BBR HOLDINGS (S) LTD

BUILDING A SUSTAINABLE FUTURE

ANNUAL REPORT 2018

CONTENTS

OUR **MISSION**

To strengthen our capabilities continuously in order to compete in the building and construction, civil engineering and property markets.

To provide our clients with innovative structural engineering solutions for green and sustainable buildings by leveraging on our strengths and expertise in high specification construction methods, Swiss parentage, strong track record, established reputation and dynamic management team.

To enhance greater opportunities in new markets, so as to further expand our geographical presence and intensify all efforts to bid for both building and infrastructure projects in the region.

CORPORATE PROFILE

BBR Holdings (S) Ltd ("BBR") is one of Singapore's leading construction groups with more than 20 years of industry experience. It currently comprises four core business segments spanning across General Construction, Specialised Engineering, Property Development and Green Technology.

The BBR Group is well-positioned to meet the urbanisation challenge in Asia with its proven track record and good combination of innovative engineering with specialist know-how in construction methods. It has business presence in key markets such as Singapore, Malaysia, and the Philippines.

Listed in 1997 on SESDAQ, SGX's then second board, BBR was subsequently upgraded to the Mainboard in September 2006.

BUSINESS OVERVIEW

SPECIALISED ENGINEERING

In 1993, BBR was established with a bold vision to introduce innovative design solutions based on technologies from its Swiss-based BBR Network.

The BBR Network was founded in 1944 when three Swiss engineers, Brandestini, Birkenmaier and Ros, formed a partnership under the name BBR Bureau. Since then, the BBR Network comprises a worldwide network of affiliated companies, joint ventures and franchisees that offer specialist construction engineering activities spanning some 50 countries from around the world.

Since its inception, BBR's technology gained market acceptance quickly and was recognised by our customers for its cost effectiveness and high efficiency levels.

Subsequently, BBR flourished to take on larger projects in both the public and private sectors in Singapore and the region. BBR's Specialised Engineering arm operates via its subsidiaries, BBR Construction Systems Pte Ltd and BBR Piling Pte Ltd in Singapore, and BBR Construction Systems (M) Sdn Bhd in Malaysia. BBR has also invested in prefabricated pre-finished volumetric modular construction ("PPVC"), whereby entire PPVC modules are built in multiple units complete with all internal finishes, fixtures and fittings. The prefabrication process takes place in a factory and is then transported to the site for installation, similar to a 'legolike' assembly.

GENERAL CONSTRUCTION

The General Construction segment comprises the principal activities in design-and-build, general building construction, and civil structural engineering activities undertaken through its wholly-owned subsidiaries, Singapore Engineering & Construction Pte Ltd ("SEC") (formerly known as Singapore Piling & Civil Engineering Private Limited) and Singa Development Pte Ltd ("Singa").

Acquired in 2001, SEC has more than 45 years of history and has been registered with the Building and Construction Authority of Singapore under the "A1" classification for both General Building (CW01) and Civil Engineering (CW02) since 1984, enabling the company to tender for public sector contracts of unlimited value.

Singa has a "B1" and "B2" classification for CW01 and CW02, respectively.

PROPERTY DEVELOPMENT

Highly synergetic to the Group's broad construction activities, its Property Development business segment has been actively engaged in five development projects since 2006.

Lush on Holland Hill, a freehold condominium development with 56 spacious units in two 12-storey blocks, was completed in 2012. 8 Nassim Hill is an upmarket freehold development which comprised 16 super luxury triplex units with basement carparks was completed in 2010. Bliss@Kovan is the third freehold site which was developed into a five-storey condominium with 140 luxurious residential units was completed in November 2015.

CORPORATE PROFILE

To date, all the units in these three freehold developments were fully sold.

BBR's fourth project is Lake Life, a development comprising 546 units of executive condominium which offers modern and lifestyle design features on a 99-year leasehold HDB land site at Yuan Ching Road/Tao Ching Road, Jurong. The development was 100% sold and Temporary Occupation Permit ("TOP") was obtained on 30 December 2016.

The Wisteria and Wisteria Mall, developed through a joint venture, is a 99-year leasehold residential and commercial development located at Yishun Avenue 4. The Wisteria residences was 100% sold and TOP was obtained in July 2018. The Wisteria comprises 3 towers of 9 storeys housing 72 units of condominium for each tower from levels 4 to 12. The residences are directly connected to Wisteria Mall, which consists of 2 levels of retail space at basement and level 1, comprising food & beverage and retail outlets, including a supermarket and food court. Wisteria Mall also obtained TOP and has since commenced operations.

GREEN TECHNOLOGY

In 2013, BBR established a Green Technology division to carry out system integration and distribution of renewable energy. The Group has bid for projects to supply, install and lease solar panels and grid connected systems for statutory boards and private sector customers.

To date, BBR has succesfully delivered two major solar leasing projects for 20 years and 25 years, from HDB and a commercial company, respectively. Construction for a 490kW peak grid-tied system for the latter was successfully completed in 2015 and revenue recognition has commenced for electricity generated. BBR's construction of a 6MW peak grid-tied system which involved engineering, procurement and construction works and installation of solar panels on the rooftops of 80 blocks of HDB flats in Ang Mo Kio Town was completed in 2016. A power purchase agreement has been signed with Ang Mo Kio Town Council to maintain, lease and buy all the electricity generated by the system for a tenure of 20 years.

In 2015, BBR is among one of nine consortia selected to participate in the floating photovoltaic ("PV") test-bed project at Tengeh reservoir jointly led by Singapore Economic Development Board and the Public Utilities Board. The test-bed project at Tengeh reservoir allowed companies to develop, test and evaluate the economic and technical feasibility of installing floating solar PV systems on water, as an alternative to deploying solar systems on rooftops. The project was completed in the last quarter of 2016.

Riding on the back of the potential growth for more green buildings, the Group is steadily implementing green technology as part of its total solutions package for potential project bids.

OUR BUSINESSES

Our Principal Services are:

General Construction

- Design-and-Build
- General Building Construction
- Civil and Structural Engineering
- Conservation and Restoration

Specialised Engineering

- Piling and Foundation Systems
- Post-tensioning
- Stay Cable Systems
- Heavy Lifting
- Bridge Design and Construction
- Maintenance Repair and Retrofitting
- Prefabricated Prefinished Volumetric Construction (PPVC)

Property Development

- Boutique developer for residential as well as mixed commercial and residential development
- Property management and consultancy services

Green Technology

- System integration and distribution of renewable energy
- Supply, installation and leasing of solar panels and grid connected systems

KEY FINANCIAL HIGHLIGHTS

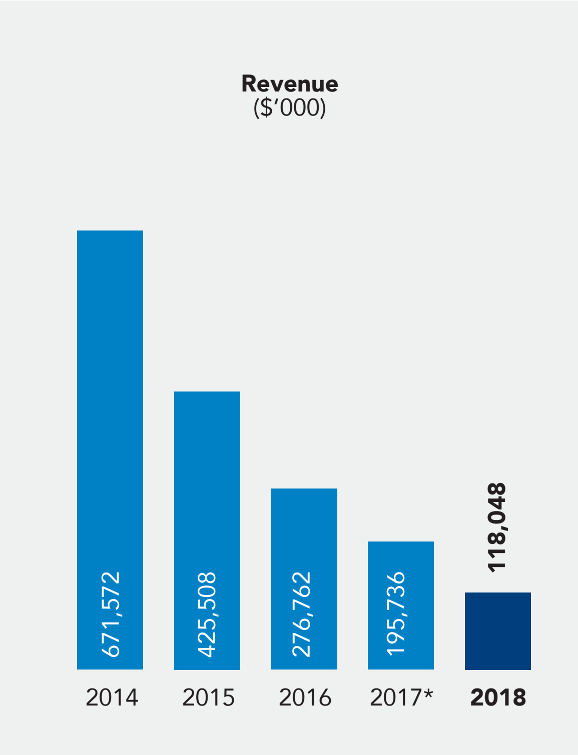
		FY2014	FY2015	FY2016	FY2017*	**FY2018**
Revenue	($'000)	671,572	425,508	276,762	195,736	**118,048**
Gross Profit	($'000)	28,655	25,207	13,397	27,570	**14,976**
Profit/(Loss) Before Taxation	($'000)	14,805	5,277	3,270	9,280	**(4,658)**
Profit/(Loss) After Taxation (PAT)	($'000)	11,799	2,611	1,919	10,141	**(5,174)**
Profit/(Loss) Attributable to Equity Holders of the Company	($'000)	11,230	2,332	1,129	10,412	**(3,363)**
Earnings/(Loss) Per Share	(Cents)	3.66	0.76	0.37	3.28	**(1.04)**
Dividend Per Share	(Cents)	0.8	0.4	0.6	0.6	**–**
Dividend Payout	(%)	21.9	52.6	162	18.3	**–**
Net Assets (NAV)	($'000)	134,317	132,808	130,824	139,946	**134,566**
NAV Per Share	(Cents)	43.61	43.12	42.48	43.41	**41.74**
Net Debt To Equity[1]	(%)	N.A.	0.6	N.A.	39.4	**21.6**
Return On Equity[2]	(%)	8.6	1.9	1.4	7.2	**–**
Return On Total Assets[3]	(%)	3.7	0.9	0.8	3.3	**–**
Revenue by Business Segment						
General Construction	($'000)	458,326	215,458	164,823	70,535	**27,161**
Specialised Engineering	($'000)	134,626	151,335	110,810	114,658	**89,324**
Property Development	($'000)	78,592	58,569	–	9,165	**–**
Green Technology	($'000)	–	118	1,101	1,350	**1,502**
Revenue by Geographical Segment						
Singapore	($'000)	570,999	319,317	216,311	138,845	**72,789**
Malaysia	($'000)	100,573	106,191	60,451	56,891	**43,886**
Others	($'000)	–	–	–	–	**1,373**

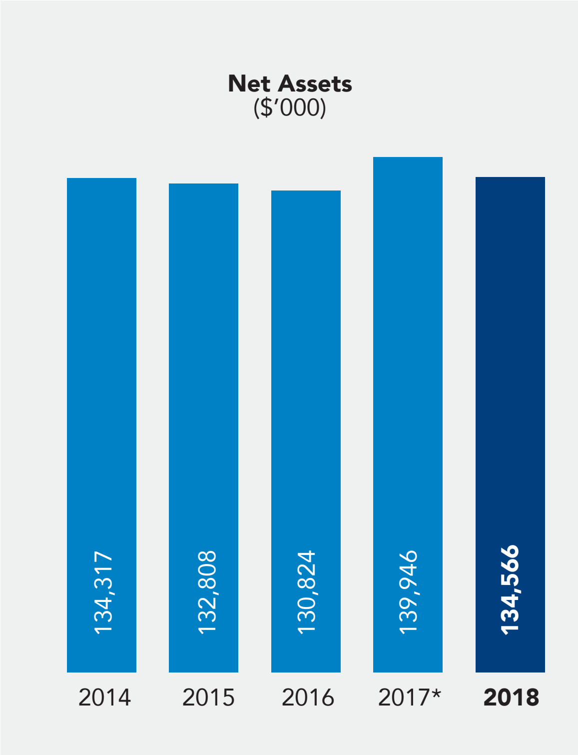
* Restated in view of the adoption of the Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018.

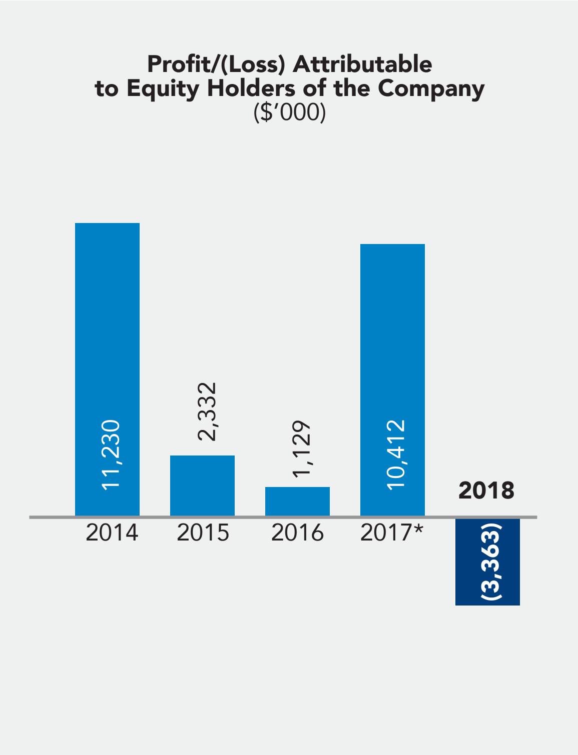
Notes:
1. Net Debt To Equity = Current and non-current bank borrowings and finance leases less cash and cash equivalents divided by total equity
2. Return On Equity = PAT divided by total equity
3. Return On Total Assets = PAT divided by total assets

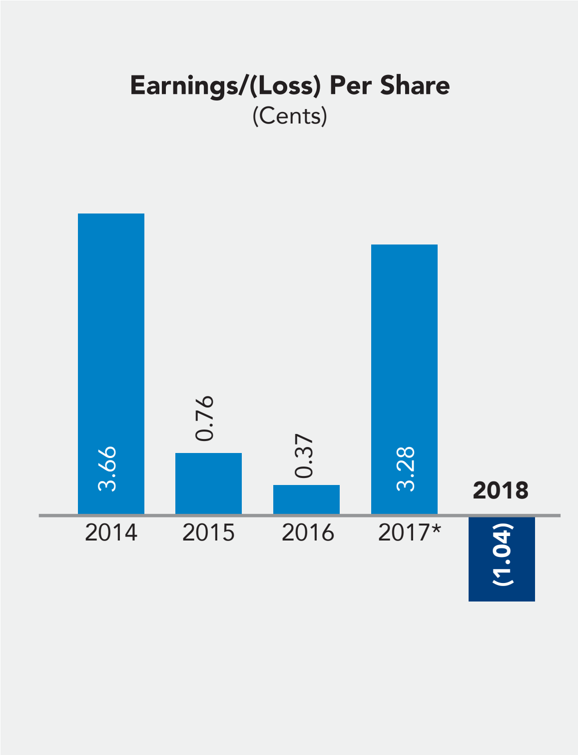
N.A. – not applicable

KEY FINANCIAL HIGHLIGHTS









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PROF. YONG KWET YEW
Independent Director and
Non-Executive Chairman

TAN KHENG HWEE ANDREW
Executive Director and
Chief Executive Officer

CHAIRMAN'S AND CEO'S MESSAGE

DEAR SHAREHOLDERS,

A YEAR IN REVIEW

The operating environment for the construction industry in 2018 remained challenging amid property cooling measures, keen competition and rising business costs. Despite the challenging operating environment, BBR remained focused on its strategy of innovating its technology and business processes to strengthen its core competencies.

In July 2018, the Singapore government raised stamp duties for developers and buyers of second or subsequent residential properties, as well as tightened borrowing limits for individuals. This had inevitably affected the private construction sector. Despite this, the public sector as well as private residential projects from en-bloc sales in 2017 and the first half of 2018 supported construction demand in 2018. According to the Building and Construction Authority ("BCA"), an estimated S$18.4 billion worth of contracts from the public sector were awarded in 2018, comprising mainly civil engineering works and institutional building projects [1].

The construction industry also continued to face headwinds during the year, as interest rates and labour costs rise.

The BBR team persevered, focusing on its core businesses and leveraging on its expertise and strong track record. During the year, one of the more notable contracts secured by the Group was a S$39 million contract awarded by the Ministry of Social and Family Development ("MSFD"). This was for the construction of a 7-storey Social Community Facility at Pasir Ris Street 21. We believe this is a reflection of the confidence the public sector has in BBR's capabilities and track record.

“The BBR team persevered, focusing on its core businesses and leveraging on its expertise and strong track record. During the year, **one of the more notable contracts secured by the Group was a S$39 million contract awarded by the Ministry of Social and Family Development ("MSFD").**”

EMBRACING DIFFERENT METHODS TO IMPROVE PRODUCTIVITY

At BBR, we are continually working towards building a sustainable future. This includes embracing the Design for Manufacturing and Assembly ("DfMA") concept, where construction is designed and planned for a substantial portion of work to be done off-site in a controlled manufacturing environment. The DfMA approach will help to ensure safety at work sites, as well as minimal impact on the surrounding environment. More importantly, the DfMA approach is a way to improve productivity in what is traditionally, a labour-intensive industry.

The DfMA approach is relatively new in the construction industry in Singapore, and the Prefabricated Prefinished Volumetric Construction ("PPVC") technology is one such method. PPVC technology is one of the most efficient method in improving construction productivity. The BCA strongly encourages the use of PPVC, as it can significantly speed up construction and potentially improve productivity by 40% in terms of manpower and time savings. The PPVC technology refers to a construction method whereby modules are constructed and assembled in a fabrication facility off-site before being installed at the site.

BBR is one of the first movers in adopting PPVC technology in Singapore, with its first application of the technology in 2014.

Since then, BBR has continued to deploy PPVC technology in its projects. In July 2018, BBR's joint venture mixed development project, The Wisteria and Wisteria Mall, obtained the Temporary Occupancy Permit, and Wisteria Mall subsequently commenced operations. The Wisteria is the Group's first residential project to adopt PPVC technology. We are greatly encouraged that this project won two awards for the Group – the Gold Award for SCAL Productivity and Innovation Awards 2018 and the Merit Award for Structural Steel Excellence Awards 2018 in the category of Most Innovative Project, setting another track record for BBR in the adoption of PPVC technology. PPVC technology will also be deployed for the MSFD construction project that was mentioned earlier.

The ability and expertise in deploying PPVC technology will help BBR maintain its competitive edge and operational efficiencies, especially in a tight labour market.

CHAIRMAN'S AND CEO'S MESSAGE

BUSINESS OUTLOOK

Although overall construction demand in 2019 is expected to be sustained by the public sector, supported by major infrastructure projects and a pipeline of major industrial building projects, the outlook for the construction industry is expected to remain challenging. Margins are expected to come under more pressure, as competition from both overseas and local construction players intensifies. While profitability is important, we have to balance that with the need to maintain cash flows. BBR is committed to continue its push to innovate its processes to improve productivity, while leveraging on its strengths and track record in building construction and civil engineering to secure new contracts.

On the re-development of Goh & Goh Building, a 2,868.3 sqm freehold property situated next to Beauty World MRT Station along Upper Bukit Timah Road, the Group is still in discussions with the relevant authorities to optimize the potential of the development site. We will keep shareholders updated of the progress as we move along.

NOTE OF APPRECIATION

In June 2018, we welcomed Mr James Yuen as Deputy Chief Executive Officer of the Group, to oversee the general construction business of the Group in Singapore. With more than 30 years of experience in the building and construction industry in Singapore, we believe BBR can benefit from Mr Yuen's experience and insights.

We would like to express our gratitude to our staff and Board of Directors ("Board") for their hard work and strong support through these challenging times. We would also like to thank our shareholders, customers and business associates for their continued support throughout the years.

2019 marks BBR's 26th Anniversary milestone. Let us continue to work together to drive the business further towards greater growth and better margins.

Prof. Yong Kwet Yew
Independent Director
Non-Executive Chairman

Tan Kheng Hwee Andrew
Executive Director and
Chief Executive Officer

[1] BCA News Release: "Singapore's total construction demand to remain strong this year" issued on 14 January 2019.

FINANCIAL REVIEW

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018 ("FY2018"), the Group achieved revenue of S$118 million. This was lower than that recorded in FY2017 due to lower revenue from the General Construction and Specialised Engineering segments.

In FY2018, the General Construction segment recorded revenue of S$27.2 million, 61.5% lower than the year before. This segment accounted for approximately 23% of Group revenue in FY2018. The Specialised Engineering segment recorded revenue of S$89.3 million in FY2018, 22.1% lower year-on-year, and accounted for approximately 76% of Group revenue. The Group did not record revenue from the Property Development segment during the year, as it had fully recognised the sales from its property development projects in FY2017. Revenue from the Green Technology segment was 11.3% higher at S$1.5 million in FY2018.

Overall gross profit was lower at S$15.0 million, with gross profit margin at 12.7% for FY2018.

Other expense in FY2018 comprised foreign exchange difference and fair value loss on derivatives, which amounted to S$1.0 million. The fair value loss on derivatives arose mainly from fair value loss adjustment on interest rate swap entered into by the Group, to hedge against interest rate movements on a long-term loan. The Group does not apply hedge accounting.

Administrative costs were 13.8% lower year-on-year in FY2018 at S$8.2 million, on lower depreciation cost and the absence of fees paid to real estate agents as there was no sale of development property.

Other operating costs declined by 12.1% year-on-year to S$18.9 million in FY2018. This was mainly due to (i) a reduction in staff cost; (ii) the absence of an impairment loss on property, plant and equipment that was recorded in FY2017; (iii) a small write back for inventory obsolescence in FY2018 compared with a provision that was made in FY2017; and (iv) lower research & development expenses on the structural works of the PPVC system as it had been substantially completed in the previous year.

Finance costs increased to S$3.2 million, mainly due to the financing for Goh & Goh Building.

Share of joint ventures in FY2018 was S$8.6 million, comprising the fair value gain on a commercial investment property, Wisteria Mall, and the progressive recognition of income from the sale of residential units at The Wisteria held by the Group's joint venture. This project has obtained its TOP in July 2018, and the remaining income from the sale of the residential units in FY2018 has been fully recognised.

Share of results of associates was significantly lower at S$0.1 million in FY2018 as development profits from the sale of Lakelife Executive Condominium had already been substantially recognised in previous financial years.

As a result, the Group recorded a net loss attributable to equity holders of the Company of S$3.4 million for FY2018.

STATEMENT OF FINANCIAL POSITION

Non-current assets declined to S$70.3 million as at 31 December 2018, from S$90.0 million as at end FY2017, mainly due to reductions in investments in associates as profits were distributed back to the Group, and loans to a joint venture. This was partially offset by an increase in non-current contract assets which comprises retention receivables.

Current assets was S$218.9 million as at end FY2018, compared with S$220.7 million as at end FY2017. Current contract assets decreased as contract work done had been certified, billed and settled by customers during FY2018. Along with the subsequent settlement of balances after the last financial year end and the lower construction activities during the year, trade receivables was lower as at end FY2018. The Group had also received full repayment of loans to an associate during the year.

Current liabilities declined to S$49.9 million as at end FY2018, from S$64.3 million as at end FY2017, mainly due to lower trade and other payables in line with lower construction activities in FY2018.

Non-current liabilities as at end FY2018 remained largely unchanged at S$106.0 million, compared with S$106.1 million as at end FY2017. Repayment of long-term loans and borrowings was offset by an increase in derivative liability.

Shareholder's equity decreased from S$139.9 million to S$134.6 million over the year in review. This was mainly due to the net loss attributable to equity holders that the Group recorded in FY2018 and the payment of dividends declared for FY2017.

STATEMENT OF CASH FLOWS

For FY2018, the Group used cash amounting to S$6.2 million in operations. Net cash used in operating activities was S$10.0 million.

The Group generated net cash from investing activities of S$38.5 million in FY2018, as it received full repayment of loans and distribution of profits from an associate, as well as repayment of loans from a joint venture. Net cash used in financing activities amounted to S$2.3 million comprising mainly the payment of dividends declared for FY2017, and the repayment of bank borrowings.

BBR's financial position remained strong with a cash position of S$56.7 million as at 31 December 2018. This will provide the necessary working capital for the re-development of Goh & Goh Building as well as any new projects that the Group is bidding.

BOARD OF DIRECTORS

PROF YONG KWET YEW

Independent Non-Executive Director, Chairman of the Board, Chairman of the Nominating Committee, Chairman of the Remuneration Committee, Chairman of the BBR Share Plan Committee and Member of the Audit Committee

Prof Yong Kwet Yew was appointed a Director of BBR Holdings (S) Ltd on 19 August 1997. He obtained his PhD from the University of Sheffield, UK under a Grouped Scholarship in Engineering and is currently a Professor of Civil Engineering and Senior Vice President (Campus Infrastructure) at the National University of Singapore. He has conducted extensive research in infrastructure and geotechnical engineering and has delivered over 36 keynote and guest lectures at international conferences, as well as published over 200 technical papers.

Highly respected for his industry expertise, he has served as a consultant to government agencies as well as local and international companies in more than 200 major construction projects in Singapore, Asean, China and the region.

Prof Yong chairs several government advisory committees and professional committees. He is an Honorary Fellow of the Institution of Engineers and an Accredited Adjudicator of Singapore Mediation Centre. He is also the Non-Executive Chairman and Independent Director of Tritech Group Limited.

For his significant contributions to the university, construction safety and land transport development, he was conferred the Public Administration Medal (2000), the Public Service Medal (2004) and the Public Service Star (2008) respectively. He was also awarded the MND Medallion (2016) for distinguished service to the MND group of agencies, the Outstanding Geotechnical Engineer (2017) and the Institution of Civil Engineers, UK ICE200 Commemorative Medallion (2018).

MR TAN KHENG HWEE ANDREW

Executive Director, Chief Executive Officer, Member of the BBR Share Plan Committee and Member of the Investment Committee

Mr Tan Kheng Hwee Andrew is a founding member of BBR Holdings (S) Ltd and was appointed as the Managing Director/Chief Executive Officer since 1 April 1994. He is responsible for the strategic management and business development of the Group.

Prior to setting up the Company, he spent two years after graduation in the civil service and worked for another 13 years with a public listed company. Mr Tan served as the President of Singapore Concrete Institute from 1997 to 1999.

Mr Tan holds a Bachelor Degree of Engineering (Honours) from the then University of Singapore (now the National University of Singapore) and a Master of Science in Civil Engineering from the National University of Singapore. He is also a registered Professional Engineer with the Professional Engineers Board Singapore, and a senior member of the Institute of Engineers (Singapore).

BOARD OF DIRECTORS

MR BRUNO SERGIO VALSANGIACOMO

Non-Executive Director, Member of the Remuneration Committee and Member of BBR Share Plan Committee

Mr Bruno Sergio Valsangiacomo was appointed a Director of BBR Holdings (S) Ltd on 11 February 1997. He is the Executive Chairman of Tectus S.A., BBR Holding AG, Proceq S.A. and FFC Fincoord Finance Coordinators Ltd., as well as a Board member of other TectusGroup.com associated companies.

He is a founder of Tectus Dreamlab Pte Ltd, a cross-functional research centre in Fusionopolis, Singapore, leading various next-generation initiatives including ScreeningEagle.com, a technology for the monitoring of the health condition and the efficient maintenance of infrastructure and property assets to serve global markets in partnership with Singapore research and government agencies.

Mr. Valsangiacomo started his career in 1972 in corporate banking and trade finance with UBS and Paribas Switzerland, and in 1991 became a founding shareholder and member of the Executive Commitee of the ITI Group in Poland, the leading television, digital media and entertainment Group in Central Europe, which was sold in 2015 to various strategic investors.

Mr Valsangiacomo is also a founding partner of Virtually Live, a virtual reality company specialised in virtual live event experiences, NeuroPro Ltd, a company developing next generation tools for applied brain science and The Brain Forum, an independent charitable foundation dedicated to helping fulfil the potential of brain science to benefit humanity.

He graduated with a Bachelor of Business Administration from the School of Economics and Administration in Zurich.

MR MARCEL POSER

Non-Executive Director

Mr Marcel Poser was appointed a Director of BBR Holdings (S) Ltd on 24 April 2015. Prior to this appointment, he was an Alternate Director of the Company since 4 August 2011.

Mr Poser has been Chief Executive Officer and Director of Tectus SA since 2011. He is also concurrently the Chairman of BBR VT International Ltd, Executive Co-Chairman of Proceq SA and Director of BBR Holding AG, Moderna Homes Pte Ltd (Singapore) and other Tectus Group associated companies. He is founding partner and Director of Tectus Dreamlab Pte Ltd, a cross-functional research centre in Fusionopolis, Singapore, leading various next-generation research and development projects.

He started his professional career in the field of steel construction and construction engineering machinery for tunnels and bridges in Switzerland, the European Union, Asia-Pacific, Africa and the United States. In 2002, he joined the BBR Group as Project Manager, where he subsequently held the position of Chief Technical Officer. From 2006 until 2011, he spearheaded the development and formation of the BBR Network franchise as CEO of BBR VT International.

Mr Poser earned his undergraduate degree in civil engineering from Zurich University of Applied Sciences and a master’s degree from the Cockrell School of Engineering at The University of Texas at Austin in 2001. In 2016 he received the Outstanding Young Engineering Graduate Award from the University of Texas at Austin.

BOARD OF DIRECTORS

MR ROMANO WILLIAM FANCONI

Alternate Director to Mr Marcel Poser

Mr Romano William Fanconi was appointed an Alternate Director to Mr Marcel Poser on 24 April 2015.

Mr Fanconi has been Managing Partner of FFC Fincoord Finance Coordinators AG since 1995 and within the Tectus Group of companies, he is responsible for M&A, legal, finance and administration. He is also concurrently a member of the board of directors of Tectus S.A., BBR Holding AG, BBR VT International, Proceq S.A. and other Tectus Group associated companies.

He initially focused on media as Corporate Secretary of leading Polish media and entertainment group ITI Group. ITI Group built the largest broadcasting, media and entertainment group in Poland, and its core company, publicly-listed TVN Group, was sold to Scripps Networks Interactive Inc. in 2015. Mr Fanconi is also a founding partner of Virtually Live, a virtual reality company specialised in virtual live event experiences.

Mr Fanconi holds a Bachelor Degree in Business Administration from the Lucerne School of Economics and Business Administration.

MS LUK KA LAI CARRIE (MRS CARRIE CHEONG)

Independent Non-Executive Director, Chairperson of the Audit Committee, Member of the Nominating Committee, Member of the Remuneration Committee and Member of the Investment Committee

Ms Luk Ka Lai Carrie was appointed a Director of BBR Holdings (S) Ltd on 24 September 1997. She is a Director and Chief Executive Officer of Carrie Cheong & Ethel Low Consulting Pte. Ltd., a company which provides business advisory services, financial management and corporate services. She has extensive experience relating to corporate planning and financial exercises including corporate restructuring, initial public offers and mergers and acquisitions.

Ms Luk holds a Master Degree of Business Administration from the University of Brunel, United Kingdom. She is a Fellow of the Association of Chartered Certified Accountant, a member of the Institute of Singapore Chartered Accountants, a practising Chartered Secretary and an Associate of The Institute of Chartered Secretaries and Administrators. She also serves as an Independent Director on the board of another public-listed company in Singapore.

BOARD OF DIRECTORS

MR SOH GIM TEIK

Independent Non-Executive Director, Chairman of the Investment Committee, Member of the Audit Committee and Member of the Nominating Committee

Mr Soh Gim Teik was first appointed a Director of BBR Holdings (S) Ltd on 8 August 2008. With extensive industry experience in corporate governance, finance and general management, he is currently a member of the Institute of Singapore Chartered Accountants and a Fellow of the Singapore Institute of Directors where he serves on its Governing Council as its Audit Committee Chairman.

Besides serving as an independent director on the boards of listed companies, he also holds other independent directorship appointments in a number of charitable and non-profit organisations.

Mr Soh holds a Bachelor Degree of Accountancy from the then University of Singapore (now the National University of Singapore).

MR VOON YOK LIN

Executive Director

Mr Voon Yok Lin was appointed a Director of BBR Holdings (S) Ltd on 21 June 2017. He is currently the Managing Director of BBR Construction Systems (M) Sdn. Bhd., where he is responsible for the overall operations and management.

Prior to joining the Group in 1994, he worked in various capacities in a Malaysian construction firm, which specialises in pre-stressing construction technology.

Mr Voon holds a Bachelor Degree of Science (Honours) in Civil Engineering from the University of Strathclyde, Scotland, in the United Kingdom. He is a registered Professional Engineer with the Board of Engineers Malaysia and a member of The Institution of Engineers Malaysia.

MR VOON CHET CHIE

Alternate Director to Mr Voon Yok Lin

Mr Voon Chet Chie was appointed an Alternate Director to Mr Voon Yok Lin on 21 June 2017. He joined BBR Construction Systems (M) Sdn Bhd in 2012 as a Project Engineer in-charge of MRT and LRT projects. In 2017, he was appointed the current role of Manager (Special Task) where he is responsible for overseeing the cable-stayed bridge construction, beam casting and MRT Line 2 project.

Prior to joining the Group, he worked in an engineering capacity with the national oil and gas company in Malaysia and was involved in offshore pipelines and facilities rejuvenation projects.

Mr Voon holds a Bachelor Degree of Engineering (Honours) from Universiti Teknologi PETRONAS, Malaysia and a Master of Science (Construction Project Management) from Robert Gordon University, Scotland, in the United Kingdom. He is a registered Graduate Engineer with the Board of Engineers Malaysia and a member of The Institution of Engineers Malaysia.

He is the son of Executive Director, Mr. Voon Yok Lin.

SENIOR MANAGEMENT

MR JAMES YUEN CHEW LOONG

Deputy Chief Executive Officer, BBR Holdings (S) Ltd

Managing Director, Singapore Engineering & Construction Pte Ltd / Singa Development Pte Ltd

Mr James Yuen was appointed the Deputy Chief Executive Officer of BBR Holdings (S) Ltd on 5 June 2018. He is also the Managing Director of the Group's General Construction Division companies - Singapore Engineering & Construction Pte Ltd and Singa Development Pte Ltd.

Mr Yuen has more than 30 years of experience in the construction industry in building, civil engineering and infrastructure works, including a stint with the Housing and Development Board from 1989 to 1994.

Prior to joining the Group, Mr Yuen held various senior management positions and portfolios in the management of multi-discipline integrated construction, engineering, infrastructure and building works. His last appointment was Managing Director of the construction subsidiary at another public listed company, where he was responsible for the overall management, marketing and business development of its specialist precast division.

Mr Yuen holds a Bachelor Degree of Engineering (Civil) (Honours), a Master of Science in Civil Engineering and a Master of Business Administration, all from the National University of Singapore. He is a Registered Professional Engineer with the Professional Engineers Board (PEB) Singapore, an Accredited Adjudicator with the Singapore Medication Centre (SMC), and a senior member of the Institute of Engineers Singapore.

MR JOHN MO KUAN SHENG

Managing Director, BBR Construction Systems Pte Ltd / BBR Piling Pte Ltd / Moderna Homes Pte Ltd

Director, Moderna Homes (Hong Kong) Limited

Mr John Mo Kuan Sheng is the Managing Director of BBR Construction Systems Pte Ltd since 1999. He is also the Managing Director of BBR Piling Pte Ltd and Moderna Homes Pte Ltd. He is in charge of day-to-day operations, marketing and business development for the Specialised Engineering business, which includes mainly post-tensioning, bored piling and prefabricated prefinished volumetric construction.

Prior to joining the Group in 1994, Mr Mo worked in several construction companies from 1988 to 1993.

Mr Mo holds a Bachelor Degree of Engineering (Civil) from the National University of Singapore.

SENIOR MANAGEMENT

MR CHAN TUCK MENG

Commercial Manager,
BBR Development Pte Ltd

Mr Chan Tuck Meng is the Commercial Manager of BBR Development Pte. Ltd., where he is responsible for property development and sales and marketing of the Group's development properties.

Prior to BBR Development Pte. Ltd., he has worked in various other capacities within the BBR Group.

Mr Chan holds a Bachelor Degree of Engineering (Civil) (Honours) from the National University of Singapore and a Master of Business Administration (Accountancy) from the Nanyang Technological University.

MR PAUL CHEONG KIN FOO

Director, BBR Construction Systems (M) Sdn Bhd / Strengthened Soil Wall (M) Sdn. Bhd.

Mr Paul Cheong Kin Foo joined BBR Construction Systems (M) Sdn. Bhd. as an Accounts/Administration Manager on 15 November 1997 and is responsible for the financial and administration matters of the company. He was appointed as a Director of BBR Construction Systems (M) Sdn. Bhd. on 4 January 2007.

Prior to joining the Group, he worked for about 15 years in the trading, manufacturing and services industries.

Mr Cheong is a graduate of the Association of International Accountants (United Kingdom) and has a Diploma in Computer Studies from the National Centre for Information Technology, United Kingdom.

MS CHEW NAM YEO

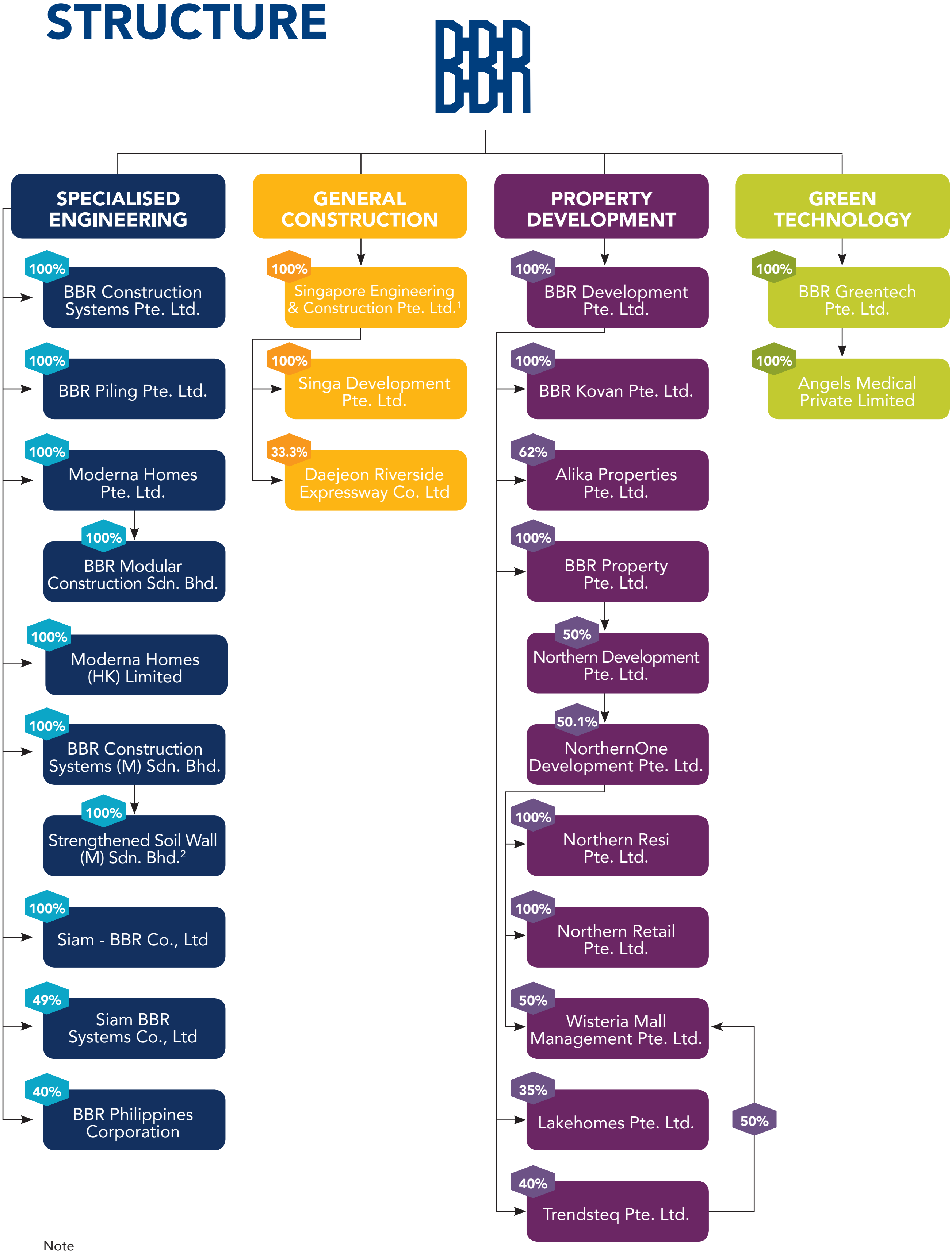
Chief Financial Officer, BBR Holdings (S) Ltd

Director, BBR Development Pte Ltd / BBR Kovan Pte Ltd / BBR Property Pte Ltd / BBR Greentech Pte Ltd / Alika Properties Pte Ltd / Singapore Engineering & Construction Pte Ltd / Singa Development Pte Ltd / Angels Medical Private Limited / Wisteria Mall Management Pte Ltd

Ms Chew Nam Yeo was appointed the Chief Financial Officer of BBR Holdings (S) Ltd on 2 May 2017. She oversees the Group's finance and corporate functions covering financial reporting, treasury, tax, investor relations and corporate secretarial matters. Before joining the Company, she was the Chief Financial Officer of a listed company providing engineering equipment and services to oil & gas and petrochemical companies. Adding to her breadth of experience, she spent more than 10 years in various financial capacities in other listed companies and several years as an auditor in an established public accounting firm.

Ms Chew holds a Bachelor Degree of Accountancy (Honours) and is a member of the Institute of Singapore Chartered Accountants.

CORPORATE STRUCTURE



Note
[1] formerly known as Singapore Piling & Civil Engineering Private Limited
[2] formerly known as SP Piling Sdn. Bhd.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Prof Yong Kwet Yew
Independent Director
PhD, B.E (Hons), PEng, FIES, MSID,
Accredited Adjudicator

Mr Tan Kheng Hwee Andrew
Executive Director and Chief Executive Officer
B.E. (Hons), M.Sc., MIES, PEng, FSCI, MSID

Mr Voon Yok Lin
Executive Director
B.Sc. (Hons)

Mr Voon Chet Chie
Alternate Director to Mr Voon Yok Lin
B.Eng. (Hons), M.Sc.

Mr Bruno Sergio Valsangiacomo
Non-Executive Director
BBA

Mr Marcel Poser
Non-Executive Director
M.Sc. Eng./Dipl.Ing.SIA

Mr Romano William Fanconi
Alternate Director to Mr Marcel Poser
BBA

Ms Luk Ka Lai Carrie
Independent Director
MBA, FCCA, ACIS, ACS, CA (Singapore), MSID, MSIM

Mr Soh Gim Teik
Independent Director
BAcc, CA (Singapore), FSID

AUDIT COMMITTEE AND RISK MANAGEMENT COMMITTEE

Ms Luk Ka Lai Carrie (Chairperson)
Prof Yong Kwet Yew
Mr Soh Gim Teik

NOMINATING COMMITTEE

Prof Yong Kwet Yew (Chairman)
Ms Luk Ka Lai Carrie
Mr Soh Gim Teik

REMUNERATION COMMITTEE

Prof Yong Kwet Yew (Chairman)
Mr Bruno Sergio Valsangiacomo
Ms Luk Ka Lai Carrie

BBR SHARE PLAN COMMITTEE

Prof Yong Kwet Yew (Chairman)
Mr Bruno Sergio Valsangiacomo
Mr Tan Kheng Hwee Andrew

INVESTMENT COMMITTEE

Mr Soh Gim Teik (Chairman)
Mr Tan Kheng Hwee Andrew
Ms Luk Ka Lai Carrie

COMPANY SECRETARY

Ms Chiang Chai Foong
FCIS, FCS, MSID

REGISTERED OFFICE

50 Changi South Street 1
BBR Building
Singapore 486126
Tel : (65) 6546 2280
Fax : (65) 6546 2268
Website : www.bbr.com.sg
Email : enquiry@bbr.com.sg

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel : (65) 6536 5355
Fax : (65) 6536 1360

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in-charge: Lim Tze Yuen
(Appointed with effect from financial year ended 31 December 2016)

BANKERS

Oversea-Chinese Banking Corporation Limited
DBS Bank Ltd
Malayan Banking Berhad
Standard Chartered Bank
The Hongkong & Shanghai Banking Corporation Limited
United Overseas Bank Limited
Resona Merchant Bank Asia Limited
CIMB Bank Bhd
Ambank Bhd
AmIslamic Bank Bhd
United Overseas Bank (Thai) Public Company Limited

AWARDS & ACCOLADES

ARCHITECTURAL HERITAGE

2017	BCA Universal Design Mark GoldPlus 2017 for Kallang Trivista
2016	International Architecture Award from the Chicago Athenaeum Museum of Architecture and Design, the European Centre Architecture Art Design and Urban Studies for Bliss @Kovan
2009	Architectural Heritage Award from the Urban Redevelopment Authority (URA) for the "Restoration" of 9 King George's Avenue (Peoples' Association Headquarters)
2003	Architectural Heritage Award from the URA for the "Restoration" of Asian Civilisation Museum, Empress Place
2001	Architectural Heritage Award from the URA for the Restoration of 101 Penang Road (House of Tan Yeok Nee)
1998	Architectural Heritage Award from the URA for the Restoration of Asian Civilisation Museum
1995	Architectural Heritage Award from the URA for the Restoration of River House at Clarke Quay

GREEN MARK

2014	Green Mark Platinum from the BCA for Galaxis (Fusionopolis 5)
2014	Green Mark Platinum from the BCA for Residential Hall at North Hill Nanyang Technological University
2011	Green Mark GoldPlus from the BCA for Bliss @Kovan
2010	Green Mark Certified from the BCA for Lush on Holland Hill
2009	Green Mark GoldPlus from the BCA for Icon@IBP
2008	Green Mark Gold from the BCA for 8 Nassim Hill
2007	Green Mark GoldPlus from the BCA for Peoples' Association Headquarters

BEST BUILDABLE DESIGN

2006	Best Buildable Design Award from the Building and Construction Authority (BCA) for Yu Neng Primary School
2001	Best Buildable Design Award from the BCA for North Spring Primary School and Poi Ching School

CONSTRUCTION EXCELLENCE

2016	Award for Construction Excellence (Merit) from the BCA for Galaxis (Fusionopolis 5)
2014	Award for Construction Excellence from the BCA for Lush on Holland Hill
1997	Award for Construction Excellence from the Construction Industry Development Board (CIDB) for SAFTI Military Institute Phase III
1994	Award for Construction Excellence from the CIDB for Reconstruction of Sir Arthur's Bridge

CONSTRUCTION PRODUCTIVITY

2018	Innovation & Productivity Gold Award for The Wisteria & Wisteria Mall by the Singapore Contractors' Association Ltd (SCAL)
2018	Most Innovative Project Award (Merit) for The Wisteria & Wisteria Mall by the Singapore Structural Steel Society (SSSS)
2017	BCA BIM GoldPlus Award as the Builder for The Wisteria & Wisteria Mall
2016	BCA Construction Productivity Award for the Galaxis (Fusionopolis 5)
2015	BCA BIM Gold Award as the Builder for the Galaxis (Fusionopolis 5)
2015	Construction Productivity Gold Award from the BCA for Lush on Holland Hill
2014	BCA BIM Gold Award as the Builder for Residential Halls at North Hill, Nanyang Technological University

AWARDS & ACCOLADES

QUALITY

2013	BCA Quality Mark (QM) Star Award for good workmanship for Lush on Holland Hill
2012	Housing and Development Board (HDB) Quality Partners Award for Building Improvement Works to Void Deck Columns using Polymer Fibre Wrapping

SAFETY

2018	2018 - WSH Performance Awards 2018 (Silver) by WSH Council & Ministry of Manpower
2018	WSH SHARP Award for The Wisteria & Wisteria Mall by WSH Council & Ministry of Manpower
2018	Health & Safety Awards 2018 (Gold) by the Royal Society for the Prevention of Accidents (RoSPA)
2017	WSH Performance Awards 2017 Certificate of Commendation for Commitment to Workplace Safety & Health from the WSH Council
2016	WSH Performance Awards 2016 (Silver) by WSH Council & Ministry of Manpower (MOM)
2016	CultureSAFE Certificate of Commendation by WSH Council
2016	RoSPA Health & Safety Awards 2016 (Silver) by the Royal Society for the Prevention of Accidents for Bliss @Kovan, HDB Kallang Whampoa Contract 28B and Residential Hall at North Hill Nanyang Technological University
2013	Certificate of Recognition for Million Accident Free Man-hours from LTA for Contract 937B Tai Seng Facility Building
2006	Safety Management Silver Award from Concord Associates for Deep Tunnel Sewerage System Changi Water Reclamation Plant Contract C4A
1999	Safety Performance Merit Award from the MOM for Temasek Secondary School
1998	Safety Performance Merit Award from the MOM for Raffles Girls' Primary School
1996	Safety Management Bronze Award from Concord Associates for Central Ministries Building

CONSTRUCTION ENVIRONMENT

2016	ASEAN Energy Awards, Winner in the ASEAN Best Practices Awards for Energy Efficient Buildings for the Galaxis (Fusionopolis 5)
2014	Green and Gracious Builder Star Award
2013	Green and Gracious Builder Merit Award
2012	Construction Environmental Award – Certificate of Merit from the Land Transport Authority (LTA) for Contract ER 361 (Widening of Keppel Viaduct)

COMPANY RANKING

2018	Singapore 1000 Company for Public Listed Companies 2018 from DP Information Group
2018	Singapore 1000 Company - Emerging 2018 Award from DP Information Group
2017	Singapore 1000 Company for Public Listed Companies 2017 from DP Information Group
2015	ANZ Global Business Excellence Award
2014	Singapore 1000 Company - Emerging 2014 Award from DP Information Group
2013	Singapore 1000 Company – Emerging 2013 Award from DP Information Group
2012	Singapore 1000 Company – Emerging 2012 Award from DP Information Group

OTHERS

2017	NSMark Gold Certificate for Exemplary Support for Total Defence & National Service by MINDEF

REGIONAL PRESENCE

SINGAPORE

- BBR Holdings (S) Ltd
- BBR Construction Systems Pte. Ltd.
- BBR Development Pte Ltd
- BBR Greentech Pte. Ltd
- BBR Kovan Pte. Ltd.
- BBR Piling Pte. Ltd.
- BBR Property Pte. Ltd.
- Alika Properties Pte. Ltd.
- Angels Medical Private Limited
- Lakehomes Pte. Ltd.
- Moderna Homes Pte. Ltd.
- Northern Development Pte. Ltd.
- NorthernOne Development Pte. Ltd.
- Northern Resi Pte. Ltd.
- Northern Retail Pte. Ltd.
- Singa Development Pte. Ltd.
- Singapore Engineering & Construction Pte. Ltd.
- Trendsteq Pte. Ltd.
- Wisteria Mall Management Pte. Ltd.

50 Changi South Street 1
BBR Building
Singapore 486126

Tel: (65) 6546 2280
Fax: (65) 6546 2268
www.bbr.com.sg

MALAYSIA

- BBR Construction Systems (M) Sdn. Bhd
- Strengthened Soil Wall (M) Sdn. Bhd.

No. 17 Jalan Sg. Jeluh 32/191
Kawasan Perindustrian
Kemuning, Seksyen 32
40460 Shah Alam, Selangor
Darul Ehsan
Malaysia

Tel: (603) 5525 3270
Fax: (603) 5525 3285
www.bbr.com.my

- BBR Modular Construction Sdn. Bhd.

PTD 72658, Jalan Seelong Jaya 15, 81400 Seelong, Johor, Malaysia

Tel: (65) 6546 2280
Fax: (65) 6546 2268

PHILIPPINES

- BBR Philippines Corporation

Suite 502,
7 East Capitol Building
No. 7 East Capitol Drive
Barangay Kapitolyo
1603 Pasig City, Metro Manila
Philippines

Tel: (63) 2638 7261
Fax: (63) 2638 7260

THAILAND

- Siam-BBR Co. Ltd
- Siam-BBR Systems Co. Ltd

449, 2nd Floor, 559 Building Muang Thong Thani, Bond Street Road, Bangpood Sub-district, Pakkred District
Nonthaburi 11120
Thailand

Tel: (66) 02-046-8522
Fax: (66) 02-046-8522

HONG KONG

- Moderna Homes (HK) Limited

Flat C, 8/F, King Palace Plaza
No. 55 King Yip Street
Kwun Tong, Kowloon
Hong Kong

Tel: (65) 6546 2280
Fax: (65) 6546 2268

FINANCIAL REPORT CONTENTS

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of BBR Holdings (S) Ltd ("the Company") and its subsidiaries (collectively, "the Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

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

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

DIRECTORS

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

Prof. Yong Kwet Yew	(Non-Executive Chairman)
Tan Kheng Hwee Andrew	(Executive Director and Chief Executive Officer)
Bruno Sergio Valsangiacomo	
Luk Ka Lai Carrie	
Soh Gim Teik	
Marcel Poser	
Romano William Fanconi	(Alternate Director to Marcel Poser)
Voon Yok Lin	
Voon Chet Chie	(Alternate Director to Voon Yok Lin)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company				
BBR Holdings (S) Ltd				
Ordinary shares				
Tan Kheng Hwee Andrew	17,250,474	17,250,474	228,400	228,400
Bruno Sergio Valsangiacomo	–	–	85,632,978	85,632,978
Romano William Fanconi	80,000	80,000	–	–
Voon Yok Lin	16,690,000	16,690,000	–	–

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

By virtue of section 7 of the Singapore Companies Act, Chapter 50, Bruno Sergio Valsangiacomo is deemed to have interests in shares of the Company.

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

THE BBR SHARE PLAN

The BBR Share Plan ("the Plan") was approved by members of the Extraordinary General Meeting held on 28 April 2010.

The Plan is a share incentive plan. The Plan is proposed on the basis that it is important to retain employees whose contributions are important to the well-being and prosperity of the Group and to recognise outstanding executives and directors of the Group who have contributed to the growth of the Group. The Plan will give participants an opportunity to have a personal equity interest in the Company and will assist in achieving the following positive objectives:

(a) the motivation of each participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;

(b) the retention of key executives and directors of the Group whose contributions are important to the long-term growth and profitability of the Group;

DIRECTORS' STATEMENT

THE BBR SHARE PLAN *(cont'd)*

(c) to instil loyalty to, and a stronger identification by employees with the long term prosperity of the Group;

(d) to make employee remuneration sufficiently competitive to recruit and retain employees with relevant skills to contribute to the Group and to create value for the shareholders; and

(e) to align the interests of the participants with the interests of the shareholders.

The Plan is administered by The BBR Share Plan Committee ("the Committee") whose members are Prof. Yong Kwet Yew (Chairman), Tan Kheng Hwee Andrew and Bruno Sergio Valsangiacomo.

The size of the Plan shall not exceed 10% of the issued ordinary share capital of the Company. The participants are not required to pay for the grant of awards or for the shares allotted or allocated pursuant to an award. Shares granted shall be vested over a period of time, subject to the satisfaction of specific performance conditions of the Group and individual service conditions, i.e. the participant must remain an employee of BBR on date of vesting and release. Performance conditions to be set include targets based on criteria such as successful completion of a project, market share, market ranking, the financial results of the Group, profitability and return on equity, return on investment as well as total shareholders' return and economic value added.

Group executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time on or before the award date and are not undischarged bankrupts and have not entered into a composition with their respective creditors and non-executive directors are eligible to participate in the Plan.

Controlling shareholders and associates of controlling shareholders shall not be eligible to participate in the Plan.

The Plan shall be in force up to a maximum period of 10 years from the date on which the Plan was adopted and may be continued beyond the stipulated period with the approval of shareholders by way of ordinary resolution in general meeting and of such relevant authorities which may then be required.

Details of performance share awards of the Company during the year are set out as follows:

Name of participant	Granted in financial year ended 31.12.2018	Aggregate granted since commencement of Plan to 31.12.2018	Aggregate released since commencement of Plan to 31.12.2018	Aggregate outstanding as at 31.12.2018
Director of the Company				
- Tan Kheng Hwee Andrew	–	650,000	(650,000)	–
Key management and executives of the Group	–	3,210,000	(3,210,000)	–
As at 31 December 2018	**–**	**3,860,000**	**(3,860,000)**	**–**

AUDIT COMMITTEE

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

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

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

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

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

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Tan Kheng Hwee Andrew	Luk Ka Lai Carrie
Executive Director and Chief Executive Officer	Non-Executive Director

29 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BBR HOLDINGS (S) LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity 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)) 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 and changes in equity of the Company for the year ended on that date.

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 are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<u>Revenue recognition on construction contracts</u>

Please refer to Note 2.25(a) Construction contracts, Note 3.1 Key sources of estimation uncertainty and Note 4 Revenue.

For the year ended 31 December 2018, the Group recognised revenue amounting to $115,942,000 from its specialised engineering and general construction contracts, where revenue is recognised over time based on the Percentage of Completion ("POC") method. The POC for these contracts were measured based on the contract costs incurred to-date as a proportion of estimated total contract costs. Significant judgments and estimation by management are required in determining the estimated total contract costs, including the evaluation of contractual adjustments to costs due to variation works and key material price adjustments, which accordingly determines the progress and amount of revenue to be recognised during the year. As such, we considered revenue recognition on construction contracts to be a key audit matter.

Key Audit Matters *(cont'd)*

We carried out procedures to understand the Group's processes for evaluating contractual arrangements, and management's assessment of contractual adjustments arising from variation works and key material price adjustments. We obtained an understanding and reviewed management's internal costing, budgeting processes and the determination of estimated total contract costs. We traced significant components of estimated total contract costs for selected projects to the underlying supporting documents such as projects budgets and agreements. On a sampling basis, we reviewed correspondences with contractors and discussed the progress of the projects with management for any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated total contract costs or recognition of onerous contract, if any. We also considered the adequacy of the Group's disclosures in respect of this matter.

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BBR HOLDINGS (S) LTD

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and 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 Lim Tze Yuen.

Ernst & Young LLP

Ernst & Young 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	2017
		$'000	$'000
Revenue	4	118,048	195,736
Cost of sales		(103,072)	(168,166)
Gross profit		14,976	27,570
Other operating income	5	2,845	2,782
Other expense		(987)	(145)
Administrative costs		(8,184)	(9,496)
Other operating costs		(18,852)	(21,438)
Finance costs	6	(3,182)	(1,120)
Share of results of joint ventures	14	8,599	4,284
Share of results of associates	13	127	7,383
(Loss)/profit before taxation	7	(4,658)	9,820
Income tax (expense)/credit	8	(516)	321
(Loss)/profit for the year		(5,174)	10,141
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation (loss)/gain		(82)	357
Other comprehensive income for the year		(82)	357
Total comprehensive income for the year		(5,256)	10,498
(Loss)/profit attributable to:			
Equity holders of the Company		(3,363)	10,412
Non-controlling interests		(1,811)	(271)
		(5,174)	10,141
Total comprehensive income attributable to:			
Equity holders of the Company		(3,446)	10,774
Non-controlling interests		(1,810)	(276)
		(5,256)	10,498
Earnings per share (cents per share)			
Basic	9	(1.04)	3.28
Diluted	9	(1.04)	3.28

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
		$'000	$'000	$'000	$'000	$'000	$'000
Non-current assets							
Property, plant and equipment	10	34,188	38,816	42,979	15,974	18,247	18,641
Intangible assets	11	–	119	419	–	–	–
Investments in subsidiaries	12	–	–	–	58,114	60,197	54,898
Investments in associates	13	2,455	17,981	10,943	260	260	260
Investments in joint ventures	14	10,840	2,491	–	–	–	–
Deferred tax assets	16	–	–	424	–	–	–
Contract assets	4	7,518	6,073	7,355	–	–	–
Loans to an associate	18	–	–	20,136	–	–	–
Loans to a joint venture	18	15,260	24,537	20,525	–	–	–
		70,261	90,017	102,781	74,348	78,704	73,799
Current assets							
Trade receivables	17	10,021	16,146	24,269	–	–	–
Loans to an associate	18	–	13,490	–	–	–	–
Amounts due from subsidiaries	19	–	–	–	5,027	5,608	3,547
Contract assets	4	30,995	37,567	31,863	–	–	–
Development property	20	105,363	104,705	–	–	–	–
Properties held for sale	21	1,058	1,057	9,463	–	–	–
Investment securities	15	8	–	–	–	–	–
Derivatives	23	–	–	76	–	–	–
Inventories	21	8,640	6,093	7,343	–	–	–
Other receivables	22	1,554	5,763	2,382	223	170	876
Pledged deposits	24	4,479	4,962	4,657	–	–	–
Cash and bank balances (including fixed deposits)	24	56,680	30,435	58,730	2,217	1,559	1,047
Income tax recoverable		54	510	–	–	–	–
		218,852	220,728	138,783	7,467	7,337	5,470
Total assets		289,113	310,745	241,564	81,815	86,041	79,269
Current liabilities							
Amounts due to subsidiaries	19	–	–	–	6,811	4,546	4,947
Contract liabilities	4	16,005	15,068	29,359	–	–	–
Trade and other payables	25	27,219	42,179	44,372	195	231	307
Deferred income	26	174	168	162	–	–	–
Other liabilities	26	3,775	4,173	3,020	735	1,163	547
Derivatives	23	–	36	–	–	–	–
Loans and borrowings	27	2,754	1,607	3,201	472	396	443
Income tax payables		21	1,026	4,679	5	6	193
		49,948	64,257	84,793	8,218	6,342	6,437
Net current assets/ (liabilities)		168,904	156,471	53,990	(751)	995	(967)

	Note	Group			Company		
		2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
		$'000	$'000	$'000	$'000	$'000	$'000
Non-current liabilities							
Trade payables	25	3,837	3,447	5,699	–	–	–
Derivatives	23	1,076	–	–	–	–	–
Deferred income	26	2,858	2,929	2,992	–	–	–
Deferred tax liabilities	16	237	308	239	–	–	–
Loans and borrowings	27	97,971	99,428	14,710	9,241	9,729	10,123
		105,979	106,112	23,640	9,241	9,729	10,123
Total liabilities		155,927	170,369	108,433	17,459	16,071	16,560
Net assets		133,186	140,376	133,131	64,356	69,970	62,709
Equity attributable to equity holders of the Company							
Share capital	28	49,082	49,082	43,967	49,082	49,082	43,967
Treasury shares	29	(566)	(566)	(69)	(566)	(566)	(69)
Retained earnings		85,771	91,068	85,493	15,840	21,454	18,811
Foreign currency translation reserve		279	362	–	–	–	–
		134,566	139,946	129,391	64,356	69,970	62,709
Non-controlling interests		(1,380)	430	3,740	–	–	–
Total equity		133,186	140,376	133,131	64,356	69,970	62,709

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company						
Group	Note	Share capital (Note 28)	Treasury shares (Note 29)	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2018 (FRS framework)		49,082	(566)	91,932	(2,290)	138,158	430	138,588
Effects of adopting SFRS(I) 1	2.2	–	–	(2,652)	2,652	–	–	–
Effects of adopting SFRS(I) 15	2.2	–	–	1,788	–	1,788	–	1,788
Opening balance at 1 January 2018 (SFRS(I) framework)		49,082	(566)	91,068	362	139,946	430	140,376
Total comprehensive income								
Loss for the year		–	–	(3,363)	–	(3,363)	(1,811)	(5,174)
Other comprehensive income for the year		–	–	–	(83)	(83)	1	(82)
Total comprehensive income for the year		–	–	(3,363)	(83)	(3,446)	(1,810)	(5,256)
Distributions to owners								
Dividends paid on ordinary shares	30	–	–	(1,934)	–	(1,934)	–	(1,934)
Total transactions with owners in their capacity as owners		–	–	(1,934)	–	(1,934)	–	(1,934)
Closing balance at 31 December 2018		49,082	(566)	85,771	279	134,566	(1,380)	133,186

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

Group	Note	Share capital (Note 28)	Treasury shares (Note 29)	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
		Attributable to owners of the Company						
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2017 (FRS framework)		43,967	(69)	89,578	(2,652)	130,824	3,831	134,655
Effects of adopting SFRS(I) 1	2.2	–	–	(2,652)	2,652	–	–	–
Effects of adopting SFRS(I) 15	2.2	–	–	(1,433)	–	(1,433)	(91)	(1,524)
Opening balance at 1 January 2017 (SFRS(I) framework)		43,967	(69)	85,493	–	129,391	3,740	133,131
Total comprehensive income								
Profit for the year		–	–	10,412	–	10,412	(271)	10,141
Other comprehensive income for the year		–	–	–	362	362	(5)	357
Total comprehensive income for the year		–	–	10,412	362	10,774	(276)	10,498
Contributions by and distributions to owners								
Issuance of new ordinary shares	28	5,115	–	–	–	5,115	–	5,115
Purchase of treasury shares	29	–	(497)	–	–	(497)	–	(497)
Dividends paid on ordinary shares	30	–	–	(1,848)	–	(1,848)	–	(1,848)
Total transactions with owners in their capacity as owners		5,115	(497)	(1,848)	–	2,770	–	2,770
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests without a change in control	12	–	–	(2,989)	–	(2,989)	(2,126)	(5,115)
Dividends paid to non-controlling interests of a subsidiary		–	–	–	–	–	(1,806)	(1,806)
Capital contribution from non-controlling interests		–	–	–	–	–	898	898
Total changes in ownership interests in subsidiaries		–	–	(2,989)	–	(2,989)	(3,034)	(6,023)
Closing balance at 31 December 2017		49,082	(566)	91,068	362	139,946	430	140,376

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Note	Share capital (Note 28)	Treasury shares (Note 29)	Retained earnings	Total equity
		$'000	$'000	$'000	$'000
Opening balance at 1 January 2018		49,082	(566)	21,454	69,970
Loss for the year		–	–	(3,680)	(3,680)
Total comprehensive income for the year		–	–	(3,680)	(3,680)
Distributions to owners					
Dividends paid on ordinary shares	30	–	–	(1,934)	(1,934)
Total transactions with owners in their capacity as owners		–	–	(1,934)	(1,934)
Closing balance at 31 December 2018		49,082	(566)	15,840	64,356
Opening balance at 1 January 2017		43,967	(69)	18,811	62,709
Profit for the year		–	–	4,491	4,491
Total comprehensive income for the year		–	–	4,491	4,491
Contributions by and distributions to owners					
Issuance of new ordinary shares	28	5,115	–	–	5,115
Purchase of treasury shares	29	–	(497)	–	(497)
Dividends paid on ordinary shares	30	–	–	(1,848)	(1,848)
Total transactions with owners in their capacity as owners		5,115	(497)	(1,848)	2,770
Closing balance at 31 December 2017		49,082	(566)	21,454	69,970

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		$'000	$'000
Cash flows from operating activities			
(Loss)/profit before taxation		(4,658)	9,820
Adjustments for:			
Depreciation of property, plant and equipment		6,005	6,353
Amortisation of deferred income		(174)	(168)
(Write back)/allowance for inventory obsolescence		(46)	560
Impairment loss on property, plant and equipment		–	622
Impairment loss on properties held for sale		71	–
Bad debt written-off		–	4
Loss provision on trade receivables and contract assets		846	593
Impairment loss on goodwill		119	300
Share of results of joint ventures		(8,599)	(4,284)
Share of results of associates		(127)	(7,383)
Accreted interest		227	111
Fair value loss on derivatives		1,040	112
Fair value loss on investment securities		4	–
Loss/(gain) on disposal of property, plant and equipment (net)		9	(152)
Interest income		(1,006)	(1,107)
Interest expense		2,955	1,006
Operating cash flows before working capital changes		(3,334)	6,387
Changes in working capital:			
Development property		(658)	(104,705)
Properties held for sale		–	8,428
Contract assets		5,934	(5,613)
Trade receivables		4,209	9,060
Other receivables		4,574	(3,268)
Inventories		(2,511)	723
Trade and other payables		(14,497)	(4,539)
Contract liabilities		879	(14,487)
Other liabilities		(756)	2,648
Cash used in operations		(6,160)	(105,366)
Interest paid		(2,539)	(998)
Interest received		338	592
Income tax paid		(1,609)	(3,349)
Net cash used in operating activities		(9,970)	(109,121)
Cash flows from investing activities			
Purchase of property, plant and equipment	24	(894)	(2,758)
Proceeds from disposal of property, plant and equipment		106	169
Investment in an associate	13	(200)	–
Distribution of profits from an associate	13	15,853	–
Distribution of profits from a joint venture		250	470
Repayment of loans from an associate		13,482	7,000
Loans to a joint venture		(2,079)	(3,498)
Repayment of loans from a joint venture		12,024	–
Purchase of investment securities		(13)	–
Net cash generated from investing activities		38,529	1,383

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		$'000	$'000
Cash flows from financing activities			
Proceeds from short term borrowings	27	1,063	–
Repayment of short term borrowings	27	–	(1,500)
Dividends paid on ordinary shares	30	(1,934)	(1,848)
Dividends paid to non-controlling interests of a subsidiary		–	(1,806)
Purchase of treasury shares	29	–	(497)
Proceeds from long term borrowings	27	–	71,051
Repayment of long term borrowings	27	(1,515)	(1,547)
Repayment of finance leases	27	(443)	(159)
Decrease/(increase) in pledged deposits		480	(225)
Loans from non-controlling interests	27	–	15,276
Capital contribution from non-controlling interests		–	898
Net cash (used in)/generated from financing activities		(2,349)	79,643
Net increase/(decrease) in cash and cash equivalents		26,210	(28,095)
Net effect of exchange rate changes on cash and cash equivalents		35	48
Cash and cash equivalents at beginning of the year		30,435	58,482
Cash and cash equivalents at end of the year	24	56,680	30,435

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

BBR Holdings (S) Ltd ("the Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and publicly traded on the mainboard of Singapore Exchange.

The registered office and principal place of business of the Company is located at 50 Changi South Street 1, BBR Building, Singapore 486126.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries, associates and joint ventures are set out in Notes 12, 13 and 14 respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

The financial statements are presented in Singapore Dollars ("SGD" or "$") and all values are rounded to the nearest thousand ("$'000"), except when otherwise indicated.

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

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

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

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of $2,652,000 was adjusted against the opening retained earnings as at 1 January 2017.

- The comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

NOTES
TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

New accounting standards effective on 1 January 2018

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

SFRS(I) 9 *Financial Instruments*

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

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

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

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

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

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income. For equity securities, the Group continues to measure its currently held-for-trading investment securities at FVPL. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

The initial application of SFRS(I) 9 did not have any reclassification effect to the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

SFRS(I) 9 *Financial Instruments* *(cont'd)*

Impairment

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

The adoption of SFRS(I) 9 does not have any impact on the Group and Company's loss allowances on its financial assets measured at amortised cost and financial guarantees as at 1 January 2018.

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

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

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

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. There is no significant impact arising from the application of this practical expedient;
- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The Group is in the business of property development and construction. The key impact of adopting SFRS(I) 15 is detailed as follows:

(a) **Construction contracts**

(i) Measurement of progress of construction contracts

The Group's general construction and specialised engineering segments previously recognised revenue using the percentage of completion method where the stage of completion is determined by reference to professional surveys of work performed. When the outcome of a construction contract cannot be estimated reliably (principally during the early stages of a contract), contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

On application of SFRS(I) 15, the Group applies cost-based input method which measures the percentage of work completion based on construction and related costs incurred as a proportion of the estimated total construction and related costs.

As a result, the Group will recognise an adjustment to decrease contract assets by $5,852,000 and decrease contract liabilities by $4,455,000, with a corresponding adjustment to retained earnings of $1,397,000 on 1 January 2017. Trade receivables of $38,952,000, gross amount due from customers for contract work-in-progress of $6,118,000 and gross amount due to customers for contract work-in-progress of $33,635,000 as at 1 January 2017 were reclassified to contract assets and contract liabilities accordingly.

The Group's statement of financial position as at 31 December 2017 was restated, resulting in the decrease in contract assets of $200,000 and increase in contract liabilities of $164,000, and a corresponding adjustment to retained earnings of $364,000. The profit or loss for the year ended 31 December 2017 was also restated, resulting in increases in revenue and cost of sales of $21,383,000 and $20,350,000 respectively. Trade receivables of $37,942,000, gross amount due from customers for contract work-in-progress of $5,898,000 and gross amount due to customers for contract work-in-progress of $14,843,000 as at 31 December 2017 were reclassified to contract assets and contract liabilities accordingly.

NOTES
TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

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

(a) **Construction contracts** *(cont'd)*

(ii) Significant financing component

A significant financing component exists when the receipt of consideration does not match the timing of the transfer of goods or services to the customer. If a financing arrangement is significant to a contract, the Group is required to adjust the transaction price by discounting the amount of promised consideration.

The Group previously recognises upfront payment received from customers as deferred income or progress billings within gross amount due from/(to) customers for contract work-in-progress. On application of SFRS(I) 15, the Group adjusts the amount of consideration and accretes the contract liability by recognising an interest expense based on the Group's incremental borrowing rate.

As a result, the Group will recognise an adjustment to increase contract liabilities by $179,000 and deferred income by $62,000, with a corresponding adjustment to retained earnings of $241,000 on 1 January 2017.

The Group's statement of financial position as at 31 December 2017 was restated, resulting in the recognition of contract liabilities of $61,000 and additional deferred income of $164,000, and a corresponding adjustment to retained earnings of $225,000. The profit or loss for the year ended 31 December 2017 was also restated, resulting in increases in revenue and finance costs of $127,000 and $111,000 respectively.

(iii) Principal versus agent considerations

On adoption of SFRS(I) 15, the Group assessed that for certain contracts which the Group are sub-contractors, the Group controls the goods or services before they are transferred to the customer and the Group's performance obligation is to transfer those goods or services to the customer. The main contractors are determined to be acting as agents in these contractual arrangements.

On application of SFRS(I) 15, the Group uses the gross contract consideration in determining revenue and the contract consideration attributable to the main contractor's performance obligation to the customer as agent fees.

As a result, the Group will recognise an adjustment to increase revenue and cost of sales by $2,097,000 and $2,097,000 in the profit or loss for the year ended 31 December 2017.

(b) **Sale of development properties**

(i) Recognition of contract costs

The Group is involved in the business of property development projects through a subsidiary and a joint venture. The Group previously recognised cost of sales on the sold units of its development projects by applying the percentage of completion method on the relevant projects' total development costs. On adoption of SFRS(I) 15, the Group recognises development costs in profit or loss when incurred to the extent of units sold in a development.

As a result, the Group will recognise an adjustment to increase investments in associates by $781,000 and increase other liabilities of $878,000 due to an increase in share of losses from a joint venture, with a corresponding decrease in retained earnings of $97,000 on 1 January 2017, resulting from the adjustment on the Group's share of results of associates and joint ventures.

The Group's statement of financial position as at 31 December 2017 was restated, resulting in the increase in investments in associates of $1,836,000 and increase in investments in joint ventures of $488,000, with a corresponding increase in retained earnings of $2,324,000. The profit or loss for the year ended 31 December 2017 was also restated, resulting in the increases in share of results of associates and joint ventures of $2,421,000.

(c) **Tax adjustments**

The corresponding tax impact to the Group arising from the adoption of SFRS(I) 15 resulted in decrease in income tax payable of $211,000 with a corresponding increase in retained earnings amounting to $211,000 on 1 January 2017 and a decrease in income tax credit of $158,000 with a corresponding increase in retained earnings amounting to $53,000 for the year ended 31 December 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

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

	Group			
	1.1.2017 (FRS)	**SFRS(I) 1 adjustments**	**SFRS(I) 15 adjustments**	**1.1.2017 (SFRS(I))**
	$'000	$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	42,979	–	–	42,979
Intangible assets	419	–	–	419
Investments in associates	10,162	–	781	10,943
Deferred tax assets	424	–	–	424
Trade receivables	7,355	–	(7,355)	–
Contract assets	–	–	7,355	7,355
Loans to an associate	20,136	–	–	20,136
Loans to a joint venture	20,525	–	–	20,525
	102,000	–	781	102,781
Current assets				
Trade receivables	55,866	–	(31,597)	24,269
Gross amount due from customers for contract work-in-progress	6,118	–	(6,118)	–
Contract assets	–		31,863	31,863
Properties held for sale	9,463	–	–	9,463
Derivatives	76	–	–	76
Inventories	7,343	–	–	7,343
Other receivables	2,382	–	–	2,382
Pledged deposits	4,657	–	–	4,657
Cash and bank balances (including fixed deposits)	58,730	–	–	58,730
	144,635	–	(5,852)	138,783
Total assets	246,635	–	(5,071)	241,564

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

	Group			
	1.1.2017 (FRS)	SFRS(I) 1 adjustments	SFRS(I) 15 adjustments	1.1.2017 (SFRS(I))
	$'000	$'000	$'000	$'000
Current liabilities				
Gross amount due to customers for contract work-in-progress	33,635	–	(33,635)	–
Contract liabilities	–	–	29,359	29,359
Trade and other payables	44,372	–	–	44,372
Deferred income	159	–	3	162
Other liabilities	2,142	–	878	3,020
Loans and borrowings	3,201	–	–	3,201
Income tax payables	4,890	–	(211)	4,679
	88,399	–	(3,606)	84,793
Net current assets	56,236	–	(2,246)	53,990
Non-current liabilities				
Trade payables	5,699	–	–	5,699
Deferred income	2,933	–	59	2,992
Deferred tax liabilities	239	–	–	239
Loans and borrowings	14,710	–	–	14,710
	23,581	–	59	23,640
Total liabilities	111,980	–	(3,547)	108,433
Net assets	134,655	–	(1,524)	133,131
Equity attributable to equity holders of the Company				
Share capital	43,967	–	–	43,967
Treasury shares	(69)	–	–	(69)
Retained earnings	89,578	(2,652)	(1,433)	85,493
Foreign currency translation reserve	(2,652)	2,652	–	–
	130,824	–	(1,433)	129,391
Non-controlling interests	3,831	–	(91)	3,740
Total equity	134,655	–	(1,524)	133,131

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 to the statement of financial position of the Group.

	Group			
	31.12.2017 (FRS)	**SFRS(I) 1 adjustments**	**SFRS(I) 15 adjustments**	**31.12.2017 (SFRS(I))**
	$'000	$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	38,816	–	–	38,816
Intangible assets	119	–	–	119
Investments in associates	16,145	–	1,836	17,981
Investments in joint ventures	2,003	–	488	2,491
Trade receivables	6,073	–	(6,073)	–
Contract assets	–	–	6,073	6,073
Loans to a joint venture	24,537	–	–	24,537
	87,693	–	2,324	90,017
Current assets				
Trade receivables	48,015	–	(31,869)	16,146
Loans to an associate	13,490	–	–	13,490
Gross amount due from customers for contract work-in-progress	5,898	–	(5,898)	–
Contract assets	–	–	37,567	37,567
Development property	104,705	–	–	104,705
Properties held for sale	1,057	–	–	1,057
Inventories	6,093	–	–	6,093
Other receivables	5,763	–	–	5,763
Pledged deposits	4,962	–	–	4,962
Cash and bank balances (including fixed deposits)	30,435	–	–	30,435
Income tax recoverable	510	–	–	510
	220,928	–	(200)	220,728
Total assets	308,621	–	2,124	310,745

NOTES
TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

	Group			
	31.12.2017 (FRS)	**SFRS(I) 1 adjustments**	**SFRS(I) 15 adjustments**	**31.12.2017 (SFRS(I))**
	$'000	$'000	$'000	$'000
Current liabilities				
Gross amount due to customers for contract work-in-progress	14,843	–	(14,843)	–
Contract liabilities	–	–	15,068	15,068
Trade and other payables	42,179	–	–	42,179
Deferred income	159	–	9	168
Other liabilities	4,173	–	–	4,173
Derivatives	36	–	–	36
Loans and borrowings	1,607	–	–	1,607
Income tax payables	1,079	–	(53)	1,026
	64,076	–	181	64,257
Net current assets	156,852	–	(381)	156,471
Non-current liabilities				
Trade payables	3,447	–	–	3,447
Deferred income	2,774	–	155	2,929
Deferred tax liabilities	308	–	–	308
Loans and borrowings	99,428	–	–	99,428
	105,957	–	155	106,112
Total liabilities	170,033	–	336	170,369
Net assets	138,588	–	1,788	140,376
Equity attributable to equity holders of the Company				
Share capital	49,082	–	–	49,082
Treasury shares	(566)	–	–	(566)
Retained earnings	91,932	(2,652)	1,788	91,068
Foreign currency translation reserve	(2,290)	2,652	–	362
	138,158	–	1,788	139,946
Non-controlling interests	430	–	–	430
Total equity	138,588	–	1,788	140,376

The adoption of SFRS(I), including the application of new standards, does not have any impact to the statement of financial position of the Company as at 1 January 2017, 31 December 2017 and 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new accounting standards to the consolidated statement of comprehensive income of the Group for the year ended 31 December 2017.

	2017 (FRS)	SFRS(I) 15 adjustments	2017 (SFRS(I))
	$'000	$'000	$'000
Revenue	172,129	23,607	195,736
Cost of sales	(145,719)	(22,447)	(168,166)
Gross profit	26,410	1,160	27,570
Other operating income	2,782	–	2,782
Other expense	(145)	–	(145)
Administrative costs	(9,496)	–	(9,496)
Other operating costs	(21,438)	–	(21,438)
Finance costs	(1,009)	(111)	(1,120)
Share of results of joint ventures	2,918	1,366	4,284
Share of results of associates	6,328	1,055	7,383
Profit before taxation	6,350	3,470	9,820
Income tax credit	479	(158)	321
Profit for the year	6,829	3,312	10,141
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain	357	–	357
Other comprehensive income for the year	357	–	357
Total comprehensive income for the year	7,186	3,312	10,498
Profit/(loss) attributable to:			
Equity holders of the Company	7,088	3,324	10,412
Non-controlling interests	(259)	(12)	(271)
	6,829	3,312	10,141
Total comprehensive income attributable to:			
Equity holders of the Company	7,450	3,324	10,774
Non-controlling interests	(264)	(12)	(276)
	7,186	3,312	10,498
Earnings per share (cents per share)			
Basic	2.23	1.05	3.28
Diluted	2.23	1.05	3.28

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

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

<u>SFRS(I) 16 *Leases*</u>

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

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

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

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

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

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

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

SFRS(I) 16 *Leases* (cont'd)

The Group is currently finalising the transition adjustments.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets, lease liabilities and its related tax impact arising primarily from its non-cancellable operating lease commitments (Note 31(c)).

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

(b) Business combinations and goodwill

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

(a) **Transactions and balances**

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) **Consolidated financial statements**

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

2.7 Subsidiaries

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.8 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.8 Joint arrangements *(cont'd)*

(a) **Joint operations**

The Group recognises in relation to its interest in a joint operation,

(i) its assets, including its share of any assets held jointly;

(ii) its liabilities, including its share of any liabilities incurred jointly;

(iii) its revenue from the sale of its share of the output arising from the joint operation;

(iv) its share of the revenue from the sale of the output by the joint operation; and

(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

(b) **Joint ventures**

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investments in joint ventures is set out in Note 2.9.

2.9 Joint ventures and associates

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

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

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

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

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

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

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

NOTES
TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.10 Property, plant and equipment

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

Freehold properties have unlimited useful life and therefore is not depreciated.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold properties	8 to 42 years
Plant and equipment	1 to 25 years
Motor vehicles	5 years
Other assets	1 to 10 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

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

2.11 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

2.12 Impairment of non-financial assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.12 Impairment of non-financial assets *(cont'd)*

Impairment losses are recognised in profit or loss.

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

2.13 Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. Debt instruments carried at amortised cost comprise trade receivables, loans to an associate and a joint venture, amounts due from subsidiaries, other receivables, pledged deposits and cash and bank balances (including fixed deposits).

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.13 Financial assets *(cont'd)*

Subsequent measurement *(cont'd)*

Investments in equity instruments

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

Derivatives

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

De-recognition

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

2.14 Cash and cash equivalents

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

2.15 Impairment of financial assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.16 Financial liabilities

Initial recognition and measurement

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent measurement

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

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

De-recognition

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

2.17 Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.18 Properties held for sale

Properties held for sale are completed properties which are intended for sale in the ordinary course of business. They are stated at the lower of cost and net realisable value. Costs capitalised include the purchase price of the properties or cost of land and other directly related development expenditure, including borrowing costs incurred in developing the properties.

2.19 Inventories

Inventories are stated at the lower of cost which is determined using the weighted average method and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimate costs necessary to make the sale.

NOTES
TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.20 Borrowing costs

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

2.21 Provisions

General

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

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

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

2.22 Employee benefits

(a) **Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The state pension schemes for Singapore and Malaysia are Central Provident Fund and Employee Provident Fund respectively. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) **Employee leave entitlement**

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

(c) **Performance share plan**

Eligible employees of the Group may be granted performance share awards which will be released subject to the completion of service and achievement of prescribed performance targets. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted. The cost is recognised in the profit or loss, with a corresponding increase in equity.

2.23 Leases

(a) **As lessee**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.23 Leases *(cont'd)*

(a) **As lessee** *(cont'd)*

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

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

(b) **As lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25 (e). Contingent rents are recognised as revenue in the period in which they are earned.

2.24 Taxation

(a) **Current income tax**

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

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

(b) **Deferred tax**

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

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

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

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

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

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

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

NOTES
TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.24 Taxation *(cont'd)*

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

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

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

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

(c) **Sales tax**

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

2.25 Revenue

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

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

(a) **Construction contracts**

Contract revenue is recognised over time by reference to the Group's progress towards completing the performance obligation in the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs (input method).

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.

Costs incurred in fulfilling the contract which are within the scope of another SFRS(I) shall be accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will recognise these as contract 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.25 Revenue *(cont'd)*

(a) Construction contracts *(cont'd)*

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 progressive payment schedule. If the value of the goods and services transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods and services transferred, a contract liability is recognised.

Significant financing component

In determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money for contracts with customers that include a significant financing component. In adjusting for the significant financing component, the Group uses a discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception, such that it reflects the credit characteristics of the party receiving financing in the contract.

The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.

Contract modifications

The Group accounts for contract modifications arising from change orders to modify the scope or price of the contract as separate contracts if the modification adds distinct goods or services at their standalone selling prices. For contract modifications that add distinct goods or services but not at their standalone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and is recognised as a cumulative adjustment to revenue at the date of modification.

(b) Sale of development properties under construction

The Group develops and sells residential properties before completion of construction of the properties.

Revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and the practices in the legal jurisdictions.

For development properties whereby the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For development properties whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.25 Revenue *(cont'd)*

(b) **Sale of development properties under construction** *(cont'd)*

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(c) **Sale of goods**

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

(d) **Interest income**

Interest income is recognised using the effective interest method.

(e) **Rental income**

Rental income arising from operating leases of commercial property sub-leases and the Group's plant and equipment rented is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(f) **Dividend income**

Dividend income is recognised when the Group's right to receive payment is established.

(g) **Management fees**

Management fees are recognised when services are rendered.

(h) **Leasing income from solar systems installations**

Revenue is recognised for electricity generated by solar panels and grid-connected systems installed over the lease period.

2.26 Share capital and share issuance expenses

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

2.27 Treasury shares

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

2.28 Contingencies

A contingent liability is:

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.29 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.15 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.30 Government grants

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

3.1 Key sources of estimation uncertainty

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

(a) **Revenue recognition on construction contracts**

The Group recognises contract revenue over time by reference to the Group's progress towards completing the contract work. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs.

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. Additionally, management is required to evaluate adjustments to contract consideration due to variation works and key material price adjustments. When it is probable that the total contract costs will exceed the total contract consideration, a provision for onerous contracts is recognised immediately.

Significant judgements are used to estimate these total contract costs to complete and total contract consideration. In making these estimates, management has relied on the expertise of the project directors to determine the progress of the construction and also on past experience of completed projects.

The carrying amounts of contract assets and contract liabilities as well as revenue from construction contracts are disclosed in Note 4 Revenue.

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING ESTIMATES *(cont'd)*

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 34(a).

The carrying amount of trade receivables and contract assets as at 31 December 2018 were $10,021,000 and $38,513,000 (31 December 2017: $16,146,000 and $43,640,000, 1 January 2017: $24,269,000 and $39,218,000) respectively.

4. REVENUE

	Group	
	2018	**2017**
	$'000	$'000
Revenue from contracts with customers	117,813	195,540
Other revenue:		
- management fee from an associate	61	28
- solar leasing income	174	168
	118,048	195,736

(a) **Disaggregation of revenue from contracts with customers**

Segments	**Specialised engineering**		**General construction**		**Property development**		**Green technology**		**Total revenue from contracts with customers**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets										
Singapore	44,065	57,767	27,161	70,535	–	9,165	1,328	1,182	72,554	138,649
Malaysia	43,886	56,891	–	–	–	–	–	–	43,886	56,891
Others	1,373	–	–	–	–	–	–	–	1,373	–
	89,324	114,658	27,161	70,535	–	9,165	1,328	1,182	117,813	195,540
Timing of transfer of goods or services										
At a point in time	455	345	88	381	–	–	–	–	543	726
Over time	88,869	114,313	27,073	70,154	–	9,165	1,328	1,182	117,270	194,814
	89,324	114,658	27,161	70,535	–	9,165	1,328	1,182	117,813	195,540

Revenue recognised at a point in time arose from the sale of goods.

4. REVENUE *(cont'd)*

(b) Contract assets and contract liabilities

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

	Group		
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Contract assets (current)			
Unbilled revenue	21,495	27,674	18,305
Retention receivables	9,629	9,893	13,888
Less: Provision for onerous contracts	(129)	–	(330)
	30,995	37,567	31,863
Contract assets (non-current)			
Retention receivables	7,518	6,073	7,355
Total contract assets	38,513	43,640	39,218
Contract liabilities	15,125	15,068	29,359
Provision for onerous contracts	880	–	–
Total contract liabilities	16,005	15,068	29,359

(i) Contract assets

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

Retention receivables are non-interest bearing, unsecured and relate to construction contracts. Retention receivables are classified as current or non-current based on the contractual terms of the respective construction contracts.

The changes in contract assets are due to the differences between certified work completed and revenue recognised on the construction contracts.

(ii) Contract liabilities

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for construction contracts. Contract liabilities are recognised as revenue as the Group performs under the contract.

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

	Group	
	2018	**2017**
	$'000	$'000
Revenue recognised from performance obligations satisfied in previous years due to changes in the estimated transaction price	205	289
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	14,863	29,070

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE *(cont'd)*

(b) Contract assets and contract liabilities *(cont'd)*

(iii) Significant changes in provision for onerous contracts are explained as follows:

	Group	
	2018	**2017**
	$'000	$'000
Balance at 1 January	–	330
Charge to profit or loss	1,009	–
Provisions realised and incurred during the year	–	(330)
Balance at 31 December	1,009	–

(c) Transaction price allocated to remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date:

	Group			
	2019	**2020**	**2021**	**Total**
	$'000	$'000	$'000	$'000
Specialised engineering	60,860	41,334	35,089	137,283
General construction	52,922	11,231	–	64,153
Green technology	1,370	1,304	1,304	3,978

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

5. OTHER OPERATING INCOME

	Group	
	2018	**2017**
	$'000	$'000
Gain on disposal of property, plant and equipment	–	152
Training and testing fees	879	445
Rental income from premises	793	669
Sale of scrap	19	46
Rental income from equipment	14	277
Interest income from:		
- deposits	338	562
- loans to a joint venture	668	545
Others	134	86
	2,845	2,782

6. FINANCE COSTS

	Group	
	2018	2017
	$'000	$'000
Interest expense on:		
Bank loans and bank overdrafts	2,536	872
Finance leases	20	15
Loans from non-controlling interests	399	122
Accreted interest	227	111
	3,182	1,120

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging/(crediting):

	Group	
	2018	2017
	$'000	$'000
Auditors of the Company:		
Audit fees	243	245
Non-audit fees	3	35
Depreciation of property, plant and equipment (Note 10)	6,005	6,353
Impairment loss on property, plant and equipment (Note 10)	–	622
Inventories recognised as expenses in cost of sales (Note 21)	36,879	24,358
(Write back)/allowance for inventories obsolescence (Note 21)	(46)	560
Fair value loss on derivative	1,040	112
Foreign exchange (gain)/loss	(55)	33
Grant income from government authorities	(83)	(109)
Bad debt written off	–	4
Loss provision on financial assets:		
Trade receivables	553	593
Contract assets	293	–
Rental expenses in relation to:		
Premises	1,885	1,759
Equipment	12	18
Impairment loss on goodwill (Note 11)	119	300
Impairment loss on properties held for sale	71	–
Employee benefits (Note 32)	24,101	27,320

Loss provision on financial assets allocated by function are as follows:

	Group	
	2018	2017
	$'000	$'000
Other operating costs	846	593

NOTES TO THE FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE/(CREDIT)

Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 December are as follows:

	Group	
	2018	2017
	$'000	$'000
Consolidated statement of comprehensive income		
Current income tax:		
- Singapore	–	–
- Foreign	734	2,584
Over provision of income tax in respect of previous years	(147)	(3,398)
	587	(814)
Deferred income tax:		
Origination and reversal of temporary differences	(93)	69
Over provision of deferred tax in respect of previous year	22	424
	(71)	493
Income tax expense/(credit) recognised in profit or loss	516	(321)

Relationship between income tax expense/(credit) and accounting (loss)/profit

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

	Group	
	2018	2017
	$'000	$'000
(Loss)/profit before taxation	(4,658)	9,820
Tax at the domestic rates applicable to profits in the countries where the Group operates	(575)	2,317
Adjustments:		
Income not subject to tax	(100)	(42)
Over provision of income tax in respect of previous years	(147)	(3,398)
Over provision of deferred tax in respect of previous year	22	424
Benefits from previously unrecognised tax losses and deferred tax assets	(208)	(285)
Non-deductible expenses	1,611	1,692
Effect of partial tax exemption and tax relief	–	(12)
Deferred tax assets not recognised	1,351	1,289
Share of results of associates and joint ventures	(1,438)	(2,306)
Income tax expense/(credit) recognised in profit or loss	516	(321)

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

8. INCOME TAX EXPENSE/(CREDIT) *(cont'd)*

During the financial year, in relation to the Singapore group relief system, the Group utilised tax losses and capital allowances of $1,037,000 (2017: $22,453,000) to set off the assessable income of certain companies within the Group. At the end of the reporting period, no deferred tax asset was recognised (31 December 2017: $Nil, 1 January 2017: deferred tax assets of $424,000 was recognised). Deferred tax assets as at 1 January 2017 arose from unutilised tax losses amounting to $2,494,000. The Group has unutilised tax losses and capital allowances of approximately $49,350,000 (31 December 2017: $42,626,000, 1 January 2017: $34,226,000) that are available for offset against future taxable profits of the companies in which these arose for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses and capital allowances are subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses and capital allowances have no expiry date.

Tax consequence of proposed dividends

There are no income tax consequences (2017: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 30).

9. EARNINGS PER SHARE

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

The basic and diluted earnings per share for the financial years ended 31 December 2018 and 31 December 2017 are the same as there were no potential dilutive ordinary shares in existence.

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

	2018	**2017**
	$'000	$'000
(Loss)/profit attributable to equity holders of the Company used in computation of basic and diluted earnings per share	(3,363)	10,412
	No. of Shares	**No. of Shares**
Weighted average number of ordinary shares for basic and diluted earnings per share computation*	322,388,218	317,818,460

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

As at the end of the financial year, there were no unissued shares of the Company under option.

NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and equipment	Freehold properties	Leasehold properties	Motor vehicles	Construction-in-progress	Other assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
Balance at 1 January 2017	50,084	1,698	22,756	5,018	200	2,090	81,846
Additions	341	53	–	353	1,813	198	2,758
Disposals	–	–	–	(303)	–	(3)	(306)
Reclassification	–	–	–	–	(2,013)	2,013	–
Translation adjustments	141	35	–	49	–	25	250
Balance at 31 December 2017 and 1 January 2018	50,566	1,786	22,756	5,117	–	4,323	84,548
Additions	633	139	–	585	–	119	1,476
Disposals	–	–	–	(328)	–	(11)	(339)
Translation adjustments	(5)	(1)	–	(2)	–	(1)	(9)
Balance at 31 December 2018	51,194	1,924	22,756	5,372	–	4,430	85,676
Accumulated depreciation and impairment loss							
Balance at 1 January 2017	29,293	–	4,430	3,798	–	1,346	38,867
Depreciation charge for the year	3,486	–	1,640	576	–	651	6,353
Disposals	–	–	–	(286)	–	(3)	(289)
Impairment loss	622	–	–	–	–	–	622
Translation adjustments	124	–	–	42	–	13	179
Balance at 31 December 2017 and 1 January 2018	33,525	–	6,070	4,130	–	2,007	45,732
Depreciation charge for the year	2,995	–	1,639	556	–	815	6,005
Disposals	–	–	–	(219)	–	(5)	(224)
Translation adjustments	(16)	–	–	(6)	–	(3)	(25)
Balance at 31 December 2018	36,504	–	7,709	4,461	–	2,814	51,488
Net carrying amount							
Balance at 1 January 2017	20,791	1,698	18,326	1,220	200	744	42,979
Balance at 31 December 2017	17,041	1,786	16,686	987	–	2,316	38,816
Balance at 31 December 2018	14,690	1,924	15,047	911	–	1,616	34,188

10. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Company	Plant and equipment	Leasehold property	Motor vehicles	Construction-in-progress	Other assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
Balance at 1 January 2017	73	22,756	453	200	41	23,523
Additions	–	–	–	1,813	10	1,823
Reclassification	–	–	–	(2,013)	2,013	–
Balance at 31 December 2017 and 1 January 2018	73	22,756	453	–	2,064	25,346
Additions	–	–	–	–	69	69
Balance at 31 December 2018	73	22,756	453	–	2,133	25,415
Accumulated depreciation						
Balance at 1 January 2017	73	4,430	338	–	41	4,882
Depreciation charge for the year	–	1,640	73	–	504	2,217
Balance at 31 December 2017 and 1 January 2018	73	6,070	411	–	545	7,099
Depreciation charge for the year	–	1,639	21	–	682	2,342
Balance at 31 December 2018	73	7,709	432	–	1,227	9,441
Net carrying amount						
Balance at 1 January 2017	–	18,326	115	200	–	18,641
Balance at 31 December 2017	–	16,686	42	–	1,519	18,247
Balance at 31 December 2018	–	15,047	21	–	906	15,974

Other assets

Other assets comprise furniture and fittings, office equipment, air-conditioners, computers and renovation works.

Assets held under finance leases

The Group acquired property, plant and equipment with an aggregate fair value of $582,000 (2017: $Nil) by means of finance leases. The carrying amounts of property, plant and equipment held under finance leases for the Group as at 31 December 2018 were $712,000 (31 December 2017: $218,000, 1 January 2017: $897,000).

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

Impairment of assets

No impairment loss on property, plant and equipment was recognised during the financial year ended 31 December 2018. In 2017, BBR Piling Pte Ltd, a subsidiary, carried out a review of the recoverable amount of its piling equipment based on the cash flow projections that represent management's best estimate of the range of economic conditions that will exist over the remaining useful lives of these equipment. An impairment loss of $622,000, representing the write down of these equipment to the recoverable amount was recognised in "Other operating costs" line item of profit or loss. The recoverable amount of the equipment was based on its value-in-use and the discount rate used was 4.1%, which was also the Group's weighted average cost of capital.

NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Assets pledged as securities

As at 31 December 2018, property, plant and equipment of the Group and the Company with carrying amount of $24,166,000 (31 December 2017: $25,136,000, 1 January 2017: $26,106,000) and $13,207,000 (31 December 2017: $13,548,000, 1 January 2017 $13,889,000), respectively were mortgaged as securities for the banking facilities.

11. INTANGIBLE ASSETS

	Group		
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Goodwill on consolidation			
Balance at 1 January	119	419	419
Impairment loss recognised during the year	(119)	(300)	–
Balance at 31 December	–	119	419

Goodwill acquired through business combinations has been allocated to two cash-generating units ("CGU") identified, being general construction and prefabricated prefinished volumetric construction ("PPVC"), for impairment testing. During the financial year, an impairment loss of $119,000 (2017: $300,000) attributable to general construction segment (2017: specialised engineering segment) has been recognised in "Other operating costs" line item of profit or loss.

The recoverable amount was determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a three-year period. Management have considered and determined the factors applied in these financial budgets which include budgeted gross margins and average growth rates. The budgeted gross margins are based on past performance and its expectation of market development. Terminal growth rate of 0% (2017: 0%) is used to extrapolate cash flow projections beyond the three-year period. The discount rate applied is assumed at 4.0% (2017: 4.1%) for value-in-use calculations, which is also the Group's weighted average cost of capital.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use for goodwill, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

12. INVESTMENTS IN SUBSIDIARIES

	Company		
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Unquoted shares, at cost *	89,187	81,614	80,515
Additional investment	5,317	7,573	1,099
	94,504	89,187	81,614
Impairment losses	(36,390)	(28,990)	(26,716)
Carrying amount	58,114	60,197	54,898

* Includes $109,000 which arose from performance shares of the Company granted in 2011 under the BBR Share Plan to the employees of the subsidiaries, for which the share based compensation expense had not been charged to the respective subsidiaries.

12. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

a. Composition of the Group

Details of subsidiaries at the end of the financial year are as follows:

Name of company	Proportion of ownership interest			Country of incorporation	Cost of investment			Principal activities
	2018	31.12. 2017	1.1. 2017		2018	31.12. 2017	1.1. 2017	
	%	%	%		$'000	$'000	$'000	
Held by the Company								
BBR Construction Systems Pte. Ltd. (1)	100	100	100	Singapore	55,012	55,012	55,012	Structural engineering and design and build services
BBR Construction Systems (M) Sdn. Bhd. (2)	100	100	80	Malaysia	5,908	5,908	793	Structural engineering, design and build services and investment holding
BBR Development Pte. Ltd.(1)	100	100	100	Singapore	1,000	1,000	1,000	Property development and investment holding
BBR Piling Pte. Ltd. (1)	100	100	100	Singapore	3,825	3,825	3,500	Bored piling works
Singapore Engineering & Construction Pte. Ltd. (1) (Formerly known as Singapore Piling & Civil Engineering Private Limited)	100	100	100	Singapore	25,419	20,119	18,119	General building, civil and structural engineering, renovation and retro-fitting and investment holding
BBR Greentech Pte. Ltd. (1)	100	100	100	Singapore	700	700	700	System integration and distribution of renewable energy
Moderna Homes Pte. Ltd. (1)	100	100	75	Singapore	1,949	1,949	1,949	Design and assembly of prefabricated buildings
Siam-BBR Co., Ltd (3)	100	100	100	Thailand	432	432	432	Dormant
Siam BBR Systems Co., Ltd (4)	49	49	–	Thailand	133	133	–	Structural engineering and design and build services
Moderna Homes (HK) Limited (5)	100	–	–	Hong Kong	17	–	–	Design and assembly of prefabricated buildings
					94,395	89,078	81,505	

NOTES
TO THE FINANCIAL STATEMENTS

12. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

a. Composition of the Group *(cont'd)*

Name of company	Country of incorporation			Country of incorporation	Cost of Investment			Principal activities
	2018	31.12. 2017	1.1. 2017		2018	31.12. 2017	1.1. 2017	
	%	%	%		$'000	$'000	$'000	
Held by Singapore Engineering & Construction Pte. Ltd.								
Singa Development Pte. Ltd. (1)	100	100	100	Singapore	6,100	6,100	6,100	Building contractors, project and contract managers for all kinds of building and civil engineering works
Held by BBR Construction Systems (M) Sdn. Bhd.								
Strengthened Soil Wall (M) Sdn. Bhd.(2) (formerly known as SP Piling Sdn. Bhd.)	100	100	100	Malaysia	15	15	15	Building contractor
Held by BBR Development Pte. Ltd.								
BBR Property Pte. Ltd. (1)	100	100	100	Singapore	+	+	+	Investment holding
BBR Kovan Pte. Ltd. (1)	100	100	100	Singapore	1,000	1,000	1,000	Property development
Alika Properties Pte. Ltd. (1)	62	62	–	Singapore	1,240	1,240	–	Property development
Held by Moderna Homes Pte. Ltd.								
BBR Modular Construction Sdn. Bhd. (2)	100	100	100	Malaysia	169	169	169	Assembly of prefabricated buildings
Held by BBR Greentech Pte. Ltd.								
Angels Medical Private Limited (1)	100	100	100	Singapore	78	78	78	Provision of healthcare products and services

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by member firms of EY Global in the respective countries.
(3) Audited by Audit Wise Co., Ltd.
(4) Audited by PJ.S. Auditing and Consulting Company Limited.
(5) Incorporated during the financial year and not required to be audited.
\+ Cost of investment is $2.

12. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

b. Acquisition of ownership interest in subsidiaries, without loss of control

On 17 May 2017, the Company acquired the remaining 20% shareholding comprising 602,500 ordinary shares in BBR Construction Systems (M) Sdn. Bhd. ("BBRM") from its minority shareholder for a consideration of $5,115,000 through the issuance of 16,500,000 shares of the Company at $0.31 per share. As a result of this acquisition, BBRM became a 100% owned subsidiary of the Company.

The carrying value of the net assets of BBRM on the date of acquisition was $10,630,000 and the carrying value of the remaining interest acquired was $2,126,000. The difference of $2,989,000 between the consideration and the carrying value of the remaining interest acquired has been recognised in retained earnings within equity.

The following summarises the effect of the change in the Group's ownership interest in BBRM on the equity attributable to owners of the Company:

	$'000
Consideration paid for acquisition of non-controlling interests	5,115
Decrease in equity attributable to non-controlling interests	(2,126)
Decrease in equity attributable to owners of the Company	2,989

c. Incorporation of subsidiaries

On 22 October 2018, the Company incorporated a wholly owned subsidiary, Moderna Homes (HK) Limited ("MHHK") in Hong Kong SAR. The principal activity of MHHK is that of design and assembly of prefabricated buildings. The cost of investment is HK$100,000, representing issued and paid-up share capital of 100,000 ordinary shares.

On 4 January 2017, BBR Development Pte. Ltd. ("BBRD"), a 100% owned subsidiary of the Company, incorporated a wholly owned subsidiary, Alika Properties Pte. Ltd. ("Alika") in Singapore. The principal activity of Alika is that of property development. The cost of investment is $2, representing issued and paid-up share capital of 2 ordinary shares. During the financial year ended 31 December 2017, Alika further issued 1,999,998 shares at $1 per ordinary share, of which 1,239,998 and 760,000 new ordinary shares were allotted to BBRD and unrelated third parties respectively. Following this, BBRD's shareholding interest in Alika was reduced from 100% to 62%.

On 8 November 2017, the Company incorporated a 49% owned subsidiary, Siam BBR Systems Co., Ltd ("SBBRS") in Thailand, and was allotted 24,500 ordinary shares at 100 Thai Baht per share. Following the incorporation of SBBRS, the subsidiary further issued 7,350 ordinary shares at 100 Thai Baht per share. The shareholding interest of the Company in SBBRS remains unchanged at 49% following the capital expansion of the subsidiary during the financial year ended 31 December 2017. The Company has the power to direct relevant business activities and has rights to variable returns. Hence, the Group consolidates SBBRS in its financial statements as a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

d. Impairment losses on investments in subsidiaries

Analysis of impairment losses on investments in subsidiaries are as follows:

	Company	
	2018	**2017**
	$'000	$'000
Balance at 1 January	28,990	26,716
Charge to profit or loss	7,400	2,274
Balance at 31 December	36,390	28,990

An impairment loss of $7,400,000 (2017: $2,274,000) was charged to profit or loss subsequent to an assessment performed on recoverable amount of the investments in subsidiaries at the end of the financial year.

The recoverable amounts of the subsidiaries have been determined based on value-in-use calculations using the cash flow projections from financial budgets approved by the management. The impairment loss of $7,400,000 (2017: $2,274,000) was derived based on cash flow projections for potential contracts and forecasted growth of the subsidiaries, pre-tax discount rate of 4.0% (2017: 4.1%) and a terminal growth rate of 0% (2017: 0%).

e. Interest in subsidiaries with material non-controlling interests ("NCI")

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	(Loss)/profit allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
			$'000	$'000
31 December 2018				
Alika Properties Pte. Ltd.^	Singapore	38%	(1,589)	(1,252)
31 December 2017:				
Alika Properties Pte. Ltd.^	Singapore	38%	(423)	337
31 December 2016:				
BBR Construction Systems (M) Sdn. Bhd. *	Malaysia	20%	877	3,219

^ Incorporated on 4 January 2017. There is no comparative for financial year ended 31 December 2016.

* Became a 100% owned subsidiary of the Group on 17 May 2017.

12. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

e. Interest in subsidiaries with material non-controlling interests ("NCI") *(cont'd)*

Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material NCI are as follows:

	Alika Properties Pte. Ltd.		BBR Construction Systems (M) Sdn. Bhd.
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Summarised statement of financial position			
Current			
Assets	110,814	112,585	34,724
Liabilities	(1,782)	(448)	(22,623)
Net current assets	109,032	112,137	12,101
Non-current			
Assets	–	–	6,314
Liabilities	(112,326)	(111,250)	(435)
Net non-current (liabilities)/assets	(112,326)	(111,250)	5,879
Net (liabilities)/assets	(3,294)	887	17,980

	Alika Properties Pte. Ltd.	
	2018	**2017**
	$'000	$'000
Summarised statement of comprehensive income		
Revenue	–	–
Loss before taxation	(4,181)	(1,113)
Income tax expense	–	–
Loss for the year	(4,181)	(1,113)
Other comprehensive income for the year	–	–
Total comprehensive income for the year	(4,181)	(1,113)
Other summarised information		
Net cash flows used in operating activities	(112)	(107,925)

13. INVESTMENTS IN ASSOCIATES

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Lakehomes Pte. Ltd.	1,472	17,197	10,266	–	–	–
Other associates	983	784	677	260	260	260
	2,455	17,981	10,943	260	260	260

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENTS IN ASSOCIATES *(cont'd)*

Details of associates at the end of the financial year are as follows:

Name of company	Proportion of ownership interest			Country of incorporation	Cost of investment			Principal activities
	2018	31.12. 2017	1.1. 2017		2018	31.12. 2017	1.1. 2017	
	%	%	%		$'000	$'000	$'000	
Held by the Company								
BBR Philippines Corporation [1]	40	40	40	Philippines	260	260	260	Structural engineering
Held by BBR Development Pte. Ltd.								
Lakehomes Pte. Ltd. [2]	35	35	35	Singapore	350	350	350	Property development
Trendsteq Pte. Ltd. [2] [3]	40	–	–	Singapore	200	–	–	Consultancy services

(1) Not required to be audited by the law of its country of incorporation.
(2) Audited by Ernst & Young LLP, Singapore
(3) Incorporated during the financial year

The summarised financial information of the significant associate, based on its SFRS(I) financial statements, and the reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Lakehomes Pte. Ltd.		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Summarised statement of financial position			
Assets and liabilities:			
Current assets, representing total assets	19,007	107,072	275,718
Non-current liabilities	–	–	(9,611)
Current liabilities	(14,802)	(57,938)	(236,776)
Net assets	4,205	49,134	29,331
Proportion of the Group's ownership	35.0%	35.0%	35.0%
Group's share of net assets, representing carrying amount of significant associate	1,472	17,197	10,266
Carrying amount of other associates	983	784	677
Carrying amount of the investments in associates	2,455	17,981	10,943

13. INVESTMENTS IN ASSOCIATES *(cont'd)*

	Lakehomes Pte. Ltd.	
	2018	**2017**
	$'000	$'000
Summarised statement of comprehensive income		
Revenue	3,220	250,911
Operating expenses	(125)	(149)
Interest expense	–	(1,772)
Profit after tax for the year, representing total comprehensive income	365	19,803
Group's share of profit	128	6,931
Group's share of (loss)/profit of other associates, representing the Group's share of total comprehensive income of other associates	(1)	107
Other adjustments*	–	345
Group's share of profit of associates for the year, representing the Group's share of total comprehensive income for the year	127	7,383

* Other adjustments relate to the realisation of notional interest on shareholder's loan to Lakehomes Pte. Ltd..

Dividends of $15,853,000 (2017: $Nil) was received from Lakehomes Pte. Ltd. during the financial year ended 31 December 2018.

14. INVESTMENTS IN JOINT VENTURES

		Group	
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Unquoted shares, at cost	250	250	250
Share of post-acquisition reserves	10,590	2,241	(250)
Carrying amount	10,840	2,491	–

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN JOINT VENTURES *(cont'd)*

Details of joint ventures at the end of the financial year are as follows:

Name of company	Proportion of ownership interest			Country of incorporation	Cost of investment			Principal activities
	2018	31.12. 2017	1.1. 2017		2018	31.12. 2017	1.1. 2017	
	%	%	%		$'000	$'000	$'000	
Held by Singapore Engineering & Construction Pte. Ltd.								
Singapore Piling – Shincon JV (1)	51	51	51	Singapore	–	–	–	Design and construction of covered linkways
Held by BBR Property Pte. Ltd.								
Northern Development Pte. Ltd. (2)	50	50	50	Singapore	+	+	+	Investment holding for property development
Held by Northern Development Pte. Ltd.								
NorthernOne Development Pte. Ltd. (2)	50.1	50.1	50.1	Singapore	501	501	501	Investment holding for property development
Held by NorthernOne Development Pte. Ltd.								
Northern Resi Pte. Ltd. (2)	100	100	100	Singapore	1,000	1,000	1,000	Residential property development
Northern Retail Pte. Ltd. (2)	100	100	100	Singapore	1,000	1,000	1,000	Commercial property development
Wisteria Mall Management Pte. Ltd. (2) (3)	50	–	–	Singapore	50	–	–	Property management services

(1) An unincorporated partnership.
(2) Audited by Ernst & Young LLP, Singapore
(3) Incorporated during the financial year
\+ Cost of investment is $2.

The summarised financial information in respect of the significant joint venture, based on its SFRS(I) financial statements, and the reconciliation with the carrying amount of the investments in the consolidated financial statements are as follows:

	NorthernOne Development Pte. Ltd.		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Summarised statement of financial position			
Cash and cash equivalents	32,895	20,180	13,031
Current assets	27,785	240,506	214,221
Non-current assets	228,489	–	–
Total assets	289,169	260,686	227,252
Current liabilities	15,018	9,425	8,876
Other non-current liabilities	230,528	241,195	223,614
Total liabilities	245,546	250,620	232,490
Net assets	43,623	10,066	(5,238)
Proportion of the Group's ownership	25.05%	25.05%	25.05%
Carrying amount of the investment	10,928	2,522	–
Carrying amount of other joint ventures	(88)	(31)	–
Carrying amount of investments in joint ventures	10,840	2,491	–

In 2016, the Group has equity accounted for additional losses in excess of the Group's equity interest based on its contractual obligations for NorthernOne Development Pte. Ltd. This adjustment of $1,312,000 was taken up in other liabilities.

14. INVESTMENTS IN JOINT VENTURES *(cont'd)*

	NorthernOne Development Pte. Ltd	
	2018	2017
	$'000	$'000
Summarised statement of comprehensive income		
Revenue	49,059	112,555
Cost of sales	(35,023)	(92,589)
Other income	56	64
Operating expenses	(5,917)	(186)
Interest income	142	42
Interest expense	(3,732)	(1,449)
Fair value gain on investment property	29,840	–
Share of results of a joint venture	12	–
Profit before taxation	34,437	18,437
Income tax expense	(880)	(3,133)
Profit after tax for the year, representing total comprehensive income	33,557	15,304
Proportion of the Group's ownership	25.05%	25.05%
Group's share of profit for the year, representing the Group's share of total comprehensive income for the year	8,406	3,834
Group's share of profit of other joint ventures, representing the Group's share of total comprehensive income for the year	193	450
Group's share of profit of joint ventures, representing the Group's share of total comprehensive income for the year	8,599	4,284

15. INVESTMENT SECURITIES

a. Financial instruments as at 31 December 2018

	Group
	2018
	$'000
At fair value through profit or loss	
- Unquoted equity securities	–
- Quoted equity securities	8
	8

b. Financial instruments as at 31 December 2017 and 1 January 2017

	Group	
	31.12.2017	1.1.2017
	$'000	$'000
Unquoted equity securities, at cost	3,981	3,981
Impairment in value of unquoted equity securities	(3,981)	(3,981)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENT SECURITIES *(cont'd)*

b. Financial instruments as at 31 December 2017 and 1 January 2017 *(cont'd)*

Analysis of impairment losses in other investments are as follows:

	Group	
	31.12.2017	**1.1.2017**
	$'000	$'000
Balance at 1 January and 31 December	3,981	3,981

Unquoted equity shares relate to the following:

(i) 33.3% (31 December 2017: 33.3%, 1 January 2017: 33.3%) equity interest in a Korean incorporated company, whose principal activities are those of the construction, operation and collection of tolls for expressway. This company was formed pursuant to a joint venture agreement between Singapore Engineering & Construction Pte. Ltd. ("Singapore Engineering"), a wholly-owned subsidiary of the Company, and two other consortium parties. As the Group does not exercise any significant influence over the financial and operating policy decisions of this Korean company, the equity interest has been accounted for as financial assets at fair value through profit or loss. In prior years, the Group recognised an impairment loss of $2,981,000.

(ii) 1% (31 December 2017: 1%, 1 January 2017: 1%) equity interest held via Singapore Engineering in Takenaka-Singapore Piling JV, an unincorporated and fully integrated jointly controlled entity in Singapore to undertake restoration works to the former Supreme Court and City Hall buildings. In prior years, the Group recognised an impairment loss of $1,000,000.

Quoted equity shares relate to ordinary shares listed on Bursa Malaysia.

16. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax as at 31 December related to the following:

	Group				
	Consolidated statement of financial position			Consolidated statement of comprehensive income	
	2018	**31.12.2017**	**1.1.2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000	$'000
Deferred tax assets:					
Unutilised tax losses	–	–	424	–	(424)
Deferred tax liabilities:					
Differences in depreciation for tax purposes	(237)	(308)	(239)	71	(69)
Net deferred tax (liabilities)/ assets	(237)	(308)	185	71	(493)

17. TRADE RECEIVABLES

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Current:						
Contract receivables						
- External parties	11,209	13,022	21,332	–	–	–
- Related parties	97	4,040	3,409	–	–	–
Less: Allowance for doubtful external receivables	(1,285)	(916)	(472)	–	–	–
Total trade receivables	10,021	16,146	24,269	–	–	–
Add:						
- Loans to an associate (Note 18)	–	13,490	20,136	–	–	–
- Loans to a joint venture (Note 18)	15,260	24,537	20,525	–	–	–
- Amounts due from subsidiaries (Note 19)	–	–	–	5,027	5,608	3,547
- Other receivables (Note 22)	1,554	5,763	2,382	223	170	876
- Pledged deposits (Note 24)	4,479	4,962	4,657	–	–	–
- Cash and bank balances (including fixed deposits) (Note 24)	56,680	30,435	58,730	2,217	1,559	1,047
Total financial assets carried at amortised cost	87,994	95,333	130,699	7,467	7,337	5,470

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

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to $3,417,000 as at 31 December 2017 and $8,622,000 as at 1 January 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period are as follows:

	Group	
	31.12.2017	1.1.2017
	$'000	$'000
Trade receivables past due:		
Lesser than 30 days	946	2,074
30 to 60 days	133	1,095
61 to 90 days	22	601
91 to 120 days	121	172
More than 120 days	2,195	4,680
	3,417	8,622

Trade receivables that are impaired

	Group	
	31.12.2017	1.1.2017
	$'000	$'000
Trade receivables – nominal amounts	916	472
Less: Allowance for doubtful receivables	(916)	(472)
	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

17. TRADE RECEIVABLES *(cont'd)*

Allowance for doubtful receivables

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

	Group 2017 $'000
Trade receivables	
Balance at 1 January	472
Charge to profit or loss	542
Write back to profit or loss	(115)
Written off against allowance	–
Translation adjustments	17
Balance at 31 December	916
Contract assets (retention receivables)	
Balance at 1 January	80
Charge to profit or loss	205
Write back to profit or loss	(39)
Written off against allowance	(14)
Balance at 31 December	232
Total allowance for doubtful receivables	1,148

Expected credit losses

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

	Group	
	Trade receivables 2018 $'000	Contract assets 2018 $'000
Movement in allowance accounts:		
At 1 January	916	232
Charge for the year	373	349
Exchange differences	(4)	(1)
At 31 December	1,285	580

Trade receivables and payables subject to offsetting arrangements

The Group's trade receivables and payables in the statement of financial position as at 31 December that can be subject to offsetting arrangements are as follows:

	Note	Gross carrying amounts $'000	Gross amounts offset $'000	Net amounts $'000
2018				
Trade receivables - third party	a	225	(48)	177
Trade payables	b	1,061	(472)	589
31 December 2017				
Trade receivables - third party	a	14,047	(8,676)	5,371
Trade payables	b	1,780	(557)	1,223
1 January 2017				
Trade receivables - third party	a	10,180	(7,822)	2,358
Trade payables	b	6,740	(2,597)	4,143

17. TRADE RECEIVABLES *(cont'd)*

Trade receivables and payables subject to offsetting arrangements (cont'd)

(a) The Group purchases construction raw materials from its customer for project purposes. The customer has an arrangement to settle the net amounts payable to the Group on a 60 days' term basis.

(b) Suppliers are back charged for work performed on their behalf and purchased construction raw materials from the Group via a customer for project purposes. The Group has an arrangement to settle the net amounts payable to these suppliers on a 30 to 60 days' term basis.

18. LOANS TO AN ASSOCIATE AND A JOINT VENTURE

		Group	
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Non-current			
Loans to an associate	–	–	20,136
Loans to a joint venture	15,260	24,537	20,525
Current			
Loans to an associate	–	13,490	–

(a) **Loans to an associate**

Loans to an associate of the Group, Lakehomes Pte. Ltd. ("Lakehomes") are non-trade, unsecured, non-interest bearing and are to be settled in cash. The purposes of the loans are to partially finance the land acquisition, development charge and construction costs of a property development project under taken by Lakehomes.

The loans were fully repaid during the financial year ended 31 December 2018.

(b) **Loans to a joint venture**

Loans to a joint venture of the Group, Northern Development Pte. Ltd., are non-trade, unsecured, interest bearing at an average interest rate of 2.6% (2017: 2.4%) per annum and are to be settled in cash. The purposes of the loans are to partially finance the land acquisition, development charges and construction costs of a property development project. The loans are not expected to be repaid within 12 months from the end of the reporting period.

There is no allowance for doubtful debts arising from these outstanding balances as the expected credit loss is not material.

19. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

		Company	
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Amounts due from subsidiaries	9,321	7,831	3,593
Less: Allowance for doubtful receivables	(4,294)	(2,223)	(46)
	5,027	5,608	3,547
Amounts due to subsidiaries	(6,811)	(4,546)	(4,947)

The amounts due from/(to) subsidiaries are non-trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash, except for $3,400,000 (31 December 2017: $3,400,000, 1 January 2017: $3,400,000) of amounts due to a subsidiary that bears interest at an average interest rate of 3.5% (2017: 3.5%) per annum.

NOTES
TO THE FINANCIAL STATEMENTS

19. AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(cont'd)*

Analysis of allowance for doubtful receivables are as follows:

	Company	
	2018	**2017**
	$'000	$'000
Balance at 1 January	2,223	46
Charge to profit or loss	2,071	2,177
Balance at 31 December	4,294	2,223

20. DEVELOPMENT PROPERTY

		Group	
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Freehold land	105,363	104,705	–

On 21 September 2017, the Group acquired a mixed-use development known as the Goh & Goh Building situated in Singapore for the purpose of re-development. As at the end of the reporting period, re-development has not commenced. The freehold land under development has been pledged as security for a bank loan (Note 27).

Details of the Group's development property are as follows:

Description and location	**Proportion of ownership interest**		**Site area (square metre)**
	2018	**31.12.2017**	
	%	%	
Goh & Goh Building, located at Nos. 110 to 122 Upper Bukit Timah Road	62	62	2,868.3

21. PROPERTIES HELD FOR SALE AND INVENTORIES

		Group	
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Statement of financial position:			
Properties held for sale, at lower of cost and net realisable value	1,058	1,057	9,463
Construction materials, at lower of cost and net realisable value	8,640	6,093	7,343

	Group	
	2018	**2017**
Statement of comprehensive income:	**$'000**	**$'000**
Inventories recognised as expenses in cost of sales (Note 7)	36,879	24,358
(Write back)/allowance for inventories obsolescence	(46)	560
Impairment loss on properties held for sale	71	–

22. OTHER RECEIVABLES

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	520	2,407	925	15	21	20
Rental receivables	45	21	800	45	21	800
Amounts due from associates	424	220	184	120	84	56
Other receivables	565	3,115	473	43	44	–
	1,554	5,763	2,382	223	170	876

Amounts due from associates are non-trade, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

23. DERIVATIVES

	Group								
	2018			31.12.2017			1.1.2017		
	$'000			$'000			$'000		
	Contract/ Notional Amount	Assets	Liabilities	Contract/ Notional Amount	Assets	Liabilities	Contract/ Notional Amount	Assets	Liabilities
Current									
Forward currency forwards	–	–	–	4,804	–	(36)	4,262	76	–
Non-current									
Interest rate swap	65,000	–	(1,076)		–	–		–	–
Total derivatives		–	(1,076)		–	(36)		76	–
Add:									
- Investment securities (Note 15)		8	–		–	–		–	–
Total financial assets/ (liabilities) at fair value through profit or loss		8	(1,076)		–	(36)		76	–

Forward currency forwards are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed at the end of the reporting period.

The interest rate swap receives floating interest equal to SGD Swap Offer Rate and pays a fixed rate of interest of 2.35% per annum and matures on 23 November 2021.

The Group does not apply hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

24. CASH AND BANK BALANCES

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Cash at bank and on hand	16,314	18,359	18,005	2,217	1,559	1,047
Fixed deposits	44,845	17,038	45,382	–	–	–
	61,159	35,397	63,387	2,217	1,559	1,047

Fixed deposits are mainly short-term deposits made for varying periods of varying terms, and bear interest ranging from 0.3% to 5.0% (31 December 2017: 0.3% to 4.0%, 1 January 2017: 0.3% to 4.0%) per annum.

As at 31 December 2018, the Group's cash at bank of $202,000 (31 December 2017: $903,000, 1 January 2017: $406,000) are denominated in United States Dollar.

For the purpose of the consolidated statement of cash flows, cash and fixed deposits comprise the following at the end of the reporting period:

	Group		
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Cash at bank and on hand	16,314	18,359	18,005
Fixed deposits	44,845	17,038	45,382
	61,159	35,397	63,387
Less: Deposits pledged with financial institutions	(4,479)	(4,962)	(4,657)
Cash and bank balances (including fixed deposits)	56,680	30,435	58,730
Maintenance funds from owners of Bliss @Kovan received on behalf of property managing agent	–	–	(248)
Cash and cash equivalents	56,680	30,435	58,482

Pledged fixed deposits include $4,479,000 (31 December 2017: $3,962,000, 1 January 2017: $3,657,000) placed as security for banking facilities granted to a subsidiary by various banks and $Nil (31 December 2017: $1,000,000, 1 January 2017; $1,000,000) for the issue of a performance bond by a bank.

Note to the consolidated statement of cash flows

	Group	
	2018	**2017**
	$'000	$'000
Purchase of property, plant and equipment (Note 10)	1,476	2,758
Less:		
Acquisition costs satisfied by finance lease arrangement	(582)	–
Cash payments to acquire property, plant and equipment	894	2,758

25. TRADE AND OTHER PAYABLES

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Non-current:						
Retention payables	3,837	3,447	5,699	–	–	–
Current:						
Trade payables	21,600	31,862	24,310	93	122	–
Retention payables	4,213	8,852	18,226	–	–	–
Other payables	1,406	1,465	1,836	102	109	307
	27,219	42,179	44,372	195	231	307
Total trade and other payables	31,056	45,626	50,071	195	231	307
Add:						
- Amounts due to subsidiaries (Note 19)	–	–	–	6,811	4,546	4,947
- Other liabilities (Note 26)	3,775	4,173	3,020	735	1,163	547
- Loans and borrowings (Note 27)	100,725	101,035	17,911	9,713	10,125	10,566
Total financial liabilities carried at amortised cost	135,556	150,834	71,002	17,454	16,065	16,367

Retention payables

Retention payables to external parties are non-interest bearing, unsecured and relate to construction contracts. Retention payables are classified as current or non-current based on the contractual terms of the respective construction contracts.

Trade payables

Trade payables to external parties are non-interest bearing and are generally on 30 to 90 days' terms.

Included in trade payables are the following amounts denominated in foreign currencies at 31 December:

	Group		
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Hong Kong Dollar	26	–	–
United States Dollar	530	2,996	927

NOTES TO THE FINANCIAL STATEMENTS

26. DEFERRED INCOME AND OTHER LIABILITIES

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred income						
Non-current	2,858	2,929	2,992	–	–	–
Current	174	168	162	–	–	–
	3,032	3,097	3,154	–	–	–
Other liabilities						
Accrued operating expenses	2,870	2,842	896	449	363	332
Accrued staff costs	152	669	26	151	669	26
Deposits	241	223	392	94	95	157
Sundry creditors	512	439	1,706	41	36	32
	3,775	4,173	3,020	735	1,163	547

Deferred income of $3,032,000 (31 December 2017: $3,097,000, 1 January 2017: $3,154,000) was in relation to an upfront payment received from a lessee, which will be amortised over the duration of 20 years in accordance with the solar leasing contract.

27. LOANS AND BORROWINGS

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Non-current:						
Finance leases	221	87	196	–	–	–
Long term borrowings (secured)	82,474	84,065	14,514	9,241	9,729	10,123
Loans from non-controlling interest	15,276	15,276	–	–	–	–
	97,971	99,428	14,710	9,241	9,729	10,123
Current:						
Finance leases	132	107	154	–	–	–
Short term borrowings (unsecured)	1,046	–	1,500	–	–	–
Current portion of long term borrowings (secured)	1,576	1,500	1,547	472	396	443
	2,754	1,607	3,201	472	396	443
Total loans and borrowings	100,725	101,035	17,911	9,713	10,125	10,566

The Group has undrawn loans and guarantee facilities of $222,700,000 (31 December 2017: $92,007,000, 1 January 2017: $92,748,000) that may be available in the future for operating activities, settling capital commitments and issuing of guarantees. There is no restriction for the Group to use these facilities.

27. LOANS AND BORROWINGS *(cont'd)*

Finance leases

The Group has finance leases for certain items of plant and equipment and motor vehicles.

Finance leases are secured by charges over plant and equipment and motor vehicles (Note 10). The discount rate implicit in the leases ranges from 4.6% to 6.3% (31 December 2017: 4.6% to 6.3%, 1 January 2017: 3.0% to 7.0%) per annum.

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

	2018		31.12.2017		1.1.2017	
	Minimum lease payments	**Present value of payments**	**Minimum lease payments**	**Present value of payments**	**Minimum lease payments**	**Present value of payments**
Group	$'000	$'000	$'000	$'000	$'000	$'000
Not later than one year	147	132	114	107	167	154
Later than one year but not later than five years	241	221	89	87	211	196
Total minimum lease payments	388	353	203	194	378	350
Less: Amounts representing finance charges	(35)	–	(9)	–	(28)	–
Present value of minimum lease payments	353	353	194	194	350	350

Long term borrowings (secured)

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Non-current:						
Term loan 1	9,241	9,728	10,123	9,241	9,729	10,123
Term loan 2	2,183	3,287	4,391	–	–	–
Term loan 3	71,050	71,050	–	–	–	–
	82,474	84,065	14,514	9,241	9,729	10,123
Current:						
Term loan 1	472	396	443	472	396	443
Term loan 2	1,104	1,104	1,104	–	–	–
	1,576	1,500	1,547	472	396	443
Total long term borrowings	84,050	85,565	16,061	9,713	10,125	10,566

Term loan 1

Term loan 1 is a Singapore dollar denominated loan of $11,120,000 secured in 2015 to finance the purchase of leasehold land and building at 50 Changi South Street 1 Singapore 486126. The loan is repayable over 240 monthly instalments commencing on 9 October 2015.

The average interest rate was 3.4% (31 December 2017: 2.6%, 1 January 2017: 2.3%) per annum and the loan is secured by the leasehold premises with a carrying amount of $13,207,000 (31 December 2017: $13,548,000, 1 January 2017: 13,889,000) (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

27. LOANS AND BORROWINGS *(cont'd)*

Long term borrowings (secured) *(cont'd)*

Term loan 2

Term loan 2 is a Singapore dollar denominated loan of up to $9,600,000 secured in 2014 to finance the construction of solar leasing infrastructure and installations on the rooftops of HDB flats. In 2016, a lump sum of $3,185,000 was repaid and the remaining loan will be paid in monthly fixed instalments up to 30 June 2021.

The average interest rate was 3.5% (31 December 2017: 3.1%, 1 January 2017: 3.0%) per annum and the loan is secured by an assignment and first fixed charge of the leasing contract and solar leasing equipment with a carrying value of $10,959,000 (31 December 2017: $11,588,000, 1 January 2017: 12,217,000) (Note 10) and a corporate guarantee from the Company.

Term loan 3

Term loan 3 is a Singapore dollar denominated loan of $71,050,000 secured in 2017 to finance the acquisition of a property comprising a 4-storey mixed-use development known as the Goh & Goh Building situated in Singapore.

The average interest rate was 2.5% (31 December 2017: 2.1%, 1 January 2017: Nil) per annum and the loan is secured by the freehold land (Note 20).

Loans from non-controlling interest

Loans from non-controlling interest are non-trade, unsecured, interest bearing at an average interest rate of 2.6% (31 December 2017: 2.1%, 1 January 2017: Nil) per annum and are to be settled in cash. The purposes of the loans are to partially finance the land acquisition and development charges of a property development project undertaken by Alika Properties Pte. Ltd., a subsidiary of the Company. The loans are not expected to be repaid within 12 months from the end of the reporting period.

Multicurrency Medium Term Note

The Group has established a $200 million Multicurrency Medium Term Note programme ("MTN") on 13 November 2014. The net proceeds arising from the issue of the notes under the MTN programme will be used for general corporate purposes, including financing investments, general working capital and capital expenditure.

There was no drawdown of the notes under the MTN programme since it was established.

Reconciliation of liabilities arising from financing activities

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

			Non-cash item			
	31.12.2017	**Cash flows**	**Acquisitions**	**Accretion of interest**	**Others**	**2018**
	$'000	$'000	$'000	$'000	$'000	$'000
Finance leases						
- Non-current	87	–	582	16	(464)	221
- Current	107	(443)	–	4	464	132
Long term borrowings						
- Non-current	84,065	–	–	–	(1,591)	82,474
- Current	1,500	(1,515)	–	–	1,591	1,576
Short term borrowings						
- Current	–	1,063	–	–	(17)	1,046
Loans from non-controlling interest						
- Non-current	15,276	–	–	–	–	15,276
	101,035	(895)	582	20	(17)	100,725

27. LOANS AND BORROWINGS *(cont'd)*

Reconciliation of liabilities arising from financing activities *(cont'd)*

	1.1.2017	Cash flows	Non-cash item: Acquisitions	Non-cash item: Accretion of interest	Non-cash item: Others	31.12.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Finance leases						
- Non-current	196	–	–	2	(111)	87
- Current	154	(159)	–	1	111	107
Long term borrowings						
- Non-current	14,514	71,051	–	–	(1,500)	84,065
- Current	1,547	(1,547)	–	–	1,500	1,500
Short term borrowings						
- Current	1,500	(1,500)	–	–	–	–
Loans from non-controlling interest						
- Non-current	–	15,276	–	–	–	15,276
	17,911	83,121	–	3	–	101,035

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

28. SHARE CAPITAL

	Group and Company: 2018 No. of shares	2018	31.12.2017 No. of shares	31.12.2017	1.1.2017 No. of shares	1.1.2017
	'000	$'000	'000	$'000	'000	$'000
Issued and fully paid ordinary shares:						
Balance at 1 January	324,710	49,082	308,210	43,967	308,210	43,967
Issuance of ordinary shares for the acquisition of non-controlling interest (Note 12(b))	–	–	16,500	5,115	–	–
Balance at 31 December	324,710	49,082	324,710	49,082	308,210	43,967

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

NOTES TO THE FINANCIAL STATEMENTS

29. TREASURY SHARES

	Group and Company					
	2018		31.12.2017		1.1.2017	
	No. of shares		No. of shares		No. of shares	
	'000	$'000	'000	$'000	'000	$'000
Balance at 1 January	(2,322)	(566)	(211)	(69)	(211)	(69)
Acquired during the financial year	–	–	(2,111)	(497)	–	–
Balance at 31 December	(2,322)	(566)	(2,322)	(566)	(211)	(69)

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

The Company did not acquire any treasury shares during the financial year ended 31 December 2018. During the financial year ended 31 December 2017, the Company acquired 2,111,000 shares through purchases on the Singapore Exchange. The total amount paid to acquire the shares was $497,000 and this was presented as a component within shareholders' equity.

30. DIVIDENDS

	Group and Company	
	2018	2017
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
First and final (tax exempt one-tier) dividend for 2017 of 0.4 cents (2016: 0.4 cents) per ordinary share	1,289	1,232
Special (tax exempt one-tier) dividend for 2017 of 0.2 cents (2016: 0.2 cents) per ordinary share	645	616
	1,934	1,848
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at AGM:		
First and final (tax exempt one-tier) dividend for 2018 of Nil cents (2017: 0.4 cents) per ordinary share	–	1,289
Special (tax exempt one-tier) dividend for 2018 of Nil cents (2017: 0.2 cents) per ordinary share	–	645
	–	1,934

Proposed dividends per ordinary share for 2017 was based on 322,388,218 shares (excluding treasury shares) as disclosed in Notes 28 and 29.

31. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Capital commitments in respect of:			
Property, plant and equipment	–	–	1,291
Office renovations	–	–	64

31. COMMITMENTS AND CONTINGENCIES *(cont'd)*

(b) Operating lease commitments – as lessor

The Group has entered into various non-cancellable lease commitments in respect of office premises and solar leasing projects for a period of up to 25 years. The leases have varying terms and renewal rights.

Operating lease income recognised in profit or loss during the year amounted to $1,860,000 (31 December 2017: $1,696,000, 1 January 2017: $1,646,000).

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

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Not later than one year	1,220	1,694	1,457	90	322	3,460
Later than one year but not later than five years	4,519	4,398	3,913	–	90	232
Later than five years	14,558	13,774	12,786	–	–	–
	20,297	19,866	18,156	90	412	3,692

(c) Operating lease commitments – as lessee

The Group has entered into various non-cancellable lease commitments in respect of equipment and land with lease period of up to 42 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. Certain renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the Group by entering into these leases.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to $1,897,000 (2017: $1,777,000).

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

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Not later than one year	1,546	1,821	1,409	595	600	716
Later than one year but not later than five years	1,047	2,180	2,430	639	1,125	1,924
Later than five years	3,796	3,996	4,381	3,683	3,792	4,381
	6,389	7,997	8,220	4,917	5,517	7,021

(d) Contingent liabilities

	Company		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Corporate guarantees given to banks for credit and guarantee facilities utilised	38,022	39,975	38,415

The Company provided corporate guarantees to banks as securities for credit and guarantee facilities granted to subsidiaries.

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32. EMPLOYEE BENEFITS

	Group	
	2018	2017
	$'000	$'000
Employee benefits expense (including executive directors)		
- Salaries and bonuses	19,957	22,528
- Central Provident Fund	3,053	3,506
- Others	1,091	1,286
	24,101	27,320

Employee benefits expenses capitalised during the year under contract work-in-progress amounted to $12,643,000 (2017: $14,955,000).

33. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place at terms agreed between the parties during the financial year:

	Group	
	2018	2017
	$'000	$'000
From an associate:		
Accounting services income	(96)	(96)
Licence fees income	(84)	(30)
Management fees income	(61)	(28)
From joint ventures:		
Construction revenue	(21,127)	(51,503)
Accounting services income	(102)	(102)
Interest income on loans	(668)	(545)
Loans to a joint venture	2,079	3,498
Repayment of loans from a joint venture	(12,024)	–
License and other fees to a related party	398	384
Purchases from a related party	1,547	517
Service income from a related party	(8)	(5)
Rental expense paid to a director of the Company	92	47
Rental expense paid to a director of a subsidiary	–	42
Professional fees to a firm in which a director has an interest	30	60

(b) Compensation of key management personnel

	Group	
	2018	2017
	$'000	$'000
Short-term employee benefits	2,375	3,014
Central Provident Fund	130	135
	2,505	3,149
Comprise amounts paid/payable to:		
- Directors of the Company	1,182	1,653
- Other key management personnel	1,323	1,496
	2,505	3,149

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. It is, and has been the Group's policy throughout the current and previous financial year, that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

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

(a) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

The Group categorises a loan or receivable for potential write off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

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

(i) Debt securities at amortised cost and loans at amortised cost

The Group uses three categories of internal credit risk ratings for debt instruments and loans which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are determined through incorporating both qualitative and quantitative information that builds on information from external credit rating companies, such as Standard and Poor, Moody's and Fitch, supplemented with information specific to the counterparty and other external information that could affect the counterparty's behaviour.

The Group computes expected credit loss for this group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Group considers implied probability of default from external rating agencies where available and historical loss rates for each category of counterparty, and adjusts for forward looking macroeconomic data such as GDP growth and central bank base rates.

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

Category	Definition of category	Basis for recognition of expected credit loss provision	Basis for calculating interest revenue
Grade I	Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12-month expected credit losses	Gross carrying amount
Grade II	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due.	Lifetime expected credit losses	Gross carrying amount
Grade III	Interest and/or principal repayments are 60 days past due.	Lifetime expected credit losses	Amortised cost of carrying amount (net of credit allowance)

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

The loss provision for debt securities and loans at amortised cost as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Group	Company
	Debt at amortised cost	**Loans at amortised cost**
	$'000	$'000
As at 1 January 2018	–	2,223
Loss allowance measured at:		
12- month ECL	–	2,071
Lifetime ECL	124	–
As at 31 December 2018	124	4,294

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

(i) Debt securities at amortised cost and loans at amortised cost (cont'd)

The gross carrying amount of debt securities at amortised cost and loans at amortised cost, without taking into account of any collaterals held or other credit enhancements which represents the maximum exposure to loss, is as follows:

		Group 2018	Company 2018
		$'000	$ '000
12-month ECL	Debt securities at amortised cost	1,554	223
Lifetime ECL	Debt securities at amortised cost	124	–
12-month ECL	Loans at amortised cost	15,260	5,027
		16,938	5,250

(ii) Trade receivables and contract assets

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

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

Singapore:

			Past due			
31 December 2018	Contract assets	Current	More than 30 days	More than 60 days	More than 90 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	19,380	3,705	1,086	–	227	24,398
Loss allowance provision	278	–	3	–	190	471

Other geographical areas:

			Past due			
31 December 2018	Contract assets	Current	More than 30 days	More than 60 days	More than 90 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	19,713	1,475	2,150	255	2,408	26,001
Loss allowance provision	302	7	17	16	1,052	1,394

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

NOTES
TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

(ii) ***Trade receivables and contract assets*** *(cont'd)*

Excessive risk concentration

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

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

Exposure to credit risk

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

Credit risk concentration profile

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

	Group					
	2018		31.12.2017		1.1.2017	
	$'000	% of total	$'000	% of total	$'000	% of total
By country:						
Singapore	4,826	48	7,962	49	16,914	70
Malaysia	4,952	50	8,184	51	7,355	30
Thailand	243	2	–	–	–	–
	10,021	100	16,146	100	24,269	100

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

(b) Liquidity risk

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

The Group monitors its liquidity risk and maintains adequate liquid financial assets and stand-by credit facilities with different banks to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and Company's financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	**Within 1 year**	**1 - 5 years**	**After 5 years**	**Total**
2018	$'000	$'000	$'000	$'000
Financial assets:				
Loans to a joint venture	–	16,501	–	16,501
Trade receivables	10,021	–	–	10,021
Other receivables	1,554	–	–	1,554
Pledged deposits	4,479	–	–	4,479
Cash and bank balances (including fixed deposits)	56,680	–	–	56,680
Total undiscounted financial assets	72,734	16,501	–	89,235
Financial liabilities:				
Trade and other payables	27,219	3,837	–	31,056
Other liabilities	3,775	–	–	3,775
Finance leases	147	241	–	388
Derivatives	360	732	–	1,092
Short term borrowings	1,046	–	–	1,046
Long term borrowings	4,131	82,695	10,861	97,687
Total undiscounted financial liabilities	36,678	87,505	10,861	135,044
Total net undiscounted financial assets/ (liabilities)	36,056	(71,004)	(10,861)	(45,809)

NOTES
TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

Group	**Within 1 year**	**1 - 5 years**	**After 5 years**	**Total**
31 December 2017	$'000	$'000	$'000	$'000
Financial assets:				
Loans to an associate	13,490	–	–	13,490
Loans to a joint venture	–	24,960	–	24,960
Trade receivables	16,146	–	–	16,146
Other receivables	5,763	–	–	5,763
Pledged deposits	4,962	–	–	4,962
Cash and bank balances (including fixed deposits)	30,435	–	–	30,435
Total undiscounted financial assets	70,796	24,960	–	95,756
Financial liabilities:				
Trade and other payables	42,179	3,447	–	45,626
Other liabilities	4,173	–	–	4,173
Derivatives	36	–	–	36
Finance leases	114	89	–	203
Long term borrowings	2,874	97,303	11,148	111,325
Total undiscounted financial liabilities	49,376	100,839	11,148	161,363
Total net undiscounted financial assets/(liabilities)	21,420	(75,879)	(11,148)	(65,607)

Group	**Within 1 year**	**1 - 5 years**	**After 5 years**	**Total**
1 January 2017	$'000	$'000	$'000	$'000
Financial assets:				
Loans to an associate	–	20,136	–	20,136
Loans to a joint venture	–	21,319	–	21,319
Trade receivables	24,269	–	–	24,269
Derivatives	76	–	–	76
Other receivables	2,382	–	–	2,382
Pledged deposits	4,657	–	–	4,657
Cash and bank balances (including fixed deposits)	58,730	–	–	58,730
Total undiscounted financial assets	90,114	41,455	–	131,569
Financial liabilities:				
Trade and other payables	44,372	5,699	–	50,071
Other liabilities	3,020	–	–	3,020
Finance leases	167	211	–	378
Short term borrowings	1,505	–	–	1,505
Long term borrowings	1,973	8,087	12,003	22,063
Total undiscounted financial liabilities	51,037	13,997	12,003	77,037
Total net undiscounted financial assets/(liabilities)	39,077	27,458	(12,003)	54,532

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

Company	Within 1 year	1 - 5 years	After 5 years	Total
2018	$'000	$'000	$'000	$'000
Financial assets:				
Amounts due from subsidiaries	5,027	–	–	5,027
Other receivables	223	–	–	223
Cash and bank balances (including fixed deposits)	2,217	–	–	2,217
Total undiscounted financial assets	7,467	–	–	7,467
Financial liabilities:				
Amounts due to subsidiaries	6,811	–	–	6,811
Trade and other payables	195	–	–	195
Other liabilities	735	–	–	735
Loans and borrowings	720	3,339	10,712	14,771
Total undiscounted financial liabilities	8,461	3,339	10,712	22,512
Total net undiscounted financial liabilities	(994)	(3,339)	(10,712)	(15,045)

Company	Within 1 year	1 - 5 years	After 5 years	Total
31 December 2017	$'000	$'000	$'000	$'000
Financial assets:				
Amounts due from subsidiaries	5,608	–	–	5,608
Other receivables	170	–	–	170
Cash and bank balances (including fixed deposits)	1,559	–	–	1,559
Total undiscounted financial assets	7,337	–	–	7,337
Financial liabilities:				
Amounts due to subsidiaries	4,546	–	–	4,546
Trade and other payables	231	–	–	231
Other liabilities	1,163	–	–	1,163
Loans and borrowings	775	3,497	11,148	15,420
Total undiscounted financial liabilities	6,715	3,497	11,148	21,360
Total net undiscounted financial assets/(liabilities)	622	(3,497)	(11,148)	(14,023)

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

Company	Within 1 year	1 - 5 years	After 5 years	Total
1 January 2017	$'000	$'000	$'000	$'000
Financial assets:				
Amounts due from subsidiaries	3,547	–	–	3,547
Other receivables	876	–	–	876
Cash and bank balances (including fixed deposits)	1,047	–	–	1,047
Total undiscounted financial assets	5,470	–	–	5,470
Financial liabilities:				
Amounts due to subsidiaries	4,947	–	–	4,947
Trade and other payables	307	–	–	307
Other liabilities	547	–	–	547
Loans and borrowings	712	3,384	12,002	16,098
Total undiscounted financial liabilities	6,513	3,384	12,002	21,899
Total net undiscounted financial assets/(liabilities)	(1,043)	(3,384)	(12,002)	(16,429)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called. The Group does not provide financial guarantees for external parties.

Company	Within 1 year	1 - 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000
2018				
Financial guarantees	26 ,376	11,128	518	38,022
31 December 2017				
Financial guarantees	19,326	17,439	3,210	39,975
31 January 2017				
Financial guarantees	11,507	26,908	–	38,415

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their interest-bearing loans and borrowings.

The Group's policy is to obtain the most favourable interest rates available. Surplus funds are placed with reputable banks.

At the end of the reporting period, after taking into account the effect of an interest rate swap, approximately 65% (31 December 2017: Nil, 1 January 2017: $Nil) of the Group's borrowings are at fixed rates of interest.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 10% (2017: 10%) lower/higher with all other variables held constant, the Group's profit before taxation would have been $56,000 (2017: $10,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(d) Foreign currency risk

The Group has transactional currency exposures arising from its ordinary course of business that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and Malaysian Ringgit (Ringgit). The foreign currency in which these transactions are denominated is mainly the United States Dollar ("USD"). As at 31 December 2018, trade payables denominated in USD is $530,000 (31 December 2017: $2,996,000, 1 January 2017; $927,000) (Note 25).

The Group also holds cash at bank denominated in foreign currencies for working capital purposes. Such foreign currency balances for the Group are detailed in Note 24.

The Group may enter into forward currency contracts to eliminate the currency exposures on purchases in foreign currencies. These forward currency contracts will be in the same currency as the hedged item. The Group does not apply hedge accounting for such forward currency contracts.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before taxation to a reasonably possible change in the USD exchange rates (against SGD), with all other variables held constant:

	Group	
	2018	**2017**
	$'000	$'000
USD - strengthened 5% (2017: 5%)	(16)	(105)
USD - weakened 5% (2017: 5%)	16	105

NOTES TO THE FINANCIAL STATEMENTS

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 31 December 2018 and 2017. There is no external capital requirement imposed by a regulator or a prudential supervisor.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, other liabilities and loans and borrowings, less cash and bank balances (including fixed and pledged deposits). Capital includes equity attributable to the equity holders of the Company.

	Group		
	2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Trade and other payables (Note 25)	31,056	45,626	50,071
Other liabilities (Note 26)	3,775	4,173	3,020
Loans and borrowings (Note 27)	100,725	101,035	17,911
Less: Cash and bank balances (Note 24)	(61,159)	(35,397)	(63,387)
Net debt	74,397	115,473	7,615
Equity attributable to the equity holders of the parent	134,566	139,946	129,391
Total capital	134,566	139,946	129,391
Capital and net debt	208,963	255,419	137,006
Gearing ratio	36%	45%	6%

36. FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

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

36. FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2018 $'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
<u>Investment securities at fair value through profit or loss (Note 15)</u>				
Unquoted equity securities	–	–	–	–
Quoted equity securities	8	–	–	8
	8	–	–	8
Liabilities measured at fair value				
Financial liabilities:				
<u>Derivatives (Note 23)</u>				
Interest rate swap	–	(1,076)	–	(1,076)

	Group 31.12.2017 $'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Liabilities measured at fair value				
Financial liabilities:				
<u>Derivatives (Note 23)</u>				
Foreign currency forwards	–	(36)	–	(36)

NOTES
TO THE FINANCIAL STATEMENTS

36. FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

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

	Group 1.1.2017 $'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
Derivatives (Note 23)				
Foreign currency forwards	–	76	–	76

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

(d) Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at 31 December 2018	Valuation techniques	Unobservable inputs
31 December 2018			
Recurring fair value measurements			
At FVPL			
Unquoted equity securities (Note 15)	–	Income approach	Dividend yield: NIL %

As at 31 December 2017 and 1 January 2017 the Group carried its investment securities at cost, less impairment loss (Note 15).

36. FAIR VALUES OF FINANCIAL INSTRUMENTS *(cont'd)*

(e) Assets and liabilities not measured at fair value, for which fair value is disclosed

Non-current trade payables (Note 25)

The carrying amounts of these financial liabilities are reasonable approximation of fair values estimated by discounting expected future cash flows, at the market rate of interest as at 31 December 2018, 31 December 2017 and 1 January 2017.

Current trade and other receivables and payables (Notes 17, 22 and 25), other liabilities (Note 26), cash and bank balances (including fixed deposits) and pledged deposits (Note 24) and amounts due from/(to) subsidiaries (Note 19)

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

Loans to an associate and a joint venture (Note 18) and loans and borrowings (Note 27)

The carrying amount of these financial instruments are reasonable approximation of fair values estimated by discounting expected future cash flows at market incremental lending rate for similar types of arrangements as at 31 December 2018, 31 December 2017 and 1 January 2017. These are based on significant unobservable inputs (level 2).

37. SEGMENT INFORMATION

Business information

For management purposes, the Group has four reportable segments organised based on their products and services as follows:

Specialised engineering

This segment is in the business of post-tensioning, installation of stay cable systems for structural engineering applications, piling and foundation systems, heavy lifting, bridge design and construction, maintenance, strengthening, retrofitting and prefabricated pre-finished volumetric construction systems.

General construction

This segment is in the business of design and build, general building construction, civil and structural engineering construction, and conservation and restoration of buildings.

Property development

This segment is in the business of property development, focusing on developing residential properties and mixed developments, and the provision of property management and consultancy services.

Green technology

This segment is in the business of system integration and distribution of renewable energy, and supply, installation and leasing of solar panels and grid connected systems.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

37. SEGMENT INFORMATION *(cont'd)*

Business information *(cont'd)*

Segment revenue and expenses, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Inter-segment transfers of revenue and expenses include transfers between business segments and are eliminated on consolidation. Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

(a) **Analysis by business segment**

	Specialised engineering $'000	General construction $'000	Property development $'000	Green technology $'000	Total $'000
31 December 2018					
Revenue					
External revenue	89,324	27,161	–	1,502	117,987
Inter-segment revenue	2,057	–	–	125	2,182
Total revenue	91,381	27,161	–	1,627	120,169
Results:					
Interest income	146	63	793	–	1,002
Interest expense	164	109	2,446	133	2,852
Depreciation of property, plant and equipment	2,351	678	–	633	3,662
Share of results of associates	98	–	29	–	127
Share of results of joint ventures	–	250	8,348	–	8,598
Other non-cash items:					
Write back allowance for inventories obsolescence	(46)	–	–	–	(46)
Impairment loss on property held for sales	71	–	–	–	71
Impairment loss on goodwill	–	119	–	–	119
Amortisation of deferred income	–	–	–	(174)	(174)
Accreted interest	118	–	–	109	227
Fair value (gain)/loss on derivative	(36)	–	1,076	–	1,040
Fair value loss on investment securities	4	–	–	–	4
Loss provision on trade receivables and contract assets	846	–	–	–	846
Segment (loss)/profit before taxation	(3,548)	(2,517)	5,451	(10)	(624)
Income tax expense/(credit)	617	–	(101)	–	516
Assets					
Investments in associates	882	–	1,573	–	2,455
Additions to property, plant and equipment	1,370	22	–	14	1,406
Segment assets	64,809	29,016	165,485	11,372	270,682
Segment liabilities	25,807	27,437	88,786	3,249	145,279

37. SEGMENT INFORMATION *(cont'd)*

(a) Analysis by business segment *(cont'd)*

	Specialised engineering $'000	General construction $'000	Property development $'000	Green technology $'000	Total $'000
31 December 2017					
Revenue					
External revenue	114,658	70,535	9,165	1,350	195,708
Inter-segment revenue	20,686	–	–	111	20,797
Total revenue	135,344	70,535	9,165	1,461	216,505
Results:					
Interest income	464	55	559	–	1,078
Interest expense	17	–	536	152	705
Depreciation of property, plant and equipment	2,784	726	–	626	4,136
Share of results of associates	107	–	7,276	–	7,383
Share of results of joint ventures	–	470	3,814	–	4,284
Other non-cash items:					
Allowance for inventories obsolescence	66	494	–	–	560
Impairment loss on property, plant and equipment	622	–	–	–	622
Impairment loss on goodwill	300	–	–	–	300
Amortisation of deferred income	–	–	–	(168)	(168)
Accreted interest	–	–	–	111	111
Fair value loss on derivative	112	–	–	–	112
Loss provision on trade receivables and contract assets	593	–	–	–	593
Bad debt written off	3	1	–	–	4
Segment profit/(loss) before taxation	7,234	(2,740)	10,196	(314)	14,376
Income tax expense/(credit)	3,080	(14)	(3,387)	–	(321)
Assets					
Investments in associates	785	–	17,196	–	17,981
Additions to property, plant and equipment	2,660	88	–	–	2,748
Segment assets	69,596	36,834	172,019	12,321	290,770
Segment liabilities	35,886	32,127	87,334	3,498	158,845

	Specialised engineering $'000	General construction $'000	Property development $'000	Green technology $'000	Total $'000
1 January 2017					
Assets					
Investments in associates	677	–	10,266	–	10,943
Additions to property, plant and equipment	1,561	–	–	3,390	4,951
Segment assets	67,935	74,992	64,422	12,871	220,220
Segment liabilities	32,228	55,032	4,914	3,768	95,942

NOTES TO THE FINANCIAL STATEMENTS

37. SEGMENT INFORMATION *(cont'd)*

(a) Analysis by business segment *(cont'd)*

Reconciliations of reported segment revenue, profit before taxation, and other material items

	2018	2017
	$'000	$'000
Revenue		
Total revenue for reportable segments	120,169	216,505
Management fee from an associate	61	28
Elimination of intersegment revenue	(2,182)	(20,797)
	118,048	195,736
(Loss)/profit before taxation		
Total (loss)/profit before taxation for reportable segments	(624)	14,376
Management fee from an associate	61	28
Unallocated amounts:		
Other corporate income	2,387	2,900
Other corporate expenses	(6,482)	(7,484)
	(4,658)	9,820

Reconciliations of reported segment assets and liabilities

	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Assets			
Total assets for reportable segments	270,682	290,770	220,220
Other unallocated amounts	18,431	19,975	21,344
	289,113	310,745	241,564
Liabilities			
Total liabilities for reportable segments	145,279	158,845	95,942
Other unallocated amounts	10,648	11,524	12,491
	155,927	170,369	108,433

37. SEGMENT INFORMATION *(cont'd)*

(a) Analysis by business segment *(cont'd)*

Other material items	2018 Reportable segment totals	2018 Adjustments	2018 Entity totals	2017 Reportable segment totals	2017 Adjustments	2017 Entity totals
	$'000	$'000	$'000	$'000	$'000	$'000
Interest income	1,002	4	1,006	1,078	29	1,107
Interest expense	2,852	103	2,955	705	301	1,006
Depreciation of property, plant and equipment	3,662	2,343	6,005	4,136	2,217	6,353
(Write back)/allowance for inventories obsolescence	(46)	–	(46)	560	–	560
Impairment of property, plant and equipment	–	–	–	622	–	622
Impairment of goodwill	119	–	119	300	–	300
Accreted interest	227	–	227	111	–	111
Fair value loss on derivative	1,040	–	1,040	112	–	112
Loss provision on trade receivables and contract assets	846	–	846	593	–	593
Additions to property, plant and equipment	1,406	70	1,476	2,748	10	2,758
Income tax expense/ (credit)	516	–	516	(321)	–	(321)

(b) Analysis by geographical segment

	Revenue 2018	Revenue 2017	Non-current assets 2018	Non-current assets 31.12.2017	Non-current assets 1.1.2017
	$'000	$'000	$'000	$'000	$'000
Countries					
Singapore	72,789	138,845	63,282	83,780	95,685
Malaysia	43,886	56,891	6,245	5,870	6,746
Others	1,373	–	734	367	350
	118,048	195,736	70,261	90,017	102,781

Information about a major customer

Revenue from one major customer amounted to $21,127,000 (2017: $62,977,000) arising from general construction and specialised engineering works.

38. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 29 March 2019.

CORPORATE GOVERNANCE

The Directors and management of BBR Holdings (S) Ltd are committed to maintaining a high standard of corporate governance to protect the interests of shareholders as well as strengthen investors' confidence. BBR confirms that it has adhered to the principles and guidelines of the Code of Corporate Governance 2012 ("2012 Code") for financial year ended 31 December 2018. Deviations from the 2012 Code, if any, have been explained appropriately in this report.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 Code"). 2018 Code supersedes and replaces 2012 Code and will apply to Annual Reports covering financial years commencing from 1 January 2019. The Group will review and set out the corporate practices in place to comply with 2018 Code, where appropriate, in the next Annual Report.

BOARD MATTERS

Board's Conduct of its Affairs

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

The Board of Directors comprises seven directors and two alternate directors, namely:

Executive	:	Mr. Tan Kheng Hwee Andrew Mr. Voon Yok Lin Mr. Voon Chet Chie (alternate to Mr. Voon Yok Lin)
Non-Executive	:	Mr. Bruno Sergio Valsangiacomo Mr. Marcel Poser Mr. Romano William Fanconi (alternate to Mr. Marcel Poser)
Independent	:	Prof. Yong Kwet Yew Ms. Luk Ka Lai Carrie Mr. Soh Gim Teik

Apart from its statutory responsibilities, the Board is responsible for overseeing and supervising the management and corporate affairs of the Group. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group.

The principal functions of the Board are:

- Set strategic direction of the Group and ensure the necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls so as to safeguard shareholders' interests and the Company's assets;
- review and approve financial performance of the Group including its quarterly and full year financial results announcements;
- review the adequacy of the Group's internal control and financial reporting system;
- identify key stakeholder groups and set the values and standards so as to ensure that obligations to these stakeholders and shareholders are met; and
- consider sustainability issues e.g. environmental and social factors, as part of its strategic formation.

All the directors have objectively discharged their duties and responsibilities in every circumstance as fiduciaries in the interests of the Company. To facilitate effective management, the Board has delegated the authority to make certain decisions to various Board Committees, namely the Audit Committee, Remuneration Committee, Nominating Committee, BBR Share Plan Committee, Investment Committee and Risk Management Committee. The effectiveness of each Board Committee is also closely monitored. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decision and/or recommendations, it has not abdicated its ultimate responsibilities. The terms of reference for the respective committees are disclosed in the following paragraphs.

Board and Board Committees meetings have been held regularly and as required by particular circumstances in each financial year. The Company's Constitution has provided for meetings of Directors and Board Committees to be conducted by means of telephone and video-conference and other methods of simultaneous communication by electronic, telegraphic or other similar means, where applicable, by which the foreign directors who reside overseas could participate in the meetings.

The number of meetings held in 2018 and the attendance of each Board member at these meetings were as follows:

Name of Director	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	**4**	**4**	**1**	**1**
Number of meetings attended:				
Mr. Tan Kheng Hwee Andrew	4	4*	1*	N.A.
Mr. Voon Yok Lin/Voon Chet Chie	4	N.A.	N.A.	N.A.
Mr. Bruno Sergio Valsangiacomo	4	N.A.	1	N.A.
Mr. Marcel Poser/Romano William Fanconi	4	N.A.	N.A.	N.A.
Prof. Yong Kwet Yew	4	4	1	1
Ms. Luk Ka Lai Carrie	4	4	1	1
Mr. Soh Gim Teik	4	4	N.A.	1

* Attendance by invitation

The approval of the Board is required for certain material transactions, which include among other things, major investment proposals or divestitures, policy or strategic matters affecting the Group, reorganisation or substantial transactions which have a material impact on the Group, declaration of dividends to shareholders, periodic announcements of financial results and annual reports.

Training and Development Programmes

Every new Director will receive appropriate orientation training and in-depth briefings by senior management on the Group's structure, business units, operations and policies when he/she is first appointed to the Board. This is to ensure that each incoming Director is familiar with the Company's business and governance practice.

Upon appointment of each director, the Company will provide a formal letter to the director, setting out the director's duties and obligations.

During the year, the Directors were kept informed of and updated on the following:

- developments in accounting standards and code of corporate governance;
- Group strategies and industry trends and developments in the construction and property development businesses; and
- relevant new laws, regulations and changing commercial risks.

The updates and briefings were facilitated via attendance at conferences and seminars conducted by The Singapore Exchange Securities Trading Limited ("SGX-ST"), other external trainers, circulation of memoranda by Ernst & Young LLP, company secretary and the Company, including briefings at Board and committee meetings.

Although the Company does not specifically set aside a training budget for directors, Directors are encouraged to attend training courses and conferences conducted by professional organisations or institutions to keep abreast of changes to laws, regulations and financial reporting standards, at the Company's expense.

CORPORATE GOVERNANCE

Board Composition and Balance

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.

The Company endeavours to maintain a strong and independent element on the Board with the Independent Directors making up at least one-third of the Board. The Board currently comprises seven members, three of whom are independent. The independence of each Independent Director is reviewed annually by the Nominating Committee.

The Board has identified each of the Company's Independent Directors to be independent, after determining, taking into account the views of the Nominating Committee, whether the Director is independent in conduct, character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. Each Director is required to disclose to the Board any such relationships or circumstances as and when they arise.

During the financial year ended 31 December 2018, the Company has adopted guidelines set out in the 2012 Code in determining independence of director. An "independent" director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company.

The Nominating Committee and the Board have confirmed the independence of the Company's Independent Directors taking into consideration the following:

(a) none of the Independent Directors was employed by the company or any of its related corporations for the current or any of the past three (3) financial years;
(b) none of the Independent Directors have an immediate family member who is, or has been in any of the past three (3) financial years, employed by the company or any of its related corporations and whose remuneration is determined by the remuneration committee;
(c) none of the Independent Directors nor their immediate family member, accepting any significant compensation from the company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for board service;
(d) none of the Independent Directors nor their immediate family member, in the current or immediate past financial year, is or was, a 10% shareholder of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organization to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments aggregated over any financial year in excess of S$200,000 should generally be deemed significant; and
(e) none of the Independent Director is or has been directly associated with a 10% shareholder of the company, in the current or immediate past financial year.

The Nominating Committee is tasked to determine on an annual basis and, as and when the circumstances require, whether or not a Director is independent, bearing in mind the guidelines set out in the Codes of Corporate Governance and any other salient factors which would render a Director to be deemed not independent. In addition, consideration is given to Guideline 2.4 of the 2012 Code which requires that the independence of any Director who has served on the Board beyond nine (9) years from the date of his first appointment, be subject to particularly rigorous review.

The Board recognises that Independent Directors may over time develop significant insights into the Group's business and operations, and can continue to objectively provide significant and valuable contribution to the Board as a whole. Where there are such Directors serving as an Independent Director for more than nine (9) years, the Board will do a rigorous review of their continuing contribution and independence.

The Nominating Committee takes the view that a Director's independence cannot be determined solely and arbitrarily on the basis of the length of time. A Director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in engaging and challenging the Management in the interests of the Group and other stakeholders as he/she performs his/her duties in good faith, are more critical measures in ascertaining a Director's independence than the number of years served on the Board.

During its review, the Nominating Committee (saved for Prof. Yong Kwet Yew) considered and noted that notwithstanding that Prof. Yong Kwet Yew has served more than nine (9) years, Prof. Yong's independence as a Director is not affected as he continues to demonstrate his independent leadership and guidance through active participation and objective questioning on matters discussed during the Board and Committee meetings and has led discussions and offered independent views on critical areas of the Group's business and governance issues. Prof. Yong knows the Group's business and industry very well as he is a reputable professional in the engineering and construction field. He provides excellent advice on the Group's businesses and corporate governance due to his vast experience in other organization and government agencies. As Chairman of the Board, he engages well with shareholders at annual general meetings.

During its review, the Nominating Committee (saved for Ms. Luk Ka Lai Carrie) considered that Ms. Luk Ka Lai Carrie has continually exercised independent judgement for the benefits of the Company and all stakeholders. She is always aware of her responsibilities towards all the shareholders, stakeholders and has always acted in the best interests of the stakeholders and the Company. She is an effective Audit Committee Chairperson who is very knowledgeable in finance, accounting and governance matters and has many years of working experience relating to the business aspects of the construction and engineering industry. She had independently enquired on key control issues, offered critical insights and independent views during the Board and Committees meetings.

During its review, the Nominating Committee (saved for Mr. Soh Gim Teik) considered and noted that Mr. Soh Gim Teik had demonstrated a high level of independence in discharging his duties. He had exercised sound independent business judgement and highlighted potential issues on investment terms and provide comments on internal control issues and areas where improvements are needed. He is very knowledgeable in finance, accounting and governance matters.

Each independent director is required to complete a Director's Independence Declaration annually to confirm his/her independence based on the guidelines as set out in the Code of Corporate Governance. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code of Corporate Governance.

Based on the declaration and review by the Nominating Committee, all the three (3) Independent Directors have no business relationship with the Company and the Group and have not been directly or indirectly interested in the shares of the Company and the Group. In situations where there may be potential conflict of interest or lack of impartiality, the respective Independent Directors will recuse themselves completely.

The Nominating Committee and the Board concur that all the three (3) Independent Directors are independent notwithstanding the length of tenure of their service as they have demonstrated independence in conduct, character and judgement, through, *inter alia*, their contributions to Board discussions and deliberations and ability and preparedness to exercise independent business judgement and/or decisions with view to the best interest of the Company, without undue reliance, influence or consideration of the Company's interested parties such as the CEO, the other non-independent directors, controlling shareholders and/or their associates. They have demonstrated strong independent conduct, character and judgement over the years in discharging their duties and responsibilities as independent directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders and other stakeholders. In addition, they have expressed individual viewpoints, debated issues and objectively scrutinized and challenged management. They have sought clarification and amplification as they deemed necessary, including through direct access to the management.

After taking into account these factors, the views of the Nominating Committee and having weighed the need for Board's refreshment against tenure, the Board has considered and determined that Prof. Yong Kwet Yew, Ms. Luk Ka Lai Carrie and Mr. Soh Gim Teik continue to be regarded as Independent Directors of the Company, notwithstanding that they have served on the Board beyond nine years.

The Board has evaluated its size, composition and skills of its members to ensure an appropriate balance and diversity of skills, experience and knowledge.

CORPORATE GOVERNANCE

The Board comprises members possess a wealth of experience ranging from accounting and finance, engineering, industry knowledge, management and strategic planning who, as a group, provide core competencies necessary to meet the demands facing the Company and the industry and provide leadership of the Company. Key information regarding the directors is set out under the section entitled "Board of Directors" in this Annual Report.

The Board is satisfied that the current size of the Board is appropriate for effective decision-making, given the scope and nature of operations of the Company. It will continue to review the size and composition of the Board for effectiveness.

During Board and Board Committee meetings, our non-executive directors have participated constructively in the mapping of strategic plans and reviewed critically the performance of the Chief Executive Officer ("CEO") and Management in meeting goals and objectives. They have informal meetings without the presence of the CEO and Management to discuss the performance of the Group.

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.

The clear division of responsibilities between the Non-Executive and Independent Chairman and the Chief Executive Officer ensures proper balance of power and authority of the Group.

Prof. Yong Kwet Yew is the Chairman of the Board since 28 April 2008.

The Chairman's role includes the following:

- scheduling meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
- preparing agendas for meetings in consultation with the CEO;
- exercise control over quality, quantity and timeliness of the flow of information between management and the Board;
- assist in ensuring compliance with Company's guidelines on corporate governance;
- facilitating the effective contribution of the non-executive directors;
- ensuring effective communication with shareholders;
- encourage constructive relations within the Board and between the Board and Management: and
- promote high standards of corporate governance.

Mr. Tan Kheng Hwee Andrew, the CEO of the Group, and Mr. Voon Yok Lin are Executive Directors of the Company. Together with the Management, they are responsible for the daily operations and administration of the Group.

The Board is of the view that power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all decisions and policy changes are conducted through the respective Board Committees, which are chaired by Independent Directors.

The Company has not appointed a lead independent director because the Chairman and the CEO are separate persons and they are not family members. The Chairman is also an Independent Director who is not part of the management team.

Board Membership

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

The Nominating Committee ("NC") comprises three Independent Directors, namely:

Prof. Yong Kwet Yew - Chairman
Ms. Luk Ka Lai Carrie
Mr. Soh Gim Teik

The NC was established for the purpose of ensuring that there is a formal and transparent process for all board appointments.

The terms of reference of the NC are:
- To consider, at the request of the Board or the Chairman, all appointments to the Board and upon appointment of a new director, provide a formal appointment letter to the director, setting out the duties and obligations as a director;
- To provide advice and recommendations to the Board and the Chairman on renomination of directors to the Board having regard to the director's contribution and performance, for example, attendance, preparedness, participation and candour including, if applicable, as an independent director;
- To determine annually, or whenever necessary during the year, whether or not a director is independent, bearing in mind the circumstances set forth in guideline 2.3 of the 2012 Code and any other salient factors; and
- To evaluate the performance of the Board and the contributions from the Directors on a year to year basis.

Selection, appointment and re-appointment of directors

In the search for new directors, the NC will identify the key attributes that an incoming director should have based on the requirements of the Group, its nature of business, attributes of the existing Board members and Board diversity. After the Board has endorsed the key attributes, the search for potential candidates begin by first tapping on existing directors' personal contacts and recommendations of business associates, followed by a shortlisting process by the NC. The NC interviews the shortlisted candidates, before making recommendations for further interview or approval by the Board. Should a controlling shareholder nominates a candidate as a non-executive and non-independent director, the NC will perform an independent assessment as to whether he/she has the appropriate attributes to be a director of a listed company prior to approval by the Board.

For re-appointment of directors as and when their tenure of appointment is due, the NC evaluates several criteria including, qualifications and independence of the director, and his/her contribution and performance to the effectiveness of the Board.

The Company has adopted the recommendations set out in the 2012 Code with respect to the re-nomination and re-election of Directors; all Directors of the Company are subject to re-nomination and re-election at regular intervals and at least once every three years.

The NC is also tasked with deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations, and to assess the maximum number of listed entity board representations which any one of the Directors may hold.

After conducting reviews, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group.

Details of the appointment of Directors including date of initial appointment and date of last re-election and directorships in listed companies, both current and for the preceding three years, are set out below:

Name of Director	Date of First Appointment	Date of Last Re-election	Present and Past Directorship in Listed Companies
Mr. Tan Kheng Hwee Andrew	01/04/1994	25/04/2016	-
Mr. Voon Yok Lin	21/06/2017	23/04/2018	-
Mr. Bruno Sergio Valsangiacomo	11/02/1997	25/04/2016	ITI Holdings SA[3]
Mr. Marcel Poser	24/04/2015	23/04/2018	-
Prof. Yong Kwet Yew	19/08/1997	21/04/2017	Tritech Group Limited
Ms. Luk Ka Lai Carrie	24/09/1997	21/04/2017	Tiong Woon Corporation Holding Ltd
Mr. Soh Gim Teik	08/08/2008	23/04/2018	KS Energy Limited QAF Limited[3] UMS Holdings Limited[3]
Mr. Romano William Fanconi [1]	24/04/2015	-	-
Mr. Voon Chet Chie [2]	21/06/2017	-	-

[1] Alternate director to Mr. Marcel Poser
[2] Alternate director to Mr. Voon Yok Lin
[3] Past directorships in the preceding three years

CORPORATE GOVERNANCE

All retiring directors are subject to an assessment by their peers and NC on factors such as level of participation and effectiveness at meetings, depth of industry experience and business knowledge. Based on the assessment collated, the NC would recommend re-election of the retiring directors at each annual general meeting.

In accordance with Article 117 the Constitution of the Company, the following Directors are due to retire at the AGM:

Prof. Yong Kwet Yew
Mr. Tan Kheng Hwee Andrew
Mr. Bruno Sergio Valsangiacomo

The NC has recommended Prof. Yong Kwet Yew, Mr. Tan Kheng Hwee and Mr. Bruno Sergio Valsangiacomo (saved for Prof. Yong Kwet Yew who has abstained from the evaluation and voting of his own nomination) for re-election as Directors of the Company at the AGM. In making its recommendations, the NC evaluates their contributions and performance at the Board, participation and any special contributions.

If re-elected at the AGM, Prof. Yong Kwet Yew, being a Non-executive Independent Director, will remain as the Chairman of the Board, Remuneration Committee, Nominating Committee and BBR Share Plan Committee, and a member of the Audit Committee.

If re-elected at the AGM, Mr. Tan Kheng Hwee Andrew, will remain as the Chief Executive Officer and Executive Director of the Company and a member of the Investment Committee and BBR Share Plan Committee.

If re-elected at the AGM, Mr. Bruno Sergio Valsangiacomo will remain as a Non-Executive Director of the Company and a member of the Remuneration Committee and BBR Share Plan Committee.

Alternate Director

Mr. Marcel Poser has appointed Mr. Romano William Fanconi as his alternate director on 24 April 2015 to facilitate full board attendance and representation by the controlling shareholder, BBR Holding AG, Switzerland at each Board meeting. Mr. Marcel Poser is a foreign Non-Executive Director and his alternate shall attend Board meetings should he be unable to do so. Mr. Romano William Fanconi was appointed after the NC and the Board had reviewed and concluded that he would similarly have qualified as a Non-Executive Director. He bears all the duties and responsibilities of a director.

Similarly Mr. Voon Yok Lin has appointed his son, Mr. Voon Chet Chie as his alternate on 21 June 2017. Mr. Voon Chet Chie has building and construction experience in both public and private sectors in Malaysia and is currently the Manager for Special Task in the Malaysia subsidiary, BBR Construction Systems (M) Sdn. Bhd. With his qualification, experience and the industry knowledge that he possesses, the NC and the Board had approved his appointment as an alternate director.

Board Performance

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

An annual board evaluation process has been implemented by the NC for assessing the effectiveness of the Board as a whole and the contribution and performance by an individual director to the effectiveness of the Board. The assessment parameters which had been approved by the Board include the Board's composition, individual director's competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, contributions to the Board and long-term strategies of the Company. Changes, if any, to the assessment parameters is justified by the Board.

Based on the evaluation for 2018, the NC is satisfied that the Directors have shown commitment and devoted sufficient time in discharging their responsibilities adequately towards the Group, notwithstanding that some of the Board members have multiple board representations. Since multiple board representations do not hinder them from carrying out their duties as Directors of the Company, the Board has not set a maximum limit on the number of listed companies' board representations for its Directors.

No external consultant has been engaged to facilitate the annual board evaluation process.

The Board and the NC strive to ensure that Directors on the Board possess the experience and knowledge that are critical to the Group's business, and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. However, where individual director's evaluation is unfavourable, the Chairman shall, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of the subject director.

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.

In order to ensure that the Board is able to fulfil its responsibilities, the Management is required to provide timely information on matters that require the Board's decision and reports on material operational and financial matters of the Group. The Directors also have unrestricted access to the Company's records and information.

The Management makes available to the Board quarterly management accounts, including explanations for variances between projection and actual results, annual budget reports, and yearly review of business segments and prospects. Other material information, such as board papers, SGXNET announcements and press releases, are furnished on a regular and timely basis to enable the Board to discharge its duties and responsibilities.

The Board has separate and independent access to the Management, the company secretary and internal and external auditors on all matters whenever they deem necessary.

The role of the company secretary is defined and includes responsibility for ensuring that board procedures are followed and that relevant statutes, applicable rules and regulations are complied with. The Company Secretary or a representative from the Company Secretary's office attends all meetings of the Board and Board Committees as well as general meetings. The Board decides on the appointment and removal of the company secretary.

The Board has a procedure for Directors, either individually or as a group, in the furtherance of their duties and responsibilities, to take independent professional advice, if necessary, at the Company's expense.

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 Remuneration Committee ("RC") comprises three Non-Executive Directors, with two of its members, including the Chairman, being Independent Directors. They are:

Prof. Yong Kwet Yew - Chairman
Mr. Bruno Sergio Valsangiacomo
Ms. Luk Ka Lai Carrie

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 and key management personnel. No director is involved in deciding his own remuneration.

CORPORATE GOVERNANCE

The duties and responsibilities of the RC include:

- review and recommend to the board a framework of remuneration and the specific remuneration packages for each director and the CEO (or executive of equivalent rank if the CEO is not a director). Remuneration includes, but is not limited to director's fees, salaries, allowances, bonus, options, share-based incentives and benefits in kind; and
- review and recommend the remuneration of senior management of the Company.

The RC also reviews the termination clause of the service contracts of the CEO and senior management to ensure that it is fair and reasonable and not overly generous. The RC approves salary adjustments and bonuses of the CEO and senior management at each year-end. Recommendations from the RC are submitted to the entire Board for endorsement.

The RC deems unnecessary to seek expert advice on remuneration to Directors. In its deliberations, the RC takes into consideration industry practices and norms in compensation, in addition to the Company's relative performance to the industry.

The Board has reviewed the composition of the RC which comprises entirely Non-Executive Directors to minimise the risk of any potential conflict of interest. Although Mr. Bruno Sergio Valsangiacomo, a member of the RC, is deemed to be a substantial shareholder of the Company, the Board is of the view that the risk for any potential conflict is minimal.

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 remuneration structure of the CEO and key executives comprises fixed and variable compensation components. The fixed compensation consists of basic salary and fixed allowances, and variable compensation, in the form of bonus and performance shares. The variable compensation is approved by the RC upon the achievement of corporate and individual performance conditions. The Group has established a long-term incentive scheme via the BBR Share Plan, to retain employees whose contributions are important to the well-being and prosperity of the Group and give due recognition to these outstanding employees. Performance shares granted are vested, subject to the satisfaction of specific performance conditions of the Group and individual service condition on vesting dates over a period of time.

No personnel is entitled to termination, retirement and post-employment benefits. The Company has not structured any contractual provisions in employee appointment letters to reclaim incentive components of remuneration in exceptional circumstances of mis-statements of financial results or misconduct resulting in financial loss to the Company. If such events were to occur, it shall avail itself to existing legal remedies to recover excessive incentives paid.

The Independent Directors and Non-Executive Directors are paid directors' fees only, the value of which have taken into consideration the Director's scope and extent of responsibilities and benchmarked against market expectations. Accordingly, the RC views that directors' fees of Non-Executive Directors are not over-compensated. The yearly fees are recommended by the RC, endorsed by the Board and will be subject to approval by members of the Company at each annual general meeting. Travelling and accommodation expenses of overseas Non-Executive Directors to board and general meetings in Singapore are reimbursed by the Company.

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.

Directors of the Company

The remuneration bands and components in percentage terms of the Directors' remuneration based on amounts received in financial year 2018 are as follows:

Name of Director	Basic salary	Variable performance bonus	Benefits-in-kind and others	Director's fee	Total
	%	%	%	%	%
Above $1,000,000 and below $1,250,000					
Mr. Tan Kheng Hwee Andrew	49	47 (3)	2	2	100
Below $250,000					
Mr. Voon Yok Lin	82	4	3	11	100
Mr. Voon Chet Chie (1)	90	10	–	–	100
Mr. Bruno Sergio Valsangiacomo	–	–	–	100	100
Mr. Marcel Poser/Mr. Romano William Fanconi (2)	–	–	–	100	100
Prof. Yong Kwet Yew	–	–	–	100	100
Ms. Luk Ka Lai Carrie	–	–	–	100	100
Mr. Soh Gim Teik	–	–	–	100	100

(1) alternate director to Mr. Voon Yok Lin
(2) alternate director to Mr. Marcel Poser
(3) includes variable bonus and profit share paid in 2018 which were computed based on 2017 results

The Board is of the view that due to competitive reasons, the total remuneration of each director is not disclosed.

The Directors' fees for financial year 2017 amounted to $290,000.00 were paid in financial year 2018 after approval by the members at the annual general meeting held on 23 April 2018.

Key Executives

Key executives' compensation consists of salary, bonus and performance share awards that are dependent on the performance of the Group and individual performance.

The remuneration bands and components in percentage terms of the top five key executives are as follows:

Remuneration Band	Number of key executives	Basic salary	Variable performance bonus	Benefits-in-kind and others	Total
		%	%	%	%
$250,000 to below $500,000	3	90	8	2	100
Below $250,000	2	97	2	1	100

CORPORATE GOVERNANCE

The Board is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure of the compensation for top key executives is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the employees of the Group.

The annual aggregate remuneration paid to the top five key executives (excluding the CEO) for the financial year 2018 is approximately S$1,225,000.

Immediate Family Members of Director, Chief Executive Officer or Substantial Shareholder

There was no employee who is an immediate family member of a Director, Chief Executive Officer or Substantial Shareholder of the Company and whose remuneration exceeds S$50,000 for the financial year ended 31 December 2018.

The BBR Share Plan

The Company has a share plan known as "The BBR Share Plan" (the "Plan") which was approved by members at the Extraordinary General Meeting held on 28 April 2010. Employees (including executive directors) of the Company and its subsidiaries and Non-Executive Directors of the Company are eligible to participate in the Plan. Controlling shareholders and their associates (as defined in the Plan) are not eligible to participate in the Plan.

The BBR Share Plan Committee comprises three Directors who have been appointed to administer the Plan.

Prof. Yong Kwet Yew – Chairman
Mr. Bruno Sergio Valsangiacomo
Mr. Tan Kheng Hwee Andrew

Directors in the BBR Share Plan Committee who are eligible to participate in the Plan abstain from discussions relating to their own performance and award of performance shares.

Information relating to the Plan is disclosed in the Directors' Statement on pages 23 to 24.

Accountability

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

The Board is accountable to Shareholders while the Management is accountable to the Board. The Board is mindful of its obligations to furnish timely information and to ensure full disclosure of material information in compliance with the requirements of the SGX-ST Listing Manual. Price sensitive information is publicly announced before it is communicated to any other interested person.

In presenting the annual and quarterly financial statements to Shareholders, it is the aim of the Board to provide a detailed analysis and a balanced and understandable assessment of the Group's performance, financial position and prospects. Further to the above, the quarterly financial statements of the Group are also signed by the Managing Director and the Chairperson of the Audit Committee, for and on behalf of the Board, confirming that it is to the best of the Board's knowledge that nothing has come to the attention of the Board, which may render the announcements relating to the Group's quarterly financial statements to be false or misleading in any material aspects. The directors' statements of the Company are also signed by the Managing Director and the Chairperson of the Audit Committee. Further to the above, the Company also completes and submits compliance checklists to SGX (if applicable and when required) to ensure that all announcements, circulars or letters to Shareholders comply with the requirements set out in the SGX-ST Listing Manual.

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.

In 2013, the Board established a Risk Management Committee ("RMC") which reports to the Audit Committee ("AC") to oversee all aspects of risk governance. The RMC has developed BBR's enterprise risk register, which involved identifying and evaluating key business risks, likely consequences should the event occur and mitigating controls in place to manage these risks. More importantly, the RMC's role is to constantly monitor identified risks and pre-empt new risks in a dynamic operating environment.

The members of the RMC comprises the Management from the key operating units of the Group.

The Risk Management Report is on pages 127 to 132.

The Board and the AC are satisfied that there are adequate and effective material internal controls in place for the Group to address financial, operational, compliance and information technology risks after considering the following:

- The Board, through the AC, is responsible for oversight of the risk management responsibilities, internal controls and governance processes delegated to management;
- Internal auditors ("IA") plans its internal audit schedules independently in consultation with the management on an annual basis and submits the internal audit plan to the AC for approval. The AC also meets with the IA at least once a year without the presence of the management to gather feedback on management's level of cooperation and other matters that warrant the AC's attention. All internal audit reports are submitted to the AC for deliberation with copies of these reports extended to the relevant senior management for prompt corrective actions as recommended. Furthermore, IA's summary of findings, recommendations and updates on management actions taken are discussed at the quarterly AC meetings together with the external auditors;
- The AC reviews the audit plans of the external auditors of the Company and ensures the adequacy of controls for the accounting system. The AC held discussions with the management and the auditors on the observations of the auditors in the management letter. The AC was generally satisfied with the management's responses during the discussions and suggested improvements, where appropriate;
- The AC reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company together with the external auditors and management before their submission to the Board of Directors;
- The AC evaluates the effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the IA and observations of the external auditors;
- The AC reviews interested person transactions in accordance with the requirements of the SGX-ST Listing Manual;
- The AC and the Board are satisfied that policies and procedures for key business processes had been established. These include ISO procedures, financial policies, standard operating procedures, conflict of interest policy and a whistle blowing mechanism;
- For financial year 2018, the CEO and Chief Financial Officer ("CFO") have given their assurance on the integrity of the financial statements of the Group and the Company and that the financial statements give a true and fair view of the state of affairs of the Group and the Company, and an effective risk management and internal control systems has been put in place; and
- All directors and executive officers have submitted undertakings that they have complied with Rule 720(1) of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE

The system of internal controls maintained by the management is adequate and effective to meet the needs of the current business environment. However, the Board notes that the review of the Group's systems of internal control is a continuing process and there is always room for improvement having regard that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, natural disasters, losses, fraud or other irregularities. The system of internal controls adopted by the Group is therefore designed to manage rather than eliminate the risk of failure to achieve business objectives.

Audit Committee

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

The AC comprises three Independent Directors, namely:
Ms. Luk Ka Lai Carrie - Chairperson
Prof. Yong Kwet Yew
Mr. Soh Gim Teik

Ms. Luk Ka Lai Carrie, the AC Chairperson and Mr. Soh Gim Teik are well qualified to discharge their duties, with their combined practical and relevant accounting and financial management expertise and experience.

None of the AC members were ever previous partners of the Company's external auditor, Ernst & Young LLP, nor do they have any financial interest in the accounting entity.

The duties and responsibilities of the AC include those described in the Companies Act, Chapter 50 and the 2012 Code. The main responsibilities include:

- Review the audit plan of the external auditors;
- Review scope and results of the audit and its cost effectiveness, and independence and objectivity of the external auditors;
- Review the Group's financial and operating results and accounting policies;
- Evaluate the Group's systems of internal accounting controls;
- Review the audit plan of internal auditors and the scope and results of their review;
- Review the adequacy and effectiveness of the internal audit function and ensure co-ordination between the internal and external auditors and the Management;
- Review and make recommendations to the Board on the re-appointment of external auditors of the Company and the Group;
- Approve remuneration of external auditors;
- Review the consolidated financial statements of the Group before submission to the Board together with the external auditors' report on those financial statements;
- Review the quarterly and annual announcements as well as the related press releases on the results and financial position of the Group before submission to the Board for approval for release to SGX-ST; and
- Review interested person transactions to ensure that each has been conducted on an arm's length basis.

The AC has explicit authority to investigate any matter within its charter, full access to and co-operation by management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The CEO and the CFO were invited to attend meetings of the AC to report and brief the Committee on the financial and operational performance of the Group and answer queries raised by the AC.

The AC has reviewed the quarterly and full-year financial statements of the Group in conjunction with the report issued by external auditors before announcements on SGXNET. The following significant matter was highlighted by external auditors as key audit matter (KAM) for the financial year ended 31 December 2018, which was discussed with management and reviewed by the AC.

Significant matter	How the AC reviewed the matter and what decision was made
Revenue recognition on construction contracts	The AC reviewed the approach and methodology applied to the revenue recognition on construction contracts where revenue is recognised over time based on the Percentage of Completion ("POC"). The AC considered the approach and methodology used to be appropriate for its nature of business and they are in line with prevailing accounting standards and business practices. The AC reviewed management's judgement and assumptions used in the determination of POC and concurred with the management on the amounts involved. . Revenue recognition on construction contract was an area of focus for the external auditor, who has included this item as a key audit matter in its audit report for the financial year ended 31 December 2018.

Details on the KAM can be found in the Independent Auditor's Report on pages 26 to 27.

The AC has reviewed the work performed by the external auditors, Ernst & Young LLP, after taking into consideration the relevant guidelines issued to the Audit Committees by Singapore Exchange Trading Limited and/or the Singapore Accounting & Corporate Regulatory Authority.

After taking into consideration the adequacy of the resources and experience of Ernst & Young LLP (including the audit partner in charge of auditing the Company), the other audit engagements of Ernst & Young LLP, the number and experience of supervisory and professional staff assigned to review the Group as well as the Group's size and structure, the Audit Committee and the Board are of the view that Ernst & Young LLP has been able to assist the Company in meeting its audit obligations.

The Company engages Ernst & Young LLP for all its Singapore incorporated subsidiaries, associate and joint venture companies as well as significant foreign-incorporated subsidiaries.

Accordingly, the Company is in compliance with Rules 712 and 715 of the SGX-ST Listing Manual.

In accordance with Rule 1207(6) of the SGX-ST Listing Manual, the audit fees paid to Ernst & Young LLP for their audit and non-audit services for the financial year ended 31 December 2018 for the Group including associates and joint ventures amounted to S$243,000 and S$3,000 respectively.

The AC has conducted an annual review of non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

The AC is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of the external auditors for re-appointment.

The AC meets the external auditors without the presence of the management annually. The external auditors have attended AC meetings held during the financial year to present their audit reports, where applicable.

The Company has in place a whistle-blowing framework which serves to encourage and provide a channel whereby employees may, in good faith and in confidence, raise concerns about possible improprieties in financial reporting and other concerns, to ensure independent investigation of such matters and appropriate follow-up action. There have been no reported incidents pertaining to whistle-blowing for the financial year 2018.

CORPORATE GOVERNANCE

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 Company has established an internal audit function that is independent of the activities it audits. The internal audit function is presently outsourced and conducted by One e-Risk Services Pte Ltd, a professional risk advisory company. Their appointment, removal, evaluation and compensation are approved by the AC. The Company has given the IA full access to its documents, records, premises and personnel in the course of their work.

The internal audit function is independent and reports directly to the AC. To ensure the adequacy of the internal audit function, the AC meets at least once a year to review the internal audit findings and to approve the annual internal audit plans. Annual reviews are conducted on the adequacy and effectiveness of the Company's risk management and internal control systems, which may include financial, operational, compliance and information technology controls. The members of the AC have unrestricted access to the IA on all matters whenever they deem necessary and have met the IA without the presence of the Management at least once annually

The IA meets the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC has reviewed the adequacy of the Company's internal audit functions and is satisfied that it is adequately resourced and has appropriate standing within the Company.

The AC will continue to review the adequacy of the internal audit function annually.

SHAREHOLDER 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.

The Directors and management are mindful of the obligation to provide shareholders with information on all major developments and other material information that affects the Group on a timely basis. The Company does not practice selective disclosure of material information.

Information is communicated to shareholders on a timely basis through:
- SGXNET announcements and press releases;
- Quarterly results and annual reports are broadcast via SGXNET within the prescribed period; and
- the Company's website at http://www.bbr.com.sg

Shareholders can access both general information such as business activities, project history, as well as investor-related information on the Group via the Company's website.

Shareholders are notified of general meetings within the prescribed period before the scheduled date of such meetings via notices in annual reports or circulars, announcements on SGXNET and advertisements in the Business Times. Members are entitled to attend all general meetings so as to participate effectively and vote. They are informed of the rules, including voting procedures that govern general meetings of members at the commencement of each meeting.

Nominee companies and custodial banks holding BBR shares are entitled to appoint more than two proxies to attend and vote at general meetings.

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.

The Directors and management of the Company continue to place a strong emphasis on its investor relations efforts to engage and strengthen relationships with shareholders. It believes that regular, timely, effective and fair communication with shareholders is part of good corporate governance practices.

The Investor Relations team communicates with financial analysts to update them on the latest corporate development and at the same time address their queries, if any. The CEO and CFO may hold analysts' briefings on the Company's financial results and business updates after they have been announced on SGXNET. Interviews with the appropriate media are also organised from time to time.

The Company's website at www.BBR.com.sg, particularly in the investor relations section from which Shareholders can access, provides all publicly announced financial information, corporate announcements, press releases and annual reports which shareholders can access at anytime.

The Company does not have a fixed dividend policy in place. In determining the annual dividend payout, the Board will consider setting aside sufficient funds for investments, capital expenditure, equity contribution for property development projects, working capital and other requirements as the Board may deem fit for the best interests of the Company and the Group.

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 general meetings, annual general meetings and extraordinary general meetings are principal forums for dialogue with shareholders and venues for shareholders to express their views on various matters affecting the Company and to stay informed of the Group's strategy and goals. Shareholders and members are encouraged to participate in the meetings by raising relevant questions or to seek clarification on the motions to be debated and decided upon. According to the Company's Constitution, a shareholder who is entitled to attend and vote at general meetings may either vote in person or appoint not more than two proxies to attend and vote on his behalf. Where shares are held via a nominee or custodial services for securities, more than two proxies may be appointed to attend and vote at the general meetings.

The chairpersons of the respective committees, if possible, are present and available to address questions at general meetings. The external auditors are invited to general meetings, in particular, the annual general meetings, to assist the Directors in addressing any relevant queries by the members.

There are separate resolutions at general meetings on each substantially separate issue, with provision of explanatory notes in the notice of meeting. All resolutions tabled at general meetings are voted by poll in the presence of Scrutineers from One e-Risk Services Pte Ltd. Results of the polling is made known to members before the meeting is concluded and announced on the SGXNET immediately after the meeting.

ADDITIONAL INFORMATION

Dealings in the Company's Shares (Rule 1207(19) of the SGX-ST Listing Manual)

The Company has adopted policies in line with the requirements of the listing rules of SGX-ST on dealings in the Company's securities. All officers and employees of the Group are not allowed to deal in the Company's shares while in possession of unpublished material price-sensitive information and on short-term considerations, and during the period commencing two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full year financial statements.

CORPORATE GOVERNANCE

Risk Management Policies and Processes (Rule 1207(4)(b)(iv) of the SGX-ST Listing Manual)

The Group's overall risk management policy aims to minimise potential adverse effects on the financial performance of the Group. The Group has adopted risk management policies and processes that seek to mitigate these risks in a cost-effective manner.

Information on risk management, policies and processes are disclosed in the financial statements as well as Risks Management Report on pages 127 to 132.

Material Contracts (Rule 1207(8) of the SGX-ST Listing Manual)

There were no material contracts entered into by the Company and its subsidiaries in financial year 2018 which involved the interests of the CEO, any director or controlling shareholders of the Company, except as disclosed in the financial statements.

Interested Person Transactions (Rule 907 of the SGX-ST Listing Manual)

No general mandate has been obtained for interested person transactions pursuant to Rule 920(1) of the SGX-ST Listing Manual. The aggregate value of interested persons transactions carried out during the financial year by the Group was as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $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 $100,000)
	S$'000	S$'000
BBR VT International Ltd (A related corporation of BBR Holding AG, Switzerland, a controlling shareholder of the Company)	1,953	–

The above interested persons transactions were carried out on arm's-length basis.

Sustainability Report (Rules 711A and 711B of the SGX-ST Listing Manual)

The Company will release the Sustainability Report via SGXNET at a later date. A copy will also be made available on the Company's website at www.BBR.com.sg.

RISK MANAGEMENT REPORT

The Board of Directors is responsible for overseeing the risk governance framework of BBR so as to ensure that management maintains a sound system of risk management to safeguard shareholders' interest and the company's key assets. To this end, it has established a Risk Management Committee in 2013 to oversee risk governance.

BBR's Enterprise Risk Management (ERM) framework is an integral part of its business decision-making process and by identifying potential risks which may affect its business, and putting in place measures to mitigate the likelihood of these risks occurring, the ERM framework provides better assurance that its business objectives, as well as BBR's long term and short term objectives can be achieved.

BBR's ERM framework is a platform with consistent risk management procedures and methodologies applied across the whole organization. Risks are also managed to be within the Group's risk profile as determined by the Board of Directors. The ERM framework delineates risk preventive measures, risk detective measures and risk corrective action for risks identified by the Group in the context of its operational and business environment. Preventive measures reduce or eliminate the likelihood of a risk event occurring. Detective measures identify risk events that have occurred or are impending. Corrective actions reduce or eliminate the consequences of a risk event that has occurred. More priority is put into identifying and preventing risk events from occurring than in corrective action for events that occur; as prevention is far more cost efficient than correction.

BBR's ERM framework improves the Group's operational efficiency, enhances its business strategising and creates value for shareholders in the following ways:

1. By identifying and managing risks via a suite of mitigating controls, else the occurrence leads to severe consequences, the ERM framework avoids surprises which materially impact the Group's business performance;
2. By assigning clear risk roles and responsibilities to staff for better accountability, and by having clear risk reporting channels, the Group is able to ensure better corporate governance and transparency. In addition, staff are encouraged to pro-actively escalate knowledge of risks as they occur as opposed to waiting for annual updates of BBR's risk register; and
3. By having an organisation-wide platform for managing risks, ERM empowers personnel to take ownership of relevant risks identified in their departments and at construction sites, and ensure that the appropriate controls are rigidly implemented to mitigate the occurrence and impact of these risks, thus ultimately facilitating the achievement of corporate objectives.

Enterprise Risk Management Process

The ERM process begins with BBR's individual business units defining the operating environment, followed by identification of associated risks and establishing likely consequences should the event occurs. The process also involves identifying existing mitigating controls and their design effectiveness. BBR's operating environment is defined in the context of the Group's strategic objectives i.e. its Vision, Mission, key business objectives, and what it considers as key assets which need to be protected. The risks identified are grouped into the following four categories:

- Strategic Risk
- Operational Risk
- Financial Risk
- Compliance Risk

Next, an Enterprise Risk Assessment methodology is used to rate the risks. This involves risks analysis to determine the level of risk exposure to enable the prioritisation of risk and calibrate the amount of management focus and effort required. Each risk is evaluated to determine the likelihood of occurrence and severity of each consequence for that risk after factoring the effectiveness of existing mitigating controls. All the components of the ERM framework are quantitative i.e. objective, measurable and able to be documented and rated for effectiveness. They are also amenable to mathematical manipulation and transformations.

RISK MANAGEMENT REPORT

Example: Overall Risk Rating = Consequence of the Event x Likelihood of Occurrence

The constant monitoring of identified risks and pre-empting new risks in a dynamic operating environment is crucial to the Group's risk management framework. BBR conducts a formal review of the ERM framework on a regular basis.

The following sections outline key risks within the Group's ERM framework that may impact the financial status and operational effectiveness of BBR's businesses.

STRATEGIC RISKS

Competition risk

Singapore is a key market for BBR's businesses. The availability of public sector as well as private sector construction projects constantly attracts new players resulting in keener competition and lower margins. The Group monitors the competitive landscape by conducting periodic market scans and also measures the effectiveness of marketing initiatives target to increase brand awareness and grow its customer base.

For BBR's property development business, a crucial factor is the availability of sites that are suitable for development, design and construction. The business development team's role is to identify potential sites and conduct due diligence on its suitability before it is proposed to the management for investment consideration. The availability of capital for funding the acquisition of suitable plots of land is a strategic business risk which must be addressed prior to investment commitment.

The Group also mitigates competition risk by exploring business opportunities in the region.

Political and regulatory risks

All projects are assigned a risk quotient for political and regulatory risk. The exposure to changing government policies and regulations within the local and global market environment entails a continual review of business plans. Preventive measures include performing due diligence prior to investments and identifying established local and global partners that are able to identify and mitigate any potential regulatory shifts. Preventive measures include maintaining close working relationships with business partners and authorities to keep abreast of developments, policy and regulatory changes in the construction and property development industries.

Changes to government policies

The Group operates amid a backdrop of government legislation, regulations and policies governing, among other things, employment of foreign workers, licensing of builders, approval and execution of plans and building works, workplace safety and health in Singapore and Malaysia. Of late, the Singapore government has legislated the adoption of more productive construction methods, such as, Prefabricated Prefinished Volumetric Construction (PPVC) for certain public sector projects and selected government land sales sites.

To keep abreast of changing policies, the business development team holds regular dialogues with the regulatory authorities and participates in industry workgroups to lobby and give feedback on potential regulatory changes. In order to uphold our first-mover advantage in PPVC, besides constantly upgrading BBR's steel modular system with the latest know-how, project execution methodology has to be proficient. We would also send our project staff regularly for training to keep them updated on changes in government regulations or policies in Singapore and other relevant countries, as well as on new safety and building standards imposed by the regulatory authorities.

Sales of our development properties are affected by the series of measures to cool the Singapore residential property market. Although the Group did not engage in any sale of development properties during the financial year, we are continually keeping abreast of property market developments so as to enable us to better manage our next property sales launch.

OPERATIONAL RISKS

Contractual risks and management

The Group has established a Tender Committee to evaluate the risks associated with contractual issues and tender compliances. The objective of the evaluation is to minimise contractual risks of the Group. Prior to the submission of tenders, additional clarification is sought from clients/consultants and queries received by the management are discussed and appropriate replies to the clients/consultants are prepared accordingly.

All agreed contractual matters are incorporated in the contracts for completeness and accuracy after discussions. However, in the event that clarifications sought by the management is not complete by the deadline stipulated for the tender, the management will enclose a qualification to that particular effect in the tender submission and these are further discussed at the tender interview with the clients/ consultants.

Technical risks and management

The Group's technical risks exposure is minimal as it has highly qualified technical personnel and it also engages external technical consultants to look into all aspects of technical matters. Projects that involve higher risks and which can be quantified will be factored into during the tender stage. Clarification will be sought from the clients/ consultants for matters that are not clear and proper records and documentation, where applicable, are prepared.

Partnership alliances to undertake projects jointly

The Group may enter into joint ventures to further its business plans. Disagreements regarding the conduct of business or operations, inconsistent economic or business goals, dispute as to the scope of responsibilities and obligations and differing financial capacities among partners may adversely affect the performance of the joint ventures. Further, amid deteriorating economic and/or financial conditions, joint venture partners may be unable to fulfil their respective contractual obligations, such as capital calls, as well as experience a decline in their creditworthiness.

The Group has addressed these risks by providing for executive committees ("Exco") to be set up in joint ventures and appointing its own personnel to participate actively in the progress of the project via the Exco. Key policy matters are defined and agreed upfront in contractual documents, stipulating detriments of defaulting parties for specific events. Prior to forming an alliance, there will be due diligence performed on the potential partners.

Performance, quality, cost overruns and liquidated damages for project delays

Ease of project execution is affected by factors such as, fluctuations in costs of materials, equipment and labour, proficiency of project staff and workers, accidents at work-sites, environmental impacts, delays in approval from the relevant authorities, stop-work orders by authorities, cost overruns and unfavourable weather conditions. Projects may also be slapped with liquidated damages if delays due to factors attributable to the Group occur, leading to non-completion within the construction period.

Initiatives by the Group to mitigate the above risks include periodic project milestone monitoring and regular budget review and update meetings involving project execution teams and management. Construction budgets may also include buffers in anticipation of cost overruns. To better equip personnel with skillsets to perform their functional roles, raise competencies and productivity levels during project executions, staff undergo relevant professional as well as technical training courses. The Group also conducts regular checks on the quality of work done for its projects.

BBR's centralised procurement facilitates the consolidation of purchases across projects to achieve economies of scale. The purchasing department is also tasked with pre-qualifying vendors for different work heads, followed by annual evaluation of each vendor's performance. Vendors who do not measure up are dropped from the pre-approved list. To ease the effect of cost fluctuations, contract terms may include a price fluctuation clause for key construction materials, such as rebar and concrete.

RISK MANAGEMENT REPORT

ISO 9001 accreditations govern project and quality management across the Group. Delay events are formally notified in writing on a timely basis to clients to minimise liquidated damages, while extension of time applications are judiciously pursued with proper documentation of delay events, site minutes of meeting, photographs and project correspondences.

Performance by subcontractors

The Group engages third-party contractors to provide various services for every project, to the extent that the end product is substantially dependent on the performance of these subcontractors. These subcontractors may default or fall back on scheduled progress or quality standards may be below par. If their services are discontinued, alternative subcontractors are appointed and more often than not, at higher costs and longer completion duration, for which such additional costs cannot be recovered from the defaulting contractor.

BBR minimises this risk by assessing all subcontractors' quality of work after each project and maintains a list of pre-approved subcontractors for each work head. Subcontractors are awarded not purely on price, but assessed on quality of services and the company's financial strength. Other insurances include retention sums and submission of performance bonds to BBR.

Shipment and transportation of PPVC modules

Deploying the PPVC system enables BBR to achieve labour productivity and operational efficiency via off-site prefabrication of steel units, complete with internal finishes, fixtures and fittings at holding yards, which are then transported to construction sites for installation and assembly to form modular apartments. There could be delays by the logistics firm due to insufficient base cargo to justify shipments, or adverse weather conditions at sea. During transportation of the finished heavy and bulky modules to the project site, accidents may happen en route, causing not only delays and damages to the modules, but to third parties too.

BBR mitigates this risk by only engaging experienced logistics vendors with good track record, as well as ensuring contract terms contain provisions for fair compensation to BBR in the event of shipment delays and damages to goods. Adequate insurance coverage is fundamental to hedge against all forms of damages consequent to accidents.

Quality control of PPVC modules

As a manufacturer of PPVC modules, quality control of the modules is of utmost importance. The Group has stringent quality assurance and quality control requirements at each stage of works and close supervision at the factory where the modules are constructed off-site. Selection of sub-contractors is also based on quality and price rather than solely on price. Materials used are tested if necessary to ensure that they meet the project requirement and quality standards.

Labour shortage

The Group is highly dependent on foreign workers to carry out construction activities at its projects and is therefore vulnerable to the dearth of workers and increasing levy costs of employment. Labour policies by the Singapore and Malaysia governments have restricted the supply of foreign workers, leading to higher costs of employing workers via less competitive sources of supply and having to manage diminished accountability from these outsourced labourers.

BBR has responded to the government's push for productivity by investing in PPVC, Building Information Modelling (BIM) software and application, and other automation, thereby reducing our reliance on labour.

FINANCIAL RISKS

Foreign Exchange risks

The Group is subject to foreign exchange risks as a result of transactions denominated in currencies other than the respective functional currencies of its companies. In particular, the business of PPVC entails engaging overseas fabricators to supply modules and ocean freight forwarders to provide shipping services. The transactions may be denominated in currencies other than the Singapore dollar, giving rise to foreign exchange differences as a result of movements in exchange rates for mainly the United States Dollars against the Singapore Dollar. The Group closely monitors for fluctuations and has entered into forward currency contracts to partially hedge its USD purchases.

In addition to transactional exposure, the Group is exposed to currency translation risk, mainly in Malaysian ringgit from net investments in its foreign subsidiary, BBR Construction Systems (M) Sdn Bhd.

Capital management

BBR recognises the importance of prudent capital management to support the Group's overall business operations and strategic investments. To remain competitive, BBR must have adequate financing on terms acceptable to the Group to continually invest in capital equipment, facilities and technological improvements for its businesses, aside from sufficient working capital facilities to finance the completion of its projects. A common condition for project awards is the procurement of a performance bond by an acceptable financial institution to guarantee the Group's contractual performance in the project.

Prudent capital management is particularly pertinent for PPVC because there is a longer time gap between the payment for cost of supplies and collection from our client. Unlike general construction and specialised engineering projects where claims are progressively paid by the client for work performed, payments for PPVC is due only when the completed module is installed at the site.

Financial institutions grant facilities to companies based on its financial performance and other factors that are beyond its control, such as general economic and political conditions. Hence, the importance of open communications with BBR's relationship managers at major banks so as to maintain available lines of credit facilities. By aligning the Group's capital management strategy with its short and mid-term goals, investment and expansion plans need not be curtailed in the event financing is unsuccessful or withdrawn. Also, the Group negotiates with banks to establish loan covenants, where required, with ample headroom and monitors the outcome on a quarterly basis.

Tariff for Production of Solar Energy

For the Group's green technology segment, it is involved in projects to supply, install and lease solar panels and grid connected systems to customers on a long-term basis. Power purchase agreements ("PPAs") are entered into for up to 25 years where the selling price of solar energy is pegged to the prevailing Singapore electricity tariff set by the Energy Market Authority ("EMA") and there may be no floor price set. As a key component in determining the cost of electricity is fuel cost, the income stream derived from the PPAs over the lease period would be affected by movements in oil prices, as a result of EMA adjusting the electricity tariff.

SGX launched the electricity futures market on 1 April 2015, which is a platform for the electricity industry to partially hedge its risks by allowing the trading of standardised contracts of electricity products up to 2 years into the future at specified prices. Industry players are able to derive more certainty on cashflows by hedging against any low spot prices or cover unplanned or maintenance outages of its panel installations, thereby protecting its revenues. However, BBR has not hedged income receivable from its solar leasing contracts because current revenue derived is relatively low and the cost of hedging does not merit the benefits.

RISK MANAGEMENT REPORT

COMPLIANCE RISKS

Workplace Safety and Health

Accidents at work sites may disrupt operations as a result of partial or full stop-work orders, fines, claims from injured parties for damages, and any claims which may not be covered by the Group's insurance policies. If an offence is committed under the Workplace Safety and Health Act, BBR and/or its officers may be liable to fines or imprisonment, as well as demerit points imposed by the Ministry of Manpower ("MOM") on the company. If the company continues to breach workplace safety and health rules, applications for new and renewal of work passes for foreign employees will be rejected by MOM.

BBR has placed great emphasis on workplace safety and health by establishing safety programmes, standard operating procedures and protocols for staff. These safety measures have been extended to subcontractors who are obliged to conform to these practices or face fines for breaches. Apart from appointment of qualified Safety Officers who performs regular site safety inspections, safe practices are reinforced by conducting mandatory safety induction sessions for site staff to familiarise themselves with safety policies and behavioural safety approach is being promoted to all staff and workers, and thus taking ownership for personal safety.

SUBSTANTIAL SHAREHOLDERS

AS AT 7 MARCH 2019

Issued and fully paid capital	:	S$49,082,199
Number of ordinary shares (excluding treasury shares)	:	322,388,218
Number of treasury shares	:	2,322,200
Class of shares	:	Ordinary
Voting rights		1 vote for each ordinary share held (excluding treasure shares)

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	37	0.48	1,300	0.00
100 – 1,000	2,039	26.43	1,267,616	0.39
1,001 – 10,000	3,788	49.11	18,212,294	5.65
10,001 – 1,000,000	1,829	23.71	83,747,661	25.98
1,000,001 AND ABOVE	21	0.27	219,159,347	67.98
TOTAL	**7,714**	**100.00**	**322,388,218**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	% (1)
1	BBR HOLDING AG	85,632,978	26.56
2	CITIBANK NOMINEES SINGAPORE PTE LTD	35,522,800	11.02
3	DBS NOMINEES (PRIVATE) LIMITED	26,930,874	8.35
4	RAFFLES NOMINEES (PTE.) LIMITED	10,701,100	3.32
5	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	9,456,152	2.93
6	ABN AMRO CLEARING BANK N.V.	8,623,400	2.67
7	ONG KIAN KOK	7,658,000	2.38
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	6,150,200	1.91
9	NG SENG HUA	4,931,200	1.53
10	HONG LEONG FINANCE NOMINEES PTE LTD	4,011,000	1.24
11	DUNCAN PRODUCTS PTE LTD	2,700,073	0.84
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,351,200	0.73
13	JONATHAN CHADWICK	2,000,000	0.62
14	UOB KAY HIAN PRIVATE LIMITED	1,993,800	0.62
15	TAN BAN PIN	1,761,500	0.55
16	TIONG WOON CRANE & TRANSPORT (PTE) LTD	1,696,788	0.53
17	PHILLIP SECURITIES PTE LTD	1,643,500	0.51
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,614,100	0.50
19	TYT BUILDERS PTE LTD	1,560,182	0.48
20	NG HWEE KOON	1,203,500	0.37
	TOTAL	**218,142,347**	**67.66**

PUBLIC SHAREHOLDING

As at 7 March 2019, based on the registers of shareholders and to the best knowledge of the Company, approximately 54.61% of the Company's shares were held in the hands of the public. The Company has complied with the Mainboard Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

TREASURY SHARES

As at 7 March 2019, 2,322,200 ordinary shares are held as treasury shares, representing 0.72% of the total number of issued shares excluding treasury shares

Note:

(1) Percentage is calcuted based on 322,388,218 ordinary shares (excluding treasury shares) as at 7 March 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 7 MARCH 2019

	Number of shares held		
Name of Substantial Shareholders	Direct Interest	Deemed Interest	Total Interest
BBR Holding AG, Switzerland	85,632,978	–	85,632,978
Tectus S.A [1]	–	85,632,978	85,632,978
Claudia Valsangiacomo-Brandestini [2]	–	85,632,978	85,632,978
Bruno Sergio Valsangiacomo [3]	–	85,632,978	85,632,978
Vesna Eckert- Brandestini [2]	–	85,632,978	85,632,978
Nick Brandestini [2]	–	85,632,978	85,632,978
Tan Kheng Hwee Andrew [4]	17,250,474	228,400	17,478,874
Voon Yok Lin [5]	16,690,000	–	16,690,000
Chiu Hong Keong or Khoo Yok Kee [6]	26,160,700	40,000	26,200,700

Notes:

(1) Tectus S.A. is deemed to have interests in the Company's shares held by BBR Holding AG, Switzerland by virtue of its holding in aggregate not less than 20% of the voting shares of BBR Holding AG, Switzerland.

(2) Mrs Claudia Valsangiacomo-Brandestini, Ms Vesna Eckert-Brandestini and Mr Nick Brandestini are each deemed to have an interest in the Company's shares held by BBR Holding AG, Switzerland by virtue of each of them holding not less than 20% of the voting shares of Tectus S.A..

(3) Mr Bruno Sergio Valsangiacomo is deemed to have an interest in the Company's shares held by BBR Holding AG, Switzerland by virtue of him together with his wife, Mrs Claudia Valsangiacomo-Brandestini, holding in aggregate not less than 20% of the voting shares of Tectus S.A..

(4) The shares of Mr Tan Kheng Hwee Andrew are held in the name of DBS Nominees Pte Ltd. He is deemed to have an interest in the Company's shares held by his wife, Ms Koh Peck Poh, Phyllis.

(5) The shares of Mr Voon Yok Lin are held in the name of Citibank Nominees Singapore Pte Ltd.

(6) Mr Chiu Hong Keong or Ms Khoo Yok Kee are deemed to have an interest in the shares held by their son, Mr Chiu Wei Wen.

NOTICE OF ANNUAL GENERAL MEETING

BBR HOLDINGS (S) LTD

(Incorporated in the Republic of Singapore)
UEN 199304349M

NOTICE IS HEREBY GIVEN that the Twenty-Fifth Annual General Meeting of BBR HOLDINGS (S) LTD (the "**Company**") will be held at 50 Changi South Street 1, BBR Building, Singapore 486126 on Monday, 29 April 2019 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditor's Report thereto. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 117 of the Company's Constitution:-

   2.1 Prof. Yong Kwet Yew

   (Note: Prof. Yong Kwet Yew is a Non-Executive Independent Director, Chairman of the Board/Nominating Committee/Remuneration Committee/ BBR Share Plan Committee and a member of the Audit Committee. He will, upon re-election as a Director of the Company, remain as a Non-Executive Independent Director, the Chairman of the Board/Nominating Committee/ Remuneration Committee/BBR Share Plan Committee and a member of the Audit Committee.) **(Resolution 2)**

   2.2 Mr. Tan Kheng Hwee Andrew

   (Note: Mr. Tan Kheng Hwee Andrew is an Executive Director, the Chief Executive Officer and a member of the BBR Share Plan Committee/Investment Committee. He will, upon re-election as a Director of the Company, remain as an Executive Director, the Chief Executive Officer and a member of The BBR Share Plan Committee/Investment Committee.) **(Resolution 3)**

   2.3 Mr. Bruno Sergio Valsangiacomo

   (Note: Mr. Bruno Sergio Valsangiacomo is a Non-Executive Director and a member of the Remuneration Committee/BBR Share Plan Committee. He will, upon re-election as a Director of the Company, remain as a Non-Executive Director, a member of the Remuneration Committee/BBR Share Plan Committee) **(Resolution 4)**

   More information about the retiring Directors can be found on pages 10, 11, 115 and 134 of the Annual Report.

3. To approve payment of $290,000.00 as Directors' fees for the year ended 31 December 2018 (2017: $290,000.00). **(Resolution 5)**

4. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix the auditor's remuneration. **(Resolution 6)**

5. To transact any other ordinary business that may properly be transacted at an annual general meeting.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

   Proposed Authority to Allot and Issue Shares

NOTICE OF ANNUAL GENERAL MEETING

"THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and the Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors to:

(a) (i) allot and issue shares in the share capital of the Company ("**Shares**") 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/or

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalization issues, at any time upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

(b) issue Shares in pursuance of any Instrument made or granted by the Directors while such authority was in force (notwithstanding that the authority conferred by the members may have ceased to be in force);

Provided 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):

(A) shall not exceed 50% of the total number of issued Shares (excluding treasury shares) in the share capital of the Company (as calculated in accordance with sub-paragraph (2) below); and

(B) the aggregate number of Shares to be issued other than on a pro rata basis to the shareholders of the Company does not exceed 20% of the total number of issued Shares (excluding treasury shares) in the share capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the aggregate number of issued Shares (excluding treasury shares) shall be based on the aggregate number of issued Shares (excluding treasury shares) in the share capital of the Company at the time of the passing of this Resolution, after adjusting for:-

(A) new Shares arising from the conversion or exercise of convertible securities; or

(B) new Shares arising from the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time of passing of this Resolution; and

(C) any subsequent bonus issue, consolidation or subdivision of Shares, where applicable.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) unless revoked or varied by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to this Resolution may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of passing of this Resolution and expiring on the earliest of:

(A) the date on which the next annual general meeting of the Company is held; or

(B) the date by which the next annual general meeting of the Company is required by law to be held." **(Resolution 7)**

(*See Explanatory Note (1)*)

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

<u>Proposed Authority to Allot and Issue Shares under The BBR Share Plan</u>

"THAT the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of The BBR Share Plan ("**Plan**") and to allot and issue from time to time such number of Shares as may be required to be allotted and issued pursuant to the vesting of awards under the Plan provided that the aggregate number of new Shares issued and to be issued pursuant to the Plan shall not exceed 10% of the aggregated number of issued Shares of the Company (excluding treasury shares) from time to time." **(Resolution 8)**

(See Explanatory Note (2))

8. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

<u>Proposed Renewal of the Share Purchase Mandate</u>

"THAT:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore, as amended or modified from time to time (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the share capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

NOTICE
OF ANNUAL GENERAL MEETING

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate in paragraph (a) of this Resolution may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(iii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;

(c) in this Resolution:

"**Prescribed Limit**" means 10% of the total number of issued Shares of the Company (excluding any Shares which are held as treasury shares and subsidiary holdings) as at the date of the passing of this Resolution; and

"**Maximum Price**", in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price (as hereinafter defined),

where:

"**Average Closing Price**" means the average of the Closing Market Prices of the Shares over the last five Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

"**Closing Market Price**" means the last dealt price for a Share transacted through the SGX-ST's trading system as shown in any publication of the SGX-ST or other sources;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. **(Resolution 9)**

All capitalised terms used in this Notice which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the Appendix to the Notice of Annual General Meeting (the "**Appendix**") (including supplements and modifications thereto). Shareholders should refer to the Appendix for information relating to the proposed renewal of the Share Purchase Mandate.

(See Explanatory Note (3))

9. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

Proposed Adoption of the New Constitution

"THAT:

(a) the regulations contained in the New Constitution, as set out in Annex 2 to the Appendix, be approved and adopted as the constitution of the Company in substitution for, and to the exclusion of, the Existing Constitution; and

(b) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to this Resolution. **(Resolution 10)**

All capitalised terms used in this Notice which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the Appendix (including supplements and modifications thereto). Shareholders should refer to the Appendix for information relating to the proposed adoption of the New Constitution.

(See Explanatory Note (4))

BY ORDER OF THE BOARD

Chiang Chai Foong
Company Secretary

Singapore, 5 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes to the Notice of Annual General Meeting

(1) Ordinary Resolution 7 in item 6, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a number not exceeding 50% of the total number of issued shares of the Company (excluding treasury shares), of which up to 20% may be issued other than on a pro rata basis to the shareholders. For the purpose of determining the aggregate number of shares and convertible securities that may be issued, the aggregate number of issued shares is based on the Company's aggregate number of issued shares (excluding treasury shares) at the date of passing of the Resolution after adjusting for new issuance of shares, any subsequent consolidation or subdivision of shares, where applicable.

(2) Ordinary Resolution 8 in item 7, if passed, will empower the Directors of the Company to grant awards in accordance with the provisions of The BBR Share Plan and to allot and issue shares thereunder provided that the aggregate number of new Shares issued and to be issued pursuant to the Plan shall not exceed 10% of the aggregate number of issued Shares of the Company (excluding treasury shares) from time to time. Please refer to the Company's Circular to Shareholders dated 13 April 2010 for further details.

(3) Ordinary Resolution 9 in item 8, if passed, will empower the Directors to exercise all powers of the Company to purchase or otherwise acquire (whether by way of market purchases or off-market purchases) up to 10 percent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (the **"Shares"**) on the terms of the mandate (the **"Share Purchase Mandate"**) set out in the Appendix. The authority conferred by this Resolution will continue in force until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held or the date on which purchases or acquisitions of Shares are carried out to the full extent mandated, whichever is the earlier, unless previously revoked or varied at a general meeting.

The Company intends to use the Groups' internal resources, or external loans and borrowings or a combination of both to finance its purchases or acquisitions of Shares pursuant to the Share Purchase Mandate. The amount of funding required for the Company to purchase or acquire the Shares under the Share Purchase Mandate will depend on, inter alia, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

For illustrative purposes only, the financial effects of purchases or acquisitions of Shares under the Share Purchase Mandate on the audited financial statements of the Company and the Group for the financial year ended 31 December 2018, based on certain stated assumptions, are set out in section 2.7 of the Appendix.

(4) Special Resolution 10 in Item 9, if passed, will approve the adoption of a new Constitution in substitution for, and replacement of, the Company's existing Constitution. The New Constitution contains regulations that take into account the wide-ranging amendments to the Companies Act introduced by the Companies (Amendment) Act 2014, the Companies (Amendment) Act 2017, and other updates to the regulatory framework. Please refer to section 3 of the Appendix for more details.

Notes:

1.1 A member of the Company who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) entitled to attend, speak and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote on his behalf at the meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy.

1.2 A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) is entitled to appoint more than two (2) 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 appoints more than two (2) proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

2. A proxy need not be a member of the Company. If the member is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorized officers or attorney.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **50 Changi South Street 1, BBR Building, Singapore 486126** not less than forty-eight (48) hours before the time appointed for holding the meeting.

Personal Data Privacy:

By attending the Annual General Meeting and/or adjournment thereof or 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 (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and/or 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) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HOLDINGS (S) LTD

UEN: 199304349M
(Incorporated in Singapore)

PROXY FORM

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

Important:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS investors who wish to attend and vote at the Annual General Meeting should contact their CPF/SRS Approved Nominee (as may be applicable).

*I/We ____________________

of ____________________

being a *member/members of BBR Holdings (S) Ltd (the "Company"), hereby appoint

Name	NRIC/Passport No	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No	Proportion of Shareholdings	
		No. of Shares	%
Address			

as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the Twenty-Fifth Annual General Meeting ("**AGM**") of the Company to be held at 50 Changi South Street 1, BBR Building, Singapore 486126 on Monday, 29 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 AGM as indicated below. If no specific direction as to voting is given or in the event of any matter arising at the AGM, *my/our *proxy/proxies will vote or abstain from voting at *his/her own discretion.

No	Resolution relating to	No. of Votes For #	No. of Votes Against #
	Ordinary Business		
1.	Adoption of audited Financial Statements ended 31 December 2018, Directors' Statement and Auditor's Report		
2.	Re-election of Prof Yong Kwet Yew as a Director		
3.	Re-election of Mr Tan Kheng Hwee Andrew as a Director		
4.	Re-election of Mr Bruno Sergio Valsangiacomo as a Director		
5.	Approval of Directors' Fees – S$290,000.00		
6.	Re-appointment of Auditors and authority to fix their remuneration		
	Special Business		
7.	General Authority to Allot and Issue Share		
8.	Authority to Allot and Issue shares under The BBR Share Plan		
9.	Renewal of the Share Purchase Mandate		
10.	Adoption of the New Constitution		

* *Delete where applicable*

\# *If you wish to use all your votes* ***"For"*** *or* ***"Against"****, please indicate with an* ***"X"*** *within the box provided. Otherwise, please indicate the number of votes.*

Dated this __________ day of ________________ 2019

Total Number of Shares Held in		
(a)	CDP Register	
(b)	Register of Members	

____

Signature(s) of the Shareholder(s)/
Authorised persons of Corporate Shareholder

Notes:

1. A member of the Company who is not a relevant intermediary entitled to attend, speak and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote on his behalf at the meeting. Such proxy need not be a member of the Company.
2. Where a member appoints two proxies, the appointments shall be invalid unless the proportion of shareholding represented by each proxy is specified in the proxy form.
3. A member should insert the total number of shares held.

3.1 If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), he should insert that number of shares.

3.2 If the member has shares entered against his name in the Register of Members, he should insert that number of shares.

3.3 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 entered against his name in the Depository Register and registered in his name in the Register of Members.

3.4 If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by the member.

4. A member who is a relevant intermediary entitled to attend, speak and vote at the meeting is entitled to appoint more than two (2) proxies to attend, speak and vote instead of the member 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 appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means

   (a) a banking corporation licensed under the Banking Act, Chapter 19 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 and who holds shares in that capacity; or

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AFFIX
STAMP

Company Secretary

BBR HOLDINGS (S) LTD

50 CHANGI SOUTH STREET 1

BBR BUILDING

SINGAPORE 486126

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   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be signed by authorised persons.
6. 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 shall be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporate member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
8. The duly executed instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Changi South Street 1, BBR Building, Singapore 486126 at least forty-eight (48) hours before the time appointed for the holding of the meeting.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it 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 appointing a proxy or proxies.
10. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such member is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for the holding of the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 April 2019.

BBR HOLIDINGS (S) LTD
Reg. No.: 199304349M

50 Changi South Street 1 BBR Building Singapore 486126
Tel: 6546 2280 Fax: 6546 2268 www.bbr.com.sg