying amount: | | | | |
| - Not past due | | | | 9,580 |
| - Past due but not impaired | 757 | 199 | 2,036 | 2,992 |
| - Past due and impaired | - | - | - | - |
| | 757 | 199 | 2,036 | 12,572 |
| Less: Allowance for impairment | | | | (29) |
| Net carrying amount | | | | 12,543 |

| | Past due | | | |
|---|---|---|---|---|
| **31 December 2017** | **Within 30 days $'000** | **30 to 90 days $'000** | **More than 90 days $'000** | **Total $'000** |
| Company | | | | |
| **Trade receivables** | | | | |
| Gross carrying amount: | | | | |
| - Not past due | | | | - |
| - Past due but not impaired | - | - | - | - |
| - Past due and impaired | - | - | - | - |
| | - | - | - | - |
| Less: Allowance for impairment | | | | - |
| Net carrying amount | | | | - |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

***Previous accounting policy for impairment of trade receivables (continued)***

| 1 January 2017 | Past due: Within 30 days $'000 | Past due: 30 to 90 days $'000 | Past due: More than 90 days $'000 | Total $'000 |
|---|---|---|---|---|
| Group | | | | |
| **Trade receivables** | | | | |
| Gross carrying amount: | | | | |
| - Not past due | | | | 16,260 |
| - Past due but not impaired | 3,011 | 666 | 10,745 | 14,422 |
| - Past due and impaired | - | - | - | - |
| | 3,011 | 666 | 10,745 | 30,682 |
| Less: Allowance for impairment | | | | (50) |
| Net carrying amount | | | | 30,632 |

| 1 January 2017 | Past due: Within 30 days $'000 | Past due: 30 to 90 days $'000 | Past due: More than 90 days $'000 | Total $'000 |
|---|---|---|---|---|
| Company | | | | |
| **Trade receivables** | | | | |
| Gross carrying amount: | | | | |
| - Not past due | | | | - |
| - Past due but not impaired | - | - | - | - |
| - Past due and impaired | - | - | - | - |
| | - | - | - | - |
| Less: Allowance for impairment | | | | - |
| Net carrying amount | | | | - |

***Financial assets that are neither past due nor impaired***

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

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 December 2017 and 1 January 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 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 and the Company's financial liabilities based on contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | **Not later than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** |
|---|---|---|---|
| | **$'000** | **$'000** | **$'000** |
| Group | | | |
| **At 31 December 2018** | | | |
| Trade and other payables | (96,018) | (3,183) | - |
| Borrowings | | | |
| - Principal | (51,554) | - | - |
| - Interest | (1,348) | (1,240) | (818) |
| | (148,920) | (4,423) | (818) |
| **At 31 December 2017** | | | |
| Trade and other payables | (95,181) | (1,253) | - |
| Borrowings | | | |
| - Principal | (11,244) | - | - |
| - Interest | (171) | (158) | (245) |
| | (106,596) | (1,411) | (245) |
| **At 1 January 2017** | | | |
| Trade and other payables | (114,233) | - | - |
| Company | | | |
| **At 31 December 2018** | | | |
| Trade and other payables | (17,478) | - | - |
| **At 31 December 2017** | | | |
| Trade and other payables | (760) | - | - |
| **At 1 January 2017** | | | |
| Trade and other payables | (378) | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 200% (31 December 2017: 125%; 1 January 2017: 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.

| | Group | | |
|---|---|---|---|
| | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 |
| Net debt | 135,503 | 79,807 | 81,403 |
| Total equity | 78,943 | 81,926 | 96,670 |
| Total capital | 214,446 | 161,733 | 178,073 |
| **Gearing ratio** | 63% | 49% | 46% |

The Group is in compliance with all externally imposed capital requirements for the financial years ended 1 January 2017, 31 December 2017 and 2018, 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:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 | 31 December 2018 $'000 | 31 December 2017 $'000 | 1 January 2017 $'000 |
| Loans and receivables | 93,314 | 100,588 | 152,800 | 53,822 | 37,128 | 53,906 |
| Financial liabilities at amortised cost | 150,755 | 107,678 | 114,233 | 17,478 | 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 2018

## 33. RELATED PARTY TRANSACTIONS

(a) In addition to the 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 | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Revenue from construction contracts from related parties# | 86,003 | 18,867 |
| Revenue from construction contracts from a joint operator | 549 | 16,012 |
| Revenue from rendering of project management services to related parties# | 2 | 34 |
| Rental expense charged by related parties# | 545 | 1,178 |
| Rental income charged to related parties# | 252 | - |
| Renovation/reinstatement services received/receivable from related parties# | 62 | 73 |
| Other service income received/receivable from related parties# | 60 | 161 |
| Share of common overheads paid/payable to related parties# | 160 | 306 |
| Share of common overheads received/receivable from related parties# | 100 | 133 |

# Related parties pertain to family members of a director of the Company, and a key management personnel of the Group, and 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 | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Salaries and other short-term employee benefits | 2,611 | 2,989 |
| Contribution to Central Provident Fund | 181 | 195 |
| | 2,792 | 3,184 |

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.

Senior management considers the business of the Group from the geographical perspective. Geographically, senior management manages and monitors the business in these three primary geographic areas namely Singapore, Myanmar and Malaysia. The Singapore and Myanmar geographic areas are engaged mainly in the construction business. The Malaysia geographic area is engaged mainly in the manufacturing business.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. SEGMENT INFORMATION (CONTINUED)

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

| | Singapore | Myanmar | Malaysia | Others | Elimination | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Group | | | | | | |
| **2018** | | | | | | |
| **Revenue** | | | | | | |
| External customers | 157,811 | 50,773 | - | - | - | 208,584 |
| Inter-segment revenue | 532 | - | - | - | (532) | - |
| | 158,343 | 50,773 | - | - | (532) | 208,584 |
| **Result** | | | | | | |
| Segment result before interest | (7,682) | 5,492 | (230) | (22) | - | (2,442) |
| Interest income | | | | | | 31 |
| Loss before income tax | | | | | | (2,411) |
| Income tax credit | | | | | | (871) |
| Net loss | | | | | | (3,282) |
| **Segment results include:** | | | | | | |
| - Depreciation of property, plant and equipment | 3,093 | 247 | 70 | 1 | - | 3,411 |
| - Amortisation of intangible assets | 125 | - | - | - | - | 125 |
| - Amortisation of land lease prepayment | 1,125 | 59 | 2 | - | - | 1,186 |
| - Share of profit of joint ventures | 143 | - | - | - | - | 143 |
| **Segment assets** | 194,860 | 47,595 | 8,486 | 66 | (19,383) | 231,624 |
| Segment assets includes: | | | | | | |
| Investment in joint ventures | 525 | - | - | - | - | 525 |
| Additions to: | | | | | | |
| - Property, plant and equipment | 37,279 | 580 | 13,530 | 24 | - | 51,413 |
| - Land lease prepayment | 2,892 | - | 2,059 | | - | 4,951 |
| **Segment liabilities** | (134,072) | (32,173) | (5,501) | (318) | 19,383 | (152,681) |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. SEGMENT INFORMATION (CONTINUED)

| | Singapore | Myanmar | Elimination | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Group | | | | |
| **2017** | | | | |
| **Revenue** | | | | |
| External customers | 172,182 | 27,424 | - | 199,606 |
| Inter-segment revenue | 2,716 | - | (2,716) | - |
| | 174,898 | 27,424 | (2,716) | 199,606 |
| **Result** | | | | |
| Segment result before interest | (9,316) | 1,629 | 45 | (7,642) |
| Interest income | | | | 47 |
| Loss before income tax | | | | (7,595) |
| Income tax credit | | | | 1,621 |
| Net loss | | | | (5,974) |
| **Segment results include:** | | | | |
| - 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 |
| **Segment assets** | 185,397 | 27,550 | (21,836) | 191,111 |
| 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 |
| **Segment liabilities** | (107,118) | (23,903) | 21,836 | (109,185) |

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. SEGMENT INFORMATION (CONTINUED)

Revenues of $84,011,000 (2017: $146,718,000) are derived from 2 external customers (2017: 7 external customers). These revenues are attributable to the Singapore and Myanmar segments.

## 35. ACQUISITION OF SEMBCORP EOSM PTE. LTD. AND ITS SUBSIDIARIES

On 26 November 2018, the Group acquired a 100% equity interest in Sembcorp EOSM Pte. Ltd. and its subsidiaries ("Sembcorp EOSM Group") (now known as Precast Concrete Builders Pte. Ltd. and its subsidiaries).

Sembcorp EOSM Group has been dormant for 7 months before the date of acquisition and there were no active contracts being transferred as part of the acquisition. Prior to Sembcorp EOSM Group becoming dormant, it was principally engaged in the provision of design, construction, fabrication and manufacturing of Pre-fabricated, Pre-finished Volumetric Construction ("PPVC") modular components and other building materials in Singapore, Malaysia and India. Management's intention for the acquisition is to take-over the empty manufacturing facility owned by Sembcorp EOSM Group in Malaysia for the development of its own PPVC business.

The acquisition of Sembcorp EOSM Group has been accounted for an asset acquisition instead of a business combination due to the following reasons:

(a) There is no organised workforce acquired that is sufficient to operate the PPVC business; and

(b) There are no substantive processes acquired that is capable of generating outputs. As a result, the Group or other market participants will not be able to manage Sembcorp EOSM Group as a business without incurring significant incremental efforts.

The cash consideration paid as a result of the acquisition, net of cash acquired amounts to $7,625,000.

## 36. 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 2.4(c) for the accounting policy on joint operations.

## 37. ULTIMATE CONTROLLING PARTY

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 38. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 ***Leases*** (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of $799,000 (Note 31(c)). Of these commitments, approximately $119,000 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately $646,000 on 1 January 2019, lease liabilities of $646,000 (after adjustments for prepayments and accrued lease payments recognised) and deferred tax liabilities of $1,000. Overall net assets will be approximately $5,000 higher, and net current assets will be $234,000 lower due to the presentation of a portion of the liability as a current liability.

The Group does not expect any material impact on its net loss after tax and the statement of cash flow as a result of the adoption of the new standard.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

(b) SFRS(I) INT 23 ***Uncertainty Over Income Tax Treatments*** (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;

iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;

iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and

v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted: (continued)

(c) Amendment to SFRS(I) 3 *Business Combinations* (effective for annual period beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create output. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'output' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single assets (or a group of similar assets), the asset acquired would not represent a business.

These amendments are applied to business combination and assets acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact be recognised arising from applying these amendments.

## 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 2019.

# STATISTICS OF SHAREHOLDERS

AS AT 15 MARCH 2019

| | | |
|---|---|---|
| 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 | 247 | 17.32 | 227,297 | 0.03 |
| 1,001 – 10,000 | 426 | 29.88 | 2,511,300 | 0.37 |
| 10,001 – 1,000,000 | 728 | 51.05 | 70,364,203 | 10.46 |
| 1,000,001 – and above | 25 | 1.75 | 599,885,700 | 89.14 |
| | 1,426 | 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 2019

## 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 | 15,943,300* | 2.37 |
| 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 | 5,456,400 | 0.81 |
| 7. | Ho Kiat Chong | 4,584,000 | 0.68 |
| 8. | DBS Vickers Securities (Singapore) Pte Ltd | 3,875,000 | 0.58 |
| 9. | Ng Hock Kon | 3,090,000 | 0.46 |
| 10. | RHB Securities Singapore Pte Ltd | 2,832,900 | 0.42 |
| 11. | Ng Siew Lan | 2,420,000 | 0.36 |
| 12. | Lim Chap Heng | 2,018,900 | 0.30 |
| 13. | Lee Chee Seng | 2,000,000 | 0.30 |
| 14. | Lim Sze Pheng | 2,000,000 | 0.30 |
| 15. | Tan Hee Nam | 2,000,000 | 0.30 |
| 16. | Chia Cheng Liang | 1,600,000 | 0.24 |
| 17. | Ho Toon Bah | 1,265,785 | 0.19 |
| 18. | Wire & Metal Products (Pte) Ltd | 1,260,000 | 0.19 |
| 19. | Amir Hamzah Bin Mohamed Salleh | 1,205,700 | 0.18 |
| 20. | Nam Leong Co Pte Ltd | 1,127,500 | 0.17 |
| | | **594,489,700** | **88.35** |

* 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 2019. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# STATISTICS OF WARRANTHOLDERS

AS AT 15 MARCH 2019

Distribution of warrantholders by size of warrantholdings as at 15 March 2019.

| Size of Warrantholdings | Number of Warrantholders | % of Warrantholders | Number of Warrants | % of Issued Warrants |
|---|---|---|---|---|
| 1 – 99 | 3 | 1.01 | 125 | - |
| 100 – 1,000 | 12 | 4.05 | 9,900 | 0.01 |
| 1,001 – 10,000 | 86 | 29.06 | 506,825 | 0.30 |
| 10,001 – 1,000,000 | 185 | 62.50 | 18,663,053 | 11.20 |
| 1,000,001 – and above | 10 | 3.38 | 147,503,597 | 88.49 |
| | 296 | 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 | 2,675,350 | 1.61 |
| 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 | 951,625 | 0.57 |
| 13. | Low Chin Yee | 862,000 | 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 |
| | **Total** | **154,509,322** | **92.70** |

# NOTICE OF SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of Soilbuild Construction Group Ltd. (the "**Company**") will be held at 23 Defu South Street 1, Singapore 533847 on Friday, 26 April 2019 at 10.00 a.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 2018 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 2019. (2018: 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) Ms Lim Cheng Hwa (Article94) *(see Explanatory Note 2)* **(Resolution 3)**

   (ii) Mr Tan Jee Ming (Article94) *(see Explanatory Note 3)* **(Resolution 4)**

   Mr Tan Jee Ming will upon re-election as Director of the Company, remain as the Chairman of the Nominating Committee and a Member of the Audit 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 SIXTH ANNUAL GENERAL MEETING

(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 SIXTH ANNUAL GENERAL MEETING

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 Sixth Annual General Meeting (the "**Appendix**") which is enclosed with the Company's Annual Report 2018, 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 2019

# NOTICE OF SIXTH ANNUAL GENERAL MEETING

**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 2019.

   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 2018.

2. In relation to the ordinary resolution proposed in item 3(i) above, there is no relationship (including immediate family relationships) between Ms Lim Cheng Hwa and the other Directors and the Company or its 10% shareholder and detailed information on Ms Lim Cheng Hwa is set out in the section entitled "Board of Directors" and in the Corporate Governance Report section of the Company's Annual Report 2018.

3. In relation to the ordinary resolution proposed in item 3(ii) above, there is no relationship (including immediate family relationships) between Mr Tan Jee Ming and the other Directors and the Company or its 10% shareholder and detailed information on Mr Tan Jee Ming is set out in the section entitled "Board of Directors" and in the Corporate Governance Report section of the Company's Annual Report 2018.

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 Sixth Annual General Meeting (the "**Appendix**") which is enclosed with the Company's Annual Report 2018.

# NOTICE OF SIXTH ANNUAL GENERAL MEETING

**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 instrument appointing a 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.

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Ms Lim Cheng Hwa and Mr Tan Jee Ming are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 26 April 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

| | **Ms Lim Cheng Hwa** | **Mr Tan Jee Ming** |
|---|---|---|
| Date of Appointment | 8 May 2013 | 8 May 2013 |
| Date of last re-appointment | 26 April 2016 | 26 April 2016 |
| Age | 46 | 60 |
| Country of principal residence | Singapore | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Ms Lim Cheng Hwa for re-appointment as Non-Executive Director of the Company. The Board have reviewed and concluded that Ms Lim Cheng Hwa possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. | The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Tan Jee Ming for re-appointment as Independent Director of the Company. The Board have reviewed and concluded that Mr Tan Jee Ming possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. |
| Whether appointment is executive, and if so, the area of responsibility | Non-Executive | Non-Executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Non-Executive Director | Independent Director, Chairman of Nominating Committee and member of the Audit and Remuneration Committees |
| Professional qualifications | Bachelor of Accountancy (Honours) from the Nanyang Technological University | 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 Director |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | **Ms Lim Cheng Hwa** | **Mr Tan Jee Ming** |
|---|---|---|
| Working experience and occupation(s) during the past 10 years | 2011 to current – Executive director of Soilbuild Group Holdings Ltd. and also serves as the director of certain subsidiaries of Soilbuild Group Holdings Ltd.<br><br>2010 to current – 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<br><br>2007 to 2009 – Group Financial Controller at Soilbuild Group Holdings Ltd. | 2018 to current – Consultant at Quahe Woo & Palmer LLC<br><br>2010 to 2018 – Director at Straits Law Practice LLC, practicing general civil and criminal law<br><br>1996 to 2010 – set up own sole proprietorship law firm, Tan Jee Ming & Partners |
| Shareholding interest in the listed issuer and its subsidiaries | Direct Interest: 200,000 ordinary shares and 50,000 warrants of the Company | Direct interest: 300,000 ordinary shares and 75,000 warrants of the Company |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | No | No |
| Conflict of Interest (including any competing business) | No | No |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes |
| **Other Principal Commitments* Including Directorships#** | | |
| Past (for the last 5 years) | Nil | 1. Straits Law Practice LLC |
| Present | 1. Soilbuild Group Holdings Ltd.<br>2. SB Development Pte. Ltd.<br>3. Solstice Development Pte. Ltd. (as Alternate Director)<br>4. Soilbuild Construction Group Ltd.<br>5. SB REIT Management Pte Ltd<br>6. Rose Hill Soilbuild Co. Ltd/ Myanmar<br>7. Soilbuild Business Space REIT<br>8. SB (Kemaman) Development Pte. Ltd.<br>9. dConstruct Systems Pte. Ltd. | 1. Quahe Woo & Palmer LLC<br>2. PS Group Holdings Ltd.<br>3. Prowiz Asia Pte. Ltd. (Company Secretary)<br>4. Soilbuild Construction Group Ltd. |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | Ms Lim Cheng Hwa | Mr Tan Jee Ming |
|---|---|---|
| **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.** | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| (c) Whether there is any unsatisfied judgment against him? | No | No |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | Ms Lim Cheng Hwa | Mr Tan Jee Ming |
|---|---|---|
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–<br>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or<br>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | **Ms Lim Cheng Hwa** | **Mr Tan Jee Ming** |
|---|---|---|
| iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or<br><br>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere<br><br>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | No | No |
| k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |
| **Disclosure applicable to the appointment of Director only** | | |
| Any prior experience as a director of a listed company?<br><br>If yes, please provide details of prior experience.<br><br>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.<br><br>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | N.A. | N.A. |

**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 Sixth Annual General Meeting dated 11 April 2019.

*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 Sixth Annual General Meeting of the Company to be held at 23 Defu South Street 1, Singapore 533847 on Friday, 26 April 2019 at 10.00 a.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 |
|---|---|---|---|
| | **Ordinary Business** | | |
| 1. | To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement and Independent Auditor's Report thereon. | | |
| 2. | To approve the Directors' fees for the financial year ending 31 December 2019. | | |
| 3. | To re-elect Ms Lim Cheng Hwa retiring by rotation pursuant to Article 94 of the Company's Constitution. | | |
| 4. | To re-elect Mr Tan Jee Ming 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. | | |
| | **Special Business** | | |
| 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 ________________ 2019

| 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 SIXTH ANNUAL GENERAL MEETING DATED 11 APRIL 2019

## TABLE OF CONTENTS

## DEFINITIONS

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

| | | |
|---|---|---|
| "**AGM**" | : | The Annual General Meeting of the Company to be held on 26 April 2019 |
| "**Associate**" | : | An associate as defined under the Listing Manual |
| "**Audit Committee**" | : | The Audit Committee of the Company, comprising Mr Poon Hon Thang, Mr Tan Jee Ming and Mr Teo Chee Seng |
| "**Auditor**" | : | The auditor of the Company for the time being |
| "**Board**" | : | The board of directors of the Company |
| "**CDP**" | : | The Central Depository (Pte) Limited |
| "**Companies Act**" | : | The Companies Act, Chapter 50 of Singapore |
| "**Company**" | : | Soilbuild Construction Group Ltd. |
| "**Control**" | : | The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company |
| "**Controlling Shareholder**" | : | A person who holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury shares 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 |
| "**Director**" | : | A director of the Company for the time being |
| "**FY**" | : | Financial year ended or, as the case may be, ending 31 December |
| "**Group**" | : | The Company and its subsidiaries |
| "**Listing Manual**" | : | The listing manual of the SGX-ST |
| "**Non-executive Director**" | : | A director of the Company and/or its subsidiaries, other than one who performs an executive function |
| "**Securities Account**" | : | Securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent |
| "**SFA**" | : | Securities and Futures Act, Chapter 289 of Singapore |
| "**SGX-ST**" | : | Singapore Exchange Securities Trading Limited |
| "**Shareholders**" | : | Registered holders of Shares in the Register of Members of the Company except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register maintained by CDP. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts |
| "**Shares**" | : | Ordinary shares of the Company |
| "**S$**" | : | Singapore dollars |
| **"%"** | : | Percentage or per centum |

## DEFINITIONS

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.

## APPENDIX TO THE NOTICE OF SIXTH ANNUAL GENERAL MEETING

### 1 INTRODUCTION

1.1 The Company refers to Resolution 9 of the Notice of Sixth 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 Fifth Annual General Meeting of the Company held on 26 April 2018 (the "**2018 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 Fifth Annual General Meeting dated 11 April 2018.

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 2018 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 2019. 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 2018 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 2018, the consolidated NTA of the Company was S$78.9 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 2019 are published, 5% of the Company's latest audited consolidated NTA would be S$3.9 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.

**APPENDIX TO THE NOTICE OF SIXTH ANNUAL GENERAL MEETING**

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.

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.

**APPENDIX TO THE NOTICE OF SIXTH ANNUAL GENERAL MEETING**

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.

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.

(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.

<u>Others</u>

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:

(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 (where applicable), 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 (where applicable) 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.

(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 47 and 133 of the Company's Annual Report 2018.

## 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.

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.

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr Lim Chap Huat (Executive Chairman)
Mr Ho Toon Bah (Non-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

## 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

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

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

## INVESTOR RELATIONS

For enquiries, please contact:
Mr Wong Yoon Thim
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Email: sbcg_ir@soilbuild.com

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ANNUAL REPORT 2018

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