OCEAN SKY

OCEAN SKY INTERNATIONAL LIMITED

2018

ANNUAL REPORT

OCEAN SKY

OCEAN SKY INTERNATIONAL LIMITED

CONTENTS

Sponsor Statement

The annual report has been prepared by Ocean Sky International Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B:Rules of Catalist. The Sponsor has not verified the contents of this annual report.

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

The contact person for the Sponsor is Mr Gregory Wee Toon Lee, Assistant Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

CORPORATE PROFILE

Ocean Sky International Limited ("**Ocean Sky**" or the "**Company**" and together with its subsidiaries, the "**Group**") is an investment holding company with an interest in civil engineering, construction and related services business ("**Construction and Engineering Business**"), and the business of property development, investment and management ("**Real Estate Business**").

Construction and Engineering Business

The Group's wholly-owned subsidiary, Ang Tong Seng Brothers Enterprises Pte Ltd ("**ATS**"), operates primarily in Singapore and provides civil engineering services including earthwork, roadwork, drainage work, basement work, structural works involving demolition and underground infrastructure as well as other general building works.

To increase productivity and improve service delivery for customers, ATS incorporated a wholly-owned subsidiary, Ang Tong Seng Construction Pte. Ltd. (formerly known as Ang Tong Seng Trading Pte. Ltd.), on 3 January 2018 to streamline the Group's civil engineering operations through the wholesaling and leasing of construction-related machinery, equipment, materials and supplies.

Registered with the Building and Construction Authority of Singapore, ATS is currently classified under Grade C3 for the General Building category and Grade C1 for the Civil Engineering category.

Real Estate Business

Singapore

The Group, through its wholly-owned subsidiary, Atlantic Sky Investment Pte. Ltd., acquired a 999-year leasehold property at 6 Nim Drive in 2017 for redevelopment into a detached house for sale. Through its joint venture company, TSky Development Pte. Ltd., the Group successfully completed the acquisition of two freehold properties in prime districts for redevelopment into high-end residential units. The acquisition of 17 Balmoral Road in district 10 was completed in 2017 while 16 Cairnhill Rise in district 9 was completed in 2018.

The Group also owns a factory cum office leasehold property for rental income generation.

Cambodia

The Group's wholly-owned subsidiary, Pacific Sky Investment Pte. Ltd., together with its joint venture partners, will develop and manage a proposed 71-unit shophouse development project, Eco Garden Mall, on a freehold land area of approximately 9,185 square metres in Kandal Province.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Ang Boon Cheow Edward
Executive Chairman & Chief Executive Officer

Mr Chia Yau Leong
Executive Director

Mr Chua Keng Hiang
Lead Independent Director

Mr Ng Ya Ken
Independent Director

Ms Tan Min-Li
Independent Director

Mr Chia Boon Kuah
Independent Director

AUDIT COMMITTEE

Mr Chua Keng Hiang (Chairman)
Mr Ng Ya Ken
Ms Tan Min-Li
Mr Chia Boon Kuah

NOMINATING COMMITTEE

Ms Tan Min-Li (Chairman)
Mr Chua Keng Hiang
Mr Ang Boon Cheow Edward
Mr Chia Boon Kuah

REMUNERATION COMMITTEE

Mr Ng Ya Ken (Chairman)
Mr Chua Keng Hiang
Ms Tan Min-Li
Mr Chia Boon Kuah

COMPANY SECRETARY

Mr Chia Yau Leong

REGISTERED OFFICE AND BUSINESS ADDRESS

29 Tuas South Street 1
Singapore 638036
Tel: (65) 6789 9988
Fax: (65) 6789 9933
www.oceanskyintl.com

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

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

Partner in Charge: Ms Goh Chern Ni
(First appointed in respect of the financial year ended
31 December 2018)

SPONSOR

UOB Kay Hian Private Limited
8 Anthony Road
#01-01
Singapore 229957

BANKERS

DBS Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

FINANCIAL HIGHLIGHTS

(S$'000)	2014	2015	2016	2017	2018
	(Restated)*	(Restated)*	(Restated)*	(Restated)**	
SUMMARISED COMPREHENSIVE INCOME STATEMENT					
Revenue	912	988	3,355	27,590	**22,119**
Profit/(Loss) before income tax	29	(2,028)	1,909	6,091	**(9,374)**
Net (loss)/profit attributable to owners of the parent	(584)	(2,426)	1,213	3,803	**(9,572)**
SUMMARISED FINANCIAL POSITION STATEMENT					
Non-current assets	18,508	20,087	48,440	37,913	**38,022**
Current assets	31,069	26,878	28,375	46,062	**38,891**
Current liabilities	(7,235)	(3,845)	(10,772)	(16,726)	**(10,477)**
Non-current liabilities	(89)	(102)	(10,771)	(10,256)	**(12,352)**
Capital and reserves	42,253	43,018	55,272	56,993	**54,084**
FINANCIAL RATIOS					
(Loss)/Earnings per share (SGD cents)	(0.13)	(1.08)***	0.52	1.17	**(2.61)**
Profit/(Loss) before income tax margin	3.2%	(205.3%)	56.9%	22.1%	**(42.4%)**
Net (loss)/profit margin	(64.0%)	(245.5%)	36.2%	13.8%	**(43.3%)**
Net tangible assets per share (SGD cents)	9.40	9.57	13.12	13.83	**11.46**
Return on assets	(1.2%)	(5.2%)	1.6%	4.5%	**(12.4%)**
Return on equity	(1.4%)	(5.6%)	2.2%	6.7%	**(17.5%)**

* The comparative figures have been restated to take into account of the change in the Group's functional and presentation currency from United States Dollar ("USD" or "US$") to Singapore Dollar ("SGD" or "S$").

The Comprehensive Income Statement for FY2014, FY2015 and FY2016 were converted using the exchange rate of US$1=S$1.266, US$1=S$1.372 and US$1=S$1.412 respectively.

The Financial Position Statement for FY2014, FY2015 and FY2016 were converted using the exchange rate of US$1=S$1.327, US$1=S$1.411 and US$1=S$1.447 respectively.

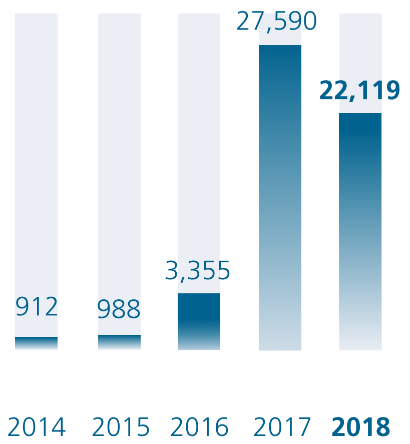
** The comparative figures have been restated to take into account of the change in the Group's functional and presentation currency from USD to SGD and the adoption of SFRS(I) 15.

The Comprehensive Income Statement and Financial Position Statement were converted using the exchange rate of US$1=S$1.385 and US$1=S$1.338 respectively.

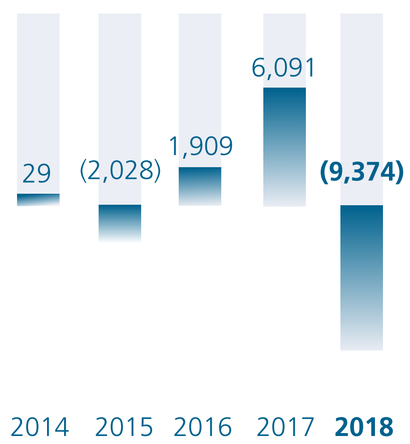
*** Adjusted for the share consolidation on 30 November 2016.

FINANCIAL HIGHLIGHTS

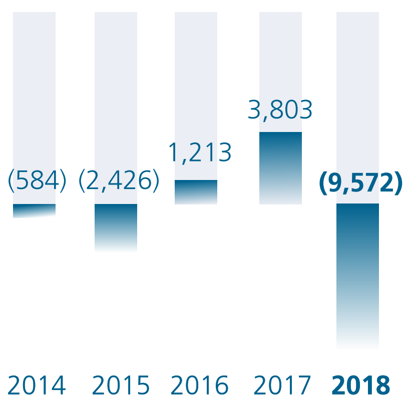
Revenue in S$'000



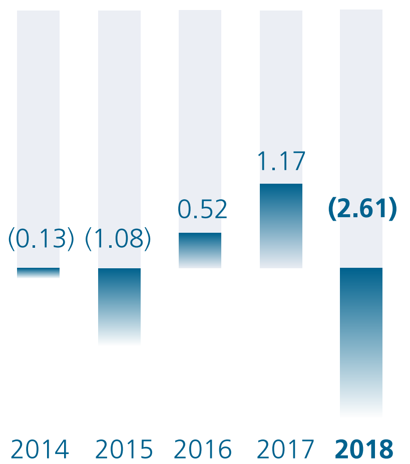
Profit/(Loss) before income tax in S$'000



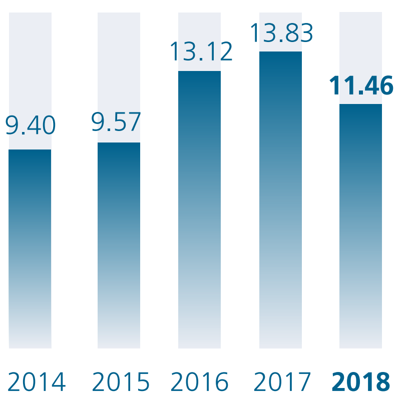
Net (loss)/profit attributable to owners of the parent in S$'000



(Loss)/Earnings per share in SGD cents



Net tangible assets per share in SGD cents



BOARD OF DIRECTORS

Mr Ang Boon Cheow Edward

Executive Chairman & Chief Executive Officer

Mr Ang Boon Cheow Edward has been instrumental in spearheading the Group's expansion since its inception in 1995 and provides strong leadership to the Group in the area of strategic direction and planning.

Following Ocean Sky's business diversification in 2013, Mr Ang drives the Group's Real Estate Business. As a Director at TSky Development Pte. Ltd., the Group's 40%-owned joint venture company, Mr Ang is actively involved in the planning, design and development of the high-end residential projects at 17 Balmoral Road and 16 Cairnhill Rise.

In addition, Mr Ang is familiar with the construction and civil engineering sector as he has invested in ATS, now a wholly-owned subsidiary of the Group, for more than 20 years. As Managing Director of ATS from 1992 to 2003, Mr Ang was actively involved in the executive management of ATS with responsibilities for overall business development, strategic planning and project management. Since 2003, he has been the non-executive chairman of ATS and maintains oversight of ATS' operations at the board level.

Mr Ang has a Business Degree from the USA and is currently the Chairman for International Affairs Committee and a Council Member of Singapore Chinese Chamber of Commerce & Industry as well as a member of the Singapore Institute of Directors.

Mr Chia Yau Leong

Executive Director

Mr Chia Yau Leong joined the Group in May 2008 and assumed the current position of Financial Controller in 2009 and Company Secretary in 2011. He is responsible for the overall planning and management of the Group's financial, taxation and corporate governance functions. He also plays an important advisory role towards the formulation of the Group's strategic development plans. Mr Chia was appointed to the Board on 6 May 2016.

Mr Chia is a non-practicing member of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors. He has more than 20 years of auditing, accounting and financial management experience. He graduated with a Bachelor of Science (Mathematics) degree awarded by the National University of Singapore in 1995 and obtained a ACCA professional qualification in 1998.

Mr Chua Keng Hiang

Lead Independent Director

Mr Chua Keng Hiang is a practicing member of the Institute of Singapore Chartered Accountants. He has more than 30 years of experience in public accounting, corporate finance and management. He holds an honours degree in accountancy from the then University of Singapore and is a fellow member of the Association of Chartered Certified Accountants (UK). Mr Chua currently sits on the board of two other listed companies – Jadason Enterprises Ltd and Memtech International Ltd..

BOARD OF DIRECTORS

Mr Ng Ya Ken

Independent Director

Mr Ng Ya Ken holds a Master's degree in economics from New Zealand. Mr Ng worked as a senior economics statistician in the Ministry of Trade and Industry in the 1970s and early 1980s, after which he joined a market research company as a senior research manager. He later worked at the Singapore Press Holdings Limited for nine years, first as a senior research manager and later as an Assistant General Manager in its Advertising and Marketing Division. After leaving Singapore Press Holdings Limited, Mr Ng worked as a senior consulting manager at the Marketing Institute of Singapore and the Enterprise Promotion Centres. He later worked as a freelance consultant and has retired since 2014. In the course of his consulting career, Mr Ng has worked with enterprises and institutions from a diverse range of industries, from manufacturing and construction to telecommunication and banks.

Ms Tan Min-Li

Independent Director

Ms Tan Min-Li is currently a partner at Colin Ng & Partners LLP, a firm of advocates and solicitors in Singapore, and has over 15 years of experience in the legal profession. Ms Tan has considerable experience in the areas of initial public offerings, regional investments, corporate restructuring, cross border joint ventures and mergers and acquisitions in the region. She regularly advises on Singapore Exchange compliance and corporate governance issues. Ms Tan heads the Corporate Finance Practice Group, Greater China Practice Group and Japan Focus Group at Colin Ng & Partners LLP. Her principal areas of practice are in corporate and financial services with particular emphasis on corporate finance and mergers and acquisitions in Singapore and the region. Prior to joining Colin Ng & Partners LLP in 2003, she was a partner with KhattarWong, a firm of advocates and solicitors in Singapore, and had also held other positions at other law firms since graduation.

Ms Tan graduated with a Bachelor of Laws (Honours) from the National University of Singapore and a Master of Laws from University College London, University of London, and was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1992. Ms Tan currently sits on the board of two other listed companies – Anchun International Holdings Ltd. and Union Steel Holdings Limited.

Mr Chia Boon Kuah

Independent Director

Mr Chia Boon Kuah has over 35 years of varied management experience comprising marketing, operations, property development and investment management across real estate, hospitality and airline industries. Prior to his appointment, Mr Chia sat on the board of Far East Hospitality Trust, Guocoland Limited and Guocoland (Malaysia) Berhad. He was also the President of the Real Estate Developers' Association of Singapore (REDAS) from 2013 to 2014. Mr Chia currently brings his extensive experience to provide strategic counsel as a business consultant in the real estate sector.

Mr Chia holds a Bachelor's degree in engineering from the Heriott Watt University in UK and has a Master in Business Administration from the National University of Singapore.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Ang Boon Cheow Edward and Ms Tan Min-Li are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2019 ("**2019 AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the following is the information relating to the Retiring Directors as set out in Appendix 7F to the Catalist Rules of SGX-ST:

	MR ANG BOON CHEOW EDWARD	MS TAN MIN-LI
Date of Appointment	15 August 1995	15 May 2014
Date of last re-appointment	N.A.	27 April 2017
Age	62	50
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors (the "**Board**") of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the past contribution and suitability of Mr Ang Boon Cheow Edward for re-appointment as Executive Director of the Company. The Board has reviewed and concluded that Mr Ang Boon Cheow Edward possesses the experience, expertise, knowledge and skills to continue contributing towards the existing businesses.	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Ms Tan Min-Li for re-appointment as Independent Non-Executive Director of the Company. The Board has reviewed and concluded that Ms Tan Min-Li possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Ang Boon Cheow Edward is responsible for driving the Group's strategic direction and growth, as well as providing mentorship and guidance to the Management.	Non-Executive
Job Title (e.g.) Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Chief Executive Officer	Independent Non-Executive, Chairman of Nominating Committee and a member of Audit Committee and Remuneration Committee
Professional qualifications	Business Degree, USA	Bachelor of Laws (Honours) from the National University of Singapore Master of Laws from University College London, University of London Advocate and Solicitor of the Supreme Court of Singapore

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR ANG BOON CHEOW EDWARD	MS TAN MIN-LI
Working experience and occupation(s) during the past 10 years	Executive Chairman and Chief Executive Officer of Ocean Sky International Limited and its subsidiaries	Partner of Colin Ng and Partners LLP
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 278,160,811 ordinary shares and 92,720,270 warrants Deemed Interest: Nil	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes Mr Ang Boon Cheow Edward is the brother of Mr Ang Boon Chong who owns 31,847,044 shares of the Company which are registered in the name of Raffles Nominees (Pte) Limited	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships Past (for the last 5 years)	Director of:– 1. Suntex Manufacturing Pte. Ltd.* 2. Eng Soon Garments Sdn Bhd* 3. Ocean Star Apparel (Guangzhou) Pte Ltd* 4. Bloom Time Services (SG) Pte. Ltd.** 5. Le Urban Holdings Pte. Ltd. 6. Le Urban Investment Pte. Ltd. 7. Pacific International Offshore Pte. Ltd. 8. PIO Ezion Pte. Ltd. * The company has been dissolved via member's voluntary winding up ** The company has been struck off	Director of:– 1. Westgrove International Pte. Ltd.* 2. Xeitgeist Entertainment Group Pte. Limited 3. Linkasia Consult Pte Ltd 4. CNP Services Pte. Ltd. *The company has been struck off Note: Excludes companies which Ms Tan Min-Li was appointed as a director for purposes of incorporation only and in the course of her professional practice, and companies where she acted as nominee director

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR ANG BOON CHEOW EDWARD	MS TAN MIN-LI
Present	Director of:– 1. Ocean Sky International Limited 2. Ang Tong Seng Brothers Enterprises Pte Ltd 3. Ang Tong Seng Construction Pte. Ltd. 4. Ocean Sky Properties Pte. Ltd. 5. Atlantic Sky Investment Pte. Ltd. 6. Arctic Sky Investment Pte. Ltd. 7. Pacific Sky Investment Pte. Ltd. 8. Suntex Investment Co., Ltd. 9. Eco Garden Mall Co., Ltd. 10. TSky Development Pte. Ltd. 11. TSky (Jervois) Pte. Ltd. 12. TSky Balmoral Pte. Ltd. 13. TSky Cairnhill Pte. Ltd. 14. Bloom Time Trading (2002) Pte. Ltd. 15. Nassim Apparel (KH) Pte. Ltd. 16. Leedon Apparel (KH) Pte. Ltd. 17. PDAC Ocean Sky Sdn Bhd 18. EDC@SCCCI Pte. Ltd. 19. GAS Investments Pte. Ltd. 20. Qingshui Investment Pte. Ltd. Chairman for International Affairs Committee and Council Member of Singapore Chinese Chamber of Commerce & Industry	Director of:– 1. Belle Curve Holdings Pte. Ltd. 2. Ocean Sky International Limited 3. Plan B Projects Pte. Ltd. 4. Sky Premium International Pte. Ltd. 5. Union Steel Holdings Limited 6. Whitelight Ventures Inc. 7. Anchun International Holdings Ltd. Note: Excludes companies which Ms Tan Min-Li is appointed as a director for purposes of incorporation only and in the course of her professional practice, and companies where she acts as nominee director
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or any time within 2 years from the date he ceased to be a partner?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR ANG BOON CHEOW EDWARD	MS TAN MIN-LI
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or whether that entity is the trustee of a business trust, that business trust, on the group of insolvency?	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud of dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR ANG BOON CHEOW EDWARD	MS TAN MIN-LI
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law of regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation of dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR ANG BOON CHEOW EDWARD	MS TAN MIN-LI
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

KEY MANAGEMENT

Mr Ang Boon Cheow Edward

Chief Executive Officer

Mr Ang Boon Cheow Edward spearheads the Group's overall corporate strategies where he plans and oversees the Corporate Services division. He is responsible for leading Ocean Sky in its overall corporate support including finance & accounting, IT, corporate social responsibility, administration and human resource management functions.

Mr Chia Yau Leong

Financial Controller

Mr Chia Yau Leong is responsible for the overall planning and management of the Group's financial, taxation and corporate governance functions. He also plays an important advisory role towards the formulation of the Group's strategic development plans through financial analysis and providing recommendations to the management.

TEAMWORK

We place collaborative effort at the heart of our business, encouraging people to participate and be involved

INTEGRITY

We uphold the highest standards of transparency and honesty in our commitments to our clients, business partners and stakeholders

INNOVATION

We strive to find different solutions to better serve our clients

QUALITY

We emphasise expertise, innovation and efficiency in all that we do

OWNERSHIP

We encourage team members to take pride and personal accountability in their work, acting with the company's long-term success in mind

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board and management, I am pleased to present to you the annual report of Ocean Sky International Limited ("**Ocean Sky**" or the "**Group**") for the financial year ended 31 December 2018 ("**FY2018**").

Global markets over the last 12 months have shown increased volatility as uncertainties continue to cloud global economic outlook. Closer to home, Singapore's private residential market sentiment was dampened following the cooling measures announced in July 2018. The cooling measures also presented further headwinds for growth in the private sector construction activities. As in previous years, the operating environment in the construction industry remains challenging with rising manpower costs and intense competition among local and overseas construction players.

In view of the challenges, Ocean Sky will continue to seek long-term growth as we remain focused on being the trusted partner in construction and civil engineering and selectively pursue opportunities in redevelopment projects through joint venture partnerships with trusted players in the market.

The Group recorded a revenue of S$22.12 million for FY2018 compared with S$27.59 million in the previous corresponding year ("**FY2017**"). The decrease in revenue was mainly due to the lower volume of construction work performed and certified in FY2018 as compared to FY2017 as most projects in FY2018 commenced in last quarter of 2018. Furthermore, the Group recorded lower rental income for FY2018 following the disposal of the investment property in Cambodia in FY2017. At the net profit level, the Group registered a net loss after income tax of S$9.57 million for FY2018, reversing the net profit after income tax of S$3.80 million recorded for FY2017.

Building a stronger foundation

To further expand, raise productivity and improve service delivery for customers, the Group's wholly-owned subsidiary Ang Tong Seng Brothers Enterprises Pte Ltd ("**ATS**") incorporated a wholly-owned subsidiary, Ang Tong Seng Construction Pte. Ltd. (formerly known as Ang Tong Seng Trading Pte. Ltd.), in January 2018 to streamline the Group's civil engineering operations as well as venture into the wholesaling and leasing of construction-related machinery, equipment, materials and supplies. The Group's longstanding track record and growing capabilities in the construction and civil engineering industry continues to complement our real estate business.

In Singapore, the Group's 999-year leasehold property development project at 6 Nim Drive continues to record steady progress as we redevelop the property into a detached home. We expect to complete the project in 2019 as planned.

Our 40% owned joint venture company, TSky Development Pte. Ltd. ("**TSky Development**"), has begun construction works on the freehold site on 17 Balmoral Road, located in Singapore's prime District 10. TSky Development plans to transform this site into a high-end residential condominium with two other joint venture partners through its 70% joint venture company, TSky Balmoral Pte. Ltd..

CHAIRMAN'S STATEMENT

In addition, TSky Development also completed the acquisition of Cairnhill Heights at 16 Cairnhill Rise in Singapore's prime District 9, making further progress towards the redevelopment of the freehold site. TSky Development will undertake the redevelopment of the acquired site into another high-end residential condominium with three other joint venture partners through its 51% joint venture company, TSky Cairnhill Pte. Ltd..

Beyond Singapore, the Group remains focused on the development of the 71-unit joint venture shophouse project, Eco Garden Mall, located in the Kandal Province of Cambodia. Marketing and sales initiatives are currently being developed for the freehold development spanning an area of approximately 9,185 square metres. Following the successful completion of the project's first phase comprising 28 units, five units have been leased out, each for a period of one year. Sales proceeds will be earmarked for the development of the second phase, comprising the remaining 43 units of the project.

The steady progress across the Group's real estate projects reflects Ocean Sky's successful diversification as we build a strong foundation for our real estate business.

Long-term prospects

Despite the challenging economic environment, we remain positive on the broader long-term outlook for the construction and real estate industries.

Based on the Building and Construction Authority's ("**BCA**") construction demand forecast, the value of construction contracts to be awarded in 2019 is expected to range between S$27 billion and S$32 billion. The forecast is comparable to the estimated total construction demand of S$30.5 billion in 2018[1]. The steady outlook for construction demand in 2019 is supported by major infrastructure and industrial building projects, including the new Changi Airport Terminal 5 and MRT related expansion works, as well as the redevelopment of past en-bloc sites and new industrial developments in the private sector.

We are encouraged by the steady construction demand and will continue to focus on identifying and implementing more efficient and streamlined work processes to reduce cost, optimise the utilisation of resources and enhance the Group's competitiveness.

Following the cooling measures announced in July 2018, the Group continues to be mindful of external headwinds and uncertainties in the Singapore property market. However, early indications have been encouraging and suggest that prices of private homes remain stable[2].

With the continued support of shareholders, Ocean Sky successfully raised net proceeds of S$6.3 million as a result of its Rights cum Warrants Issue in August 2018. The net proceeds will be used towards expanding the Group's business, financing business ventures through acquisitions and strategic investments in real estate projects and land development.

Should suitable opportunities arise, we will bid prudently and selectively for new development projects as Ocean Sky continues to establish itself as a trusted real estate developer. We remain confident in the long-term prospects of the Group's real estate business as its developments are built on strong partnerships, trust and innovation to maximise value.

The Group will also continue to explore investment opportunities in Singapore and the regional markets to seek diversified sources of revenue for sustainable long-term shareholder value.

Acknowledgements

On behalf of the Board and Management, I would like to thank all our shareholders and business partners for their continuous support of Ocean Sky.

I am also grateful for the dedication, diligence and commitment of our staff as we work together to drive Ocean Sky forward.

As we continue to grow our capabilities in civil engineering and construction as well as seek new opportunities in the real estate business, we will remain committed to prudent management as we strive to deliver long-term sustainable growth and value for shareholders.

Yours Sincerely,

Ang Boon Cheow Edward
Executive Chairman and Chief Executive Officer

[1] Building and Construction Authority, 14 Jan 2019, *Singapore's total construction demand to remain strong this year*

[2] The Business Times, 3 Jan 2019, *Marginal home price growth expected for 2019*

OPERATIONS REVIEW

Revenue & Other Income

Ocean Sky (or the "**Group**") recorded a revenue of S$22.12 million for the financial year ended 31 December 2018 ("**FY2018**") compared with S$27.59 million in the previous corresponding year ("**FY2017**"). The decrease of S$5.47 million in Group revenue reflects the decrease of S$4.63 million and S$0.84 million in revenue for the Group's Construction and Engineering Business and its Real Estate Business respectively.

The lower volume of construction work performed and certified in FY2018 as compared to FY2017 can be attributed to differences in stages of construction projects as most projects in FY2018 commenced in the last quarter of the year, thus resulting in a decrease in the Group's Construction and Engineering Business revenue for FY2018. Furthermore, the Group's Real Estate Business recorded lower rental income for FY2018 following the disposal of the investment property in Cambodia in FY2017.

The Group's cost of sales decreased by S$5.99 million to S$18.83 million for FY2018 as compared to S$24.82 million for FY2017 in tandem with the lower volume of work performed as well as the lower depreciation of plant and equipment as a number of motor vehicles had been fully depreciated in FY2017.

Other income decreased by S$12.64 million to S$0.27 million for FY2018 as compared to S$12.91 million for FY2017 due mainly to the absence of one-off gain on disposal of investment property in Cambodia previously recorded in FY2017.

Expenses

The Group's administrative and other operating expenses increased by S$2.63 million to S$11.91 million for FY2018 as compared to S$9.28 million for FY2017 due mainly to higher foreign exchange loss, provision for penalties and interest as well as the impairment of goodwill being recognised in view of the intensely competitive construction industry in Singapore. The increase was partly offset by the absence of one-off warranty claims in respect of the discontinued apparel business and professional fees for the warranty claims and disposal of the investment property in Cambodia previously recorded in FY2017 as well as lower amortisation of intangible assets arising from lower revenue recognised on outstanding construction contracts.

Finance costs increased from S$0.28 million for FY2017 to S$0.31 million for FY2018 due mainly to higher interest rates imposed on the term loans.

The share of results of joint ventures for FY2018 was a loss of S$0.72 million due mainly to the interest in relation to the property and construction loans not being capitalised as part of the development property cost for 17 Balmoral Road and 16 Cairnhill Rise.

The income tax expense decreased by S$2.09 million to S$0.20 million for FY2018 as compared to S$2.29 million for FY2017 which was due mainly to the provision of tax expense in relation to the gain on disposal of investment property in Cambodia in FY2017.

As a result of the above, the Group recorded a loss after income tax of S$9.57 million for FY2018, reversing the profit after income tax of S$3.80 million for FY2017.

Financial Position

Property, plant and equipment decreased to S$10.27 million as at 31 December 2018 from S$10.97 million as at 31 December 2017 due mainly to depreciation which was partly offset by additions for FY2018. Intangible assets of S$0.29 million as at 31 December 2017 have been fully amortised during FY2018. Goodwill decreased to S$4.76 million as at 31 December 2018 from S$11.76 million as at 31 December 2017 due to impairment being recognised for FY2018. Investment in joint ventures increased to S$17.40 million as at 31 December 2018 from S$9.30 million as at 31 December 2017 due to advances extended to fund the joint venture projects at 17 Balmoral Road and 16 Cairnhill Rise for FY2018.

Development property increased to S$5.81 million as at 31 December 2018 from S$4.43 million as at 31 December 2017 due to progressive construction work performed for FY2018. Trade and other receivables decreased to S$9.05 million as at 31 December 2018 from S$13.31 million as at 31 December 2017 due mainly to lower revenue and the release of the retained amount in escrow for the disposal of the investment property in Cambodia in FY2017.

OPERATIONS REVIEW

Trade and other payables decreased to S$5.71 million as at 31 December 2018 from S$9.16 million as at 31 December 2017 mainly due to lower purchases and payment of one-off accrued expenses of warranty claims and professional fees in FY2017.

Due to repayment for FY2018, total bank borrowings decreased to S$12.39 million as at 31 December 2018 from S$12.79 million as at 31 December 2017 and total finance lease payables decreased to S$0.78 million as at 31 December 2018 from S$1.24 million as at 31 December 2017.

Cashflows

For FY2018, the Group incurred net cash outflow from operating activities of S$1.40 million for FY2018 due mainly to payment to suppliers for the construction of its development property at 6 Nim Drive and other operating expenses, interest charges and income taxes.

The Group incurred net cash outflow from investing activities of S$8.67 million for FY2018 due mainly to the loans extended to the joint venture projects at 17 Balmoral Road and 16 Cairnhill Rise.

The Group generated net cash inflow from financing activities of S$5.61 million for FY2018 due mainly to net proceeds from the issuance of rights shares which was partly offset by the repayment of bank borrowings and finance leases.

Overall, the Group's total cash and cash equivalents decreased from S$27.98 million as at 31 December 2017 to S$23.91 million as at 31 December 2018.

CORPORATE GOVERNANCE

Ocean Sky International Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining high standards of corporate governance, and adherence to the principles and guidelines of the revised Code of Corporate Governance 2012 (the "**Code**") so as to ensure greater transparency, accountability and maximisation of long-term shareholder value. This report outlines the Company's corporate governance practices throughout the financial year ended 31 December 2018 ("**FY2018**") with specific reference to the Code and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**"). The Company has complied with the principles of the Code where appropriate. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.

This report should be read in totality, instead of being read separately under each principle of the Code. The Board noted the revised Code of Corporate Governance issued on 6 August 2018 ("**Revised Code**"), which is only effective from the Company's financial year commencing 1 January 2019, and will endeavor to comply with the Revised Code once it is effective.

(A) BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The Board of Directors (the "**Board**") comprises:

Mr Ang Boon Cheow Edward	(Executive Chairman & Chief Executive Officer)
Mr Chia Yau Leong	(Executive Director)
Mr Chua Keng Hiang	(Lead Independent Director)
Mr Ng Ya Ken	(Independent Director)
Ms Tan Min-Li	(Independent Director)
Mr Chia Boon Kuah	(Independent Director)

All the Directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

The Board's key responsibilities are in the following areas:

- formulate the Group's overall corporate strategies and directions and ensure adequate resources are available to meet these objectives;
- assume responsibility for overall performance of the Group;
- approve major funding, investment and divestment decisions;
- ensure adequate and effective system of internal controls and risk management processes to safeguard shareholders' interest and Group's assets;
- ensure compliance with statutory and financial reporting requirements, including approval of results, annual report and financial statements;
- ensure compliance with the law and the Company's Constitution;
- determine and propose payment of dividends;
- provide guidance and advice to Management;
- determine and monitor corporate governance practices;
- identify key shareholder groups and recognise their perceptions affect the Group's reputation;
- set the Group's value and standards, and ensure that obligations to shareholders and other stakeholders are understood and met; and
- consider sustainability issues including environmental and social factors in the formulation of the Group's strategies.

Matters that require the Board's approval include, amongst others, the following:

- strategic direction of the Group;
- business practices and risk management of the Group;
- annual budgets, major funding proposals, investment and divestment of proposals;
- the Group's internal control, financial performance, compliance practices and resources allocation;
- material acquisitions and disposal of assets;
- convening of shareholders' meetings;
- corporate or financial restructuring;
- share issuance, dividends and other returns to shareholders; and
- interested person transaction.

The Board meets on a quarterly basis. Ad-hoc meetings are held whenever circumstances require. The Company's Constitution allows the Board to convene meetings through teleconferencing, video conferencing or similar communication equipment whereby all persons participating in the meeting are able to hear one another.

The Board has also delegated specific responsibilities to three committees namely, the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively, the "**Board Committees**") to assist in the execution of its responsibilities. These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

The Board holds four scheduled meetings each year and such additional meetings as may be necessary to address any specific matters that may arise. The Directors' attendance at Board and Board Committee meetings held during FY2018 is as follows:

		Meetings							
		Board		AC		RC		NC	
		Number of meetings							
Name of Director	**Board of Directors**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Ang Boon Cheow Edward	Executive Chairman & Chief Executive Officer	4	4	N/A	N/A	N/A	N/A	1	1
Chia Yau Leong	Executive Director	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Chua Keng Hiang	Lead Independent Director	4	4	4	4	1	1	1	1
Ng Ya Ken	Independent Director	4	4	4	4	1	1	N/A	N/A
Tan Min-Li	Independent Director	4	4	4	4	1	1	1	1
Chia Boon Kuah	Independent Director	4	4	4	4	1	1	1	1

The Board is updated on a regular basis on key changes in relevant regulatory requirements, the Code, financial reporting standards, risk management and industry-related matters so as to enable them to properly discharge their duties as Board or Board Committee members. For FY2018, the Board was briefed on the strategic and business development of the Group by the Chief Executive Officer, releases issued by the SGX-ST, Accounting and Corporate Regulatory Authority ("**ACRA**"), Building and Construction Authority and Urban Redevelopment Authority ("**URA**") which are relevant to the Board, including but not limited to the SGX-ST revised code of corporate governance effective 2019, revised URA guidelines on maximum allowable dwelling units in non-landed residential developments outside the central area, joint media release by Ministry of Finance, Ministry of National Development and Monetary Authority of Singapore on raising additional buyer's stamp duty rates and tightening loan-to-value limits and recommendations of ACRA's Financial Reporting Surveillance Programme were circulated to the Board by the Company Secretary, and financial reporting updates by the external auditors.

When a new Director is to be appointed, a formal letter of appointment setting out the duties and obligations shall be given to the new Director. The Company ensures that incoming new Directors are given guidance and orientation program by Management to get them familiarised with the Group's businesses, organisation structure, corporate strategies and policies and corporate governance practices upon their appointment and to facilitate the effective discharge of their duties.

For new Directors who do not have prior experience as a director of a public listed company in Singapore, they will have to undergo a training programme, particularly courses conducted by the Singapore Institute of Directors, to develop the requisite individual skills, such as knowledge on the Companies Act, Chapter 50 of Singapore and the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**").

The new Directors will be given training appropriate to the level of their previous experience and provided with extensive background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. The new Directors will also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations.

No new director has been appointed for FY2018.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

As at the date of this Annual Report, the Board has 6 members consisting two Executive Directors and four Independent Directors as follows:

Name of Director	Designation	AC	RC	NC
Ang Boon Cheow Edward	Executive Chairman & Chief Executive Officer	–	–	Member
Chia Yau Leong	Executive Director	–	–	–
Chua Keng Hiang	Lead Independent Director	Chairman	Member	Member
Ng Ya Ken	Independent Director	Member	Chairman	–
Tan Min-Li	Independent Director	Member	Member	Chairman
Chia Boon Kuah	Independent Director	Member	Member	Member

CORPORATE GOVERNANCE

In view that the Chairman of the Board (the "**Executive Chairman**") and the chief executive officer (or equivalent) (the "**CEO**") is the same person, Guideline 2.2 of the Code is met as the Independent Directors make up more than half of the Board. Mr Chua Keng Hiang has also been appointed as the Lead Independent Director of the Company and makes himself available to shareholders if they have concerns relating to matters for which the Executive Chairman and Management were informed but have failed to resolve, or where such contact is inappropriate. The Lead Independent Director makes himself available to shareholders at the Company's general meetings and he is also responsible for leading the meetings of Independent Directors and providing feedback to the Executive Chairman on matters discussed at such meetings.

Taking into account the nature and scope of the Group's business and the number of Board Committees, in concurrence with the NC, the Board believes that the current size and composition provide sufficient diversity without interfering with efficient decision making.

The NC believes that the current composition and size of the Board provides an appropriate balance of skills, experience, gender and knowledge, which facilitates effective decision-making. At present, the Board has one female Independent Director, namely Ms Tan Min-Li.

The Board members possess the core competencies in areas such as accounting and finance, legal, business and management experience, relevant industry knowledge and strategic planning experience to lead and control the Company. In particular, the Executive Directors possess good industry knowledge while the Independent Directors, who are mostly professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during Board deliberations.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience, customer-based experience or knowledge, regardless of gender.

The Board takes steps to maintain or enhance its balance and diversity through annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board and an annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent Directors.

The role of Independent Directors is to constructively challenge and help develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Board, particularly the Independent Directors, who are Non-Executive Directors, are kept well informed of the Group's business and are knowledgeable about the industry the Group operates in. To ensure that the Independent Directors are well supported by accurate, complete and timely information, they have unrestricted access to Management, and have sufficient time and resources to discharge their oversight functions effectively. The Independent Directors also receive Board briefings on prospective deals and potential developments at an early stage before formal Board approval is sought.

When necessary, the Independent Directors meet without the presence of Management to discuss and review any matters regarding the Group. For FY2018, the Independent Directors had met four times without the presence of Management.

The composition of the Board and independence of each Independent Director are reviewed annually by the NC. All the Independent Directors have confirmed in writing of their independence in accordance with the Code for FY2018.

The NC, in its deliberation as to the independence of a Director, took into account examples of relationships as set out in the Code, considered whether a Director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independence judgement. The Independent Directors do not have any relationship as stated in the Code that would otherwise deem him/her not to be independent.

Two Independent Directors, namely Mr Chua Keng Hiang and Mr Ng Ya Ken, have served on the Board for more than nine years since the date of their respective first appointment.

Mr Chua Keng Hiang's and Mr Ng Ya Ken's independence have been subject to a particularly rigorous review by the NC respectively. In particular, the NC has considered specifically their length of service and continued independence and determined that the respective Director concerned has demonstrated strong independence in character and judgement over the years in discharging his duties and responsibilities as Independent Director of the Company in upholding the interest of the non-controlling shareholders.

The Board is of the view that both Mr Chua Keng Hiang and Mr Ng Ya Ken bring invaluable expertise, experience and knowledge to the Board and with the recommendation of the NC, resolved that both Mr Chua Keng Hiang and Mr Ng Ya Ken continue to be considered Independent Directors, notwithstanding they have served on the Board for more than nine years from the date of their respective first appointment.

PRINCIPLE 3: EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Ang Boon Cheow Edward assumes the roles of the Executive Chairman and CEO. The Board believes that this arrangement is appropriate as a single leadership structure will facilitate the decision-making process in relation to business opportunities and operational matters. The Board feels that the separation of the said roles is not necessary after taking into consideration, *inter alia*, the size and capabilities of the Board, the size and operations of the Group, and the safeguards currently in place.

As the Executive Chairman, Mr Ang schedules board meetings, determines meeting agendas in consultation with other Board members, co-ordinates the flow of information between Management and the Board and ensures compliance with the Code, with the assistance of the Company Secretary. As the CEO, Mr Ang takes a leading role in developing the businesses of the Group and manages the day-to-day operations with the assistance of key management personnel. He also oversees the execution of the business and corporate strategy decisions made by the Board.

Led by the Lead Independent Director, the Independent Directors meet periodically without the presence of the Executive Directors, and the Lead Independent Director provides feedback to the Executive Chairman and CEO after such meetings as appropriate. In FY2018, the Independent Directors had met four times in the absence of the Executive Directors.

The NC, the RC and the AC are all chaired by the Independent Directors.

CORPORATE GOVERNANCE

PRINCIPLE 4: BOARD MEMBERSHIP

The NC comprises:

Ms Tan Min-Li (Chairman)	Independent Director
Mr Chua Keng Hiang	Lead Independent Director
Mr Ang Boon Cheow Edward	Executive Chairman & Chief Executive Officer
Mr Chia Boon Kuah	Independent Director

A majority of the NC members, including the Chairman of the NC, are Independent Directors. The NC holds at least one meeting in each financial year.

The principal functions of the NC under its written terms of reference include:

- make recommendations to the Board on all Board appointments, including re-nominations, having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director;
- review the Board's structure, size and composition, having regard to the principles of corporate governance and the Code;
- identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise;
- review the Board succession plans for Directors, in particular, the Executive Chairman and the CEO;
- determine annually, and as and when required, whether or not a Director is independent, based on the Code's definition of what constitutes independence in a director;
- in respect of a Director who has multiple board representations on various companies, decide whether or not such Director is able to and has been adequately carrying out his/her duties as a Director;
- decide how the Board's performance may be evaluated and propose objective performance criteria as approved by the Board and address how the Board can enhance long term shareholders' value. Such relevant performance evaluation criteria may include the Company's share price performance and returns on assets/equity/investment;
- assess annually the effectiveness of the Board as a whole and the contribution of individual Directors to the effectiveness of the Board; and
- review and recommend to the Board, training and professional development programmes for the Directors.

The considerations in assessing the capacity of Directors include the expected and/or competing time commitments of Directors, geographical location of Directors, size and composition of the Board, and the nature and scope of the current Group's operations. The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all the Directors have discharged their duties adequately for FY2018.

The Board has not capped the maximum number of listed company board representations each Director may hold as the NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contributions, after taking into account his or her other listed company board directorships and other principal commitments, and not guided by a numerical limit. The NC is of the view that the existing multiple board representations presently held by the Directors do not impede their performance in carrying out their duties to the Company. The NC will continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

For FY2018, there was no alternate director on the Board.

The NC would assess performance of each Director in accordance with the performance criteria set by the Board, which included, *inter alia*, commitment of time, knowledge and abilities, teamwork and overall effectiveness. Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval. The NC would review the performance criteria used in assessing the performance of the Directors from time to time and will recommend revised performance criteria to be approved by the Board to better assess the performance of the Directors.

On a regular basis, the NC, in consultation with the Board, would identify the current needs of the Board in terms of expertise and skills that are required in the context of strengths and weaknesses of the existing Board to complement and strengthen the Board. The NC may tap on the Directors' personal contacts and recommendations and/or through search companies in identifying suitable candidates for new appointment as director and interview each proposed candidate for directorship based on the qualification and experience of such candidate, his/her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives. The NC would then recommend the appropriate candidate to the Board for consideration and approval. For FY2018, no new director has been appointed to the Board.

Succession planning is a crucial element of the Group's corporate governance process. The NC will seek to refresh the Board membership progressively and in an orderly manner.

New directors are appointed by way of a Board resolution, after the NC approves their appointments. Such new directors must submit themselves for re-election at the next Annual General Meeting ("**AGM**") of the Company pursuant to Article 88 of the Company's Constitution.

Article 89 of the Company's Constitution requires one third of the Board (or, if their number is not a multiple of three, the number nearest to but not lesser than one-third) to retire by rotation at every AGM and be re-elected at least once every three years. The exception is in respect of the Executive Chairman and CEO who is not subject to retirement pursuant to Article 85 of the Company's Constitution.

The date of initial appointment and the date of last re-election of the Directors are set out below:

Name of Director	Date of Initial Appointment	Date of Last Re-election
Ang Boon Cheow Edward	15 August 1995	Not Applicable
Chia Yau Leong	6 May 2016	27 April 2017
Chua Keng Hiang	7 February 2003	30 April 2018
Ng Ya Ken*	7 February 2003	30 April 2018
Tan Min-Li	15 May 2014	27 April 2017
Chia Boon Kuah	1 December 2017	30 April 2018

* Re-designated from Non-Executive Director to Independent Director with effect from 13 August 2010

According to Article 89 of the Company's Constitution, Mr Ang Boon Cheow Edward and Ms Tan Min-Li will retire at the Company's forthcoming AGM and will submit themselves for re-election. The retiring Directors have offered themselves for re-election. In making the recommendations, the NC had considered the Directors' overall contribution and performance. The Board has accepted the recommendation of the NC.

Key information regarding the Directors can be found on pages 6 to 7 of the Annual Report. Shareholdings of Mr Ang Boon Cheow Edward, Executive Chairman and CEO, can be found on pages 122 to 123 of the Annual Report. Mr Chia Yau Leong, Executive Director, holds 45,000 shares in the Company. None of the Independent Directors hold shares in the Company.

Directors who are seeking re-election at the forthcoming AGM to be held on 29 April 2019 are stated in the Notice of AGM set out on pages 125 to 130 of the Annual Report. The disclosure of information on the Directors seeking re-election can be found on pages 8 to 13 of the Annual Report.

PRINCIPLE 5: BOARD PERFORMANCE

The NC is responsible for recommending and implementing a process to assess the performance and effectiveness of the Board as well as the contributions of each individual Director to the overall effectiveness of the Board. The NC uses a self-assessment process to assess the contribution by each Director to the effectiveness of the Board. The criteria for assessing Directors include assessing each Director's integrity, independence mindedness, contribution and commitment to the role taking into consideration, *inter alia*, attendance at meetings, the participation and quality of contributions at meetings and functional expertise. The review of Board's performance is undertaken collectively by the Board annually taking into account the performance criteria such as the Board composition and functions, Board procedures, inputs to strategic planning, accountability and profitability of the Group. In assessing the effectiveness of the Board as a whole, both quantitative and qualitative criterions are considered. The results of the assessments are analysed and discussed with a view to implementing any recommendation(s) to enhance the effectiveness of the Board.

For FY2018, no external facilitator has been engaged to perform the Board assessment process. Where relevant and when the need arises, the NC will consider such an engagement. The NC has assessed the Board's performances to-date, as well as the performance of each individual Director, and is of the view that the Board operates effectively and each Director is contributing to the overall effectiveness of the Board. The Board has met its performance objectives for FY2018.

PRINCIPLE 6: ACCESS TO INFORMATION

Key management personnel provide material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. Such information includes Board papers, updates to the Group's operations and the markets in which the Group operates in; budgets; consolidated management accounts; internal and external auditors' reports.

Board members have unrestricted access to the Company's records and are given all information and documents in advance of each Board and Board Committee meeting. Any additional materials or information requested by the Directors to make informed decisions are promptly furnished by Management.

All the Directors have separate and independent access to the Company Secretary who attends all Board and Board Committee meetings and prepares minutes of meetings. The Company Secretary is responsible for ensuring that Board procedures are followed and that the relevant rules and regulations, including requirements of the Companies Act, Chapter 50 of Singapore and Securities and Futures Act, and the provisions in the Catalist Rules are complied with. The Company Secretary also assists the Executive Chairman in ensuring good information flows within the Board and its Board Committees and between the Management and Independent Directors. The appointment and removal of the Company Secretary are subject to the approval of the Board.

Subject to the approval of the Executive Chairman, Management can assist the Directors, either individually or as a group, to obtain independent professional advice to assist them in furtherance of their duties, at the expense of the Company.

(B) REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises:

Mr Ng Ya Ken (Chairman)	Independent Director
Mr Chua Keng Hiang	Lead Independent Director
Ms Tan Min-Li	Independent Director
Mr Chia Boon Kuah	Independent Director

All the RC members, including the Chairman, are Independent Directors. The RC holds at least one meeting in each financial year.

The principal functions of the RC under its written terms of reference include:

- recommend to the Board a framework of remuneration for the Directors and key management personnel, and to determine specific remuneration packages for each Executive Director and the CEO, such recommendations to be made in consultation with the Executive Chairman and submitted for endorsement by the entire Board and would cover all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind. The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate the Directors and key management personnel to run the Group successfully;
- in the case of service contracts, consider what compensation commitments the Directors' contracts of service, if any, would arise in the event of early termination with a view to be fair and avoid rewarding poor performance;
- in respect of long-term incentive schemes (if any) including share schemes as may be implemented, consider whether Directors should be eligible for benefits under such long-term incentive schemes; and
- set the remuneration packages of Executive Directors not under service contracts, taking into account the pay and employment conditions within the industry, the performance of the Group and that of the individual Executive Director.

Each RC member will not participate in discussions, and abstain from decision-making, in relation to any remuneration, compensation, options or any form of benefits to be granted to him/her. No Director is involved in deciding his own remuneration, compensation or any form of benefits to be granted to him/her.

If necessary, the RC would seek professional advice internally and/or externally pertaining to the remuneration of all Directors. For FY2018, the RC did not engage any external remuneration consultant to advise on remuneration matters.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The RC is in charge of overseeing the performance-related remuneration system to ensure that the interests of the shareholders are aligned with the Board and Management in order to promote the long-term success of the Group.

In setting the remuneration packages, the RC considers that the level of remuneration should be appropriate to attract, retain and motivate the Directors and key management personnel to run the Group successfully.

The remuneration packages of Executive Directors and key management personnel comprise a basic salary component and a variable component where the annual bonus is based on the performance of the Group as a whole and their individual performance. This is designed to align the remuneration of Executive Directors and key management personnel with the interests of shareholders and link rewards to corporate and individual performance. Executive Directors are not paid directors' fees.

For those Executive Directors under service contracts, there is a fixed appointment period. The remuneration package of such Executive Directors comprises a basic salary component, fixed annual bonus component, variable performance-related component which is based on the profitability level of the Group as a whole and other benefits-in-kind. The service contracts do not have excessively long or onerous removal from office clauses.

The performance conditions chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders included both qualitative and quantitative criteria.

The RC has reviewed and is satisfied that the performance conditions were met for FY2018.

The Board concurred with the RC that the proposed directors' fees are appropriate and that the Independent Directors receive directors' fees in accordance with their level of contribution, taking into account factors such as effort and time spent in serving on the Board and Board Committees, as well as the responsibilities and obligations of the Independent Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain the Independent Directors without being excessive to the extent that their independence might be compromised.

Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company.

The Company did not have any share-based compensation scheme or any long-term scheme involving the offer of shares in place to encourage the Independent Directors to hold shares in the Company in FY2018.

Having reviewed and considered the variable components of the Executive Directors and the key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the Executive Directors' remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The Group's remuneration policy is to provide compensation packages at market rates comprising a fixed component, a variable component and other benefits-in-kind. The fixed and variable components are in the form of a base salary and variable bonus that is linked to the performance of the Group and individual, which seek to reward successful performance and attract, retain and motivate the Executive Directors and key management personnel to run the Group successfully.

The breakdown of remuneration of Directors of the Company for FY2018 are as follows:

Name of Director	Salary %	Bonus %	Incentive Bonus %	Fees %	Benefits-in-kind %	Total %
(a) Between S$500,001 and S$750,000						
Ang Boon Cheow Edward	69	18	–	–	13	100
(b) Below S$250,000						
Chia Yau Leong	85	15	–	–	–	100
Chua Keng Hiang	_	_	_	100	_	100
Ng Ya Ken	_	_	_	100	_	100
Tan Min-Li	_	_	_	100	_	100
Chia Boon Kuah	_	_	_	100	_	100

The Board is of the view that it would not be in the best interest of the Group to disclose the specific remuneration of each individual Director and key management personnel, in light of the sensitivities of remuneration in a small and medium size enterprise environment, for competitive reasons. The Board believes that the above disclosure of the remuneration in bands of S$250,000 provides sufficient overview and is of the opinion that such disclosure would be adequate for purposes of compliance with the Code.

There were no key management personnel (who is not a director or the CEO) in the Group during FY2018. Accordingly, there is no disclosure of aggregate total remuneration paid to the top five key management personnel (who are not directors or the CEO) as required under Guideline 9.3 of the Code.

There are no termination, retirement, post-employment benefits that may be granted to the Executive Directors, save for the standard contractual notice period termination payment in lieu of service.

Ms Hoon Pang Heng Joanna, Vice President, Corporate Affairs of the Company, is the spouse of Mr Ang Boon Cheow Edward, who is the Executive Chairman & CEO of the Company and controlling shareholder of the Company. The remuneration of Ms Hoon Pang Heng Joanna was between S$100,001 to S$150,000 for FY2018. The breakdown of the remuneration (in percentage term) is as follows:

	Salary %	Bonus %	Benefits-in-kind %	Total %
Between S$100,001 and S$150,000				
Hoon Pang Heng Joanna Spouse of Ang Boon Cheow Edward	73	6	21	100

Save as disclosed above, there was no other employee of the Group who was an immediate family member of a Director or the CEO whose remuneration exceeded S$50,000 in FY2018.

The Company does not have any share-based compensation schemes or any long-term scheme involving the offer of shares. The Company has no outstanding share options of unissued reserved shares from the expired Ocean Sky Share Option Scheme as at the end of FY2018.

(C) ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

The Board is accountable to shareholders and ensures that all material information is fully disclosed in a timely manner to shareholders in compliance with statutory and regulatory requirements. The Board is responsible for providing shareholders a balanced and understandable assessment of the Group's performance, position and prospects. The Group makes announcement of its financial results on a quarterly and full year basis, Annual Report, Sustainability Report and other price-sensitive Information via SGXNET and the Company's website on a timely manner. Management is accountable to the Board and provides members of the Board with management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly and full year basis. As and when circumstances arise, the Board can request Management to provide any necessary explanation and/or information on the management accounts of the Group.

The Board reviews legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements, including the Catalist Rules. The Independent Directors, in consultation with Management, will request for Management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.

In line with the Catalist Rules, the Board provides a negative assurance statement in its interim financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Company has obtained from all the Directors and executive officers of the Group the signed letter of undertaking in the format set out in Appendix 7H pursuant to the amended Rule 720(1) of the Catalist Rules.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the internal processes of the Group in a manner which address stakeholders' expectations and does not expose the Group to an unacceptable level of operational, financial, compliance and information technology risks. The Board approves the key management policies and ensures a sound system of risk management and internal controls.

Management highlights and discusses (if any) salient risk management matters to the Board on a quarterly basis. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls.

The Group does not have a Risk Management Committee. The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC, with the assistance of external risk management consultant and internal auditors.

The Management regularly reviews the Company's business, operations and activities to identify possible areas of significant business risks to the Board as well as to implement appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

The Board acknowledges that it is responsible for ensuring that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. In addition to determining the approach to risk governance, the Board sets and instils the right risk-focused culture throughout the Group for effective risk governance. The AC, together with the Board, reviews the effectiveness of the Group's system of internal controls put in place to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information are reliable. The AC evaluates the findings of the external and internal auditors on the Group's internal controls annually. Internal audit function of the Group is outsourced to a third party professional firm.

The Group does not utilise sophisticated and complex computer systems in its operations and considers its exposure to information technology risks to be relatively low.

The Board is of the opinion that the system of internal controls maintained by the Management and that was in place throughout the financial year was adequate and provides reasonable, but not absolute, assurance against material financial misstatements of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

For FY2018, the Board has received assurance from the CEO and Financial Controller that:

– the Group's risk management and internal controls system in place is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks; and

– the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

Based on the framework of risk management controls and internal controls established and maintained by the Group, work performed by the external and internal auditors and reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems in place, which addresses the financial, operational, compliance and information technology risks were adequate and effective as at 31 December 2018.

PRINCIPLE 12: AUDIT COMMITTEE

The AC comprises:

Mr Chua Keng Hiang (Chairman)	Lead Independent Director
Mr Ng Ya Ken	Independent Director
Ms Tan Min-Li	Independent Director
Mr Chia Boon Kuah	Independent Director

All the AC members, including the Chairman, are Independent Directors.

The Board ensures that the members of the AC are qualified to discharge their responsibilities. The members of the AC, collectively, bring with them many years of accounting and related financial management, legal, economics and marketing expertise and experience. The AC has at least 2 members, including the AC Chairman, who have recent and relevant accounting and related financial management expertise and experience.

The AC has explicit authority to investigate any matter within its terms of reference, 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 AC holds at least 4 meetings in each financial year.

The duties of the AC include:

- review with the external auditors the audit plan of their evaluation of the system of internal controls, their audit report and the assistance given by the Company's officers to the external auditors;
- review of the scope and results of the external audit and cost effectiveness, and the independence and objectivity of external auditors;
- meet with the external auditors without the presence of Management;
- review of the financial statements of the Company and consolidated financial statements of the Group before their submission to the Board;
- review of the nature and extent of non-audit services provided by external auditors to the Company, seeking to balance the maintenance of objectivity and value for money;
- make recommendations on the appointment, re-appointment and removal of external auditors;
- review of the scope and results of internal audit procedures;
- review of the adequacy and effectiveness of the internal audit function; and
- review of the transactions falling within the scope of Chapter 9 of the Catalist Rules.

The AC assists the Board with regard to discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records, and develop and maintain effective system of internal controls with an overall objective of ensuring that the Management has created and maintained an effective control environment in the Group, and that the Management demonstrates and stipulates the necessary aspects of the Group's internal control structure among all parties.

The AC will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any Singapore law, rules or regulations which have or is likely to have a material impact on the Group's operating results and/or financial position. In the event that a member of the AC is interested in any matter being considered by the AC, he/she will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

The AC meets regularly with the Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any major transactions including significant financial reporting issues.

The AC is kept abreast by the Management and the external auditors of changes to accounting standards, the Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

On a quarterly basis, the AC also reviews the interested person transactions and the financial results announcements before their submission to the Board for approval.

The AC meets with the internal and external auditors at least once a year without the presence of the Management to review any matters that might be raised. The AC had met with the external auditors once in the absence of the Management in FY2018. Separately, the AC had met with the internal auditors once in the absence of the Management on 27 February 2019 for the internal audit work performed for FY2018.

The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and the remuneration and terms of engagement of the external auditors. The re-appointment of the external auditors is subject to shareholders' approval at the AGM of the Company.

The AC undertook the review of the independence and objectivity of the external auditors annually through discussions with the external auditors as well as reviewing the non-audit fees awarded to them to satisfy the AC that the nature and extent of such services will not prejudice the independence of the external auditors. The AC is satisfied with their independence and hence has recommended to the Board the re-appointment of BDO LLP as the Company's external auditors at the forthcoming AGM. BDO LLP, which is registered with the Accounting and Corporate Regulatory Authority, is the external auditor of the Company. In this respect, the Company complies with Rule 712 of the Catalist Rules.

BDO LLP is also the auditors of all its significant subsidiaries. The Company is therefore in compliance with Rule 715 of the Catalist Rules.

For FY2018, the aggregate amount of fees paid/payable to the auditors of the Company for audit services amounted to S$163,000 in respect of the audit for FY2018 and S$38,000 for non-audit services relating to tax compliance and corporate secretarial services. The AC has undertaken a review of all non-audit services provided by the external auditors. Notwithstanding the substantial volume of non-audit services rendered to the Company, the AC is satisfied that the nature and extent such services does not impair the independence and objectivity of the external auditors.

None of the AC members (i) is a former partner or director of the Company's existing auditing firm or auditing corporation in the previous 12 months, and (ii) holds any financial interest in the auditing firm or auditing corporation.

The Company has put in place a whistle-blowing framework whereby staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The framework includes arrangements for independent investigation and appropriate follow-up of such matters.

To ensure independent investigation of such matters and for appropriate follow-up action, all whistle-blowing reports are addressed and sent to the AC Chairman. A whistle-blower email address has been created for reporting suspected fraud, corruption, dishonest practices or other similar matters. Details of the whistle-blowing policy and arrangements have been made known to all staff. In addition, new staff is briefed on the policy during the orientation programme. No whistle-blowing report was received during FY2018.

PRINCIPLE 13: INTERNAL AUDIT

An annual review of the outsourced internal audit function is carried out. The AC ensures, among others, the adequacy and effectiveness of the internal audit function by examining the internal audit firm's performance, resources, its audit plans and scope of work and that the internal audit function is carried out according to standards set by international recognised professional bodies.

The Company's internal audit function is outsourced to Ernst & Young Advisory Pte. Ltd. for FY2018. The internal auditors report directly to the AC Chairman and administratively to the CEO and/or Financial Controller.

The internal auditors plan its audit work in consultation with, but independently of, the Management, and their yearly plan is submitted to the AC for review and approval prior to their commencement of work for FY2018.

The internal auditors have full access to all the Company's documents, records, properties and personnel including access to the AC. The AC is satisfied that internal auditors are adequately qualified (given, *inter alia*, its adherence to Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors) and resourced, and have the appropriate standing in the Company to discharge their duties effectively.

The findings from the reviews and checks on the adequacy of the internal control and risk management are rated and reported to the AC and the Management will ensure that proper follow-up actions are undertaken to ensure proper internal control and risk management systems are in place.

The AC also enquired and relied on reports from Management and external auditors on any material non-compliance and internal control weakness. The AC has reviewed with the external auditors their findings of the existence and adequacy of material internal control procedures as part of their audit for FY2018. The AC is of the view that in the light of the present business operations of the Group, the internal controls put in place by Management are adequate and effective to address the key risks identified.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

PRINCIPLES 14: SHAREHOLDER RIGHTS

The Company is committed to maintaining high standards of corporate disclosure, transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Company welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. Shareholders are informed of shareholders' meetings through notices published in the annual report or circular sent to all shareholders and via SGXNET, and advertised in a major local newspaper. Resolutions tabled at general meetings are passed through a process of voting by poll whereby procedures are clearly explained by the scrutineers at such general meetings.

At the Company's general meetings, shareholders are given the opportunity to voice their views and ask the Directors questions regarding the Company. In addition, the Chairman of the various Board Committees and the external auditors are also present at the AGM to assist the Directors to address shareholders' queries about the conduct of audit and the preparation and contents of the auditors' report.

The Company's Constitution provide for a shareholder to appoint one or two proxies to attend and vote in his stead at all general meetings. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

There is no provision in the Company's Constitution to allow for other absentia voting methods such as by mail, email and fax until security, integrity, legitimacy and other related issues are satisfactorily resolved.

PRINCIPLES 15: COMMUNICATIONS WITH SHAREHOLDERS

The Board subscribes to the Code's principle that the Company should engage in regular, effective and fair communication with shareholders and the investing public. To this end, it is the Company's policy that all material information will be disseminated on a timely basis through SGXNET and not released to any selected group of persons. The Company also strives to promptly respond to enquiries from shareholders, investors, analysts, fund managers and the press, without practising selective disclosure. The Group's financial results and annual reports are announced or issued within the period specified under the Catalist Rules, and are also made available to the public via SGXNET. The Company has engaged an external investor relations adviser who focuses on facilitating the communications with all stakeholders on a regular basis and to attend to their queries or concern.

Shareholders, the investment community, media and analysts are kept informed of the Group's performance, progress and prospects and major developments of the Company on a timely basis through various means of communication as follows:

(1) Announcements including quarterly and full-year announcements of financial results, price sensitive information, significant transactions or other announcements or press release through SGXNET;

(2) Annual Report, Sustainability Report and notices of AGM issued to all shareholders; and

(3) Company's general meetings.

General meetings have been and are still the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters.

The Group does not have a fixed dividend policy at present. The form, frequency and the amount of dividends declared for each year will take into consideration the Group's profit, cash position, and other factors as the Board may deem appropriate. For FY2018, the Board has not declared or recommended any dividend as the Company does not have profits available for the declaration of a dividend.

PRINCIPLES 16: CONDUCT OF SHAREHOLDER MEETINGS

All shareholders receive reports or circulars of the Company including notice of general meeting by post within the mandatory period. Notice of general meeting is announced through SGXNET and published in a major local newspaper within the same period.

All registered shareholders are invited to participate and given the right to vote on resolutions at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied by an explanation for the resolution to be passed. Proxy form is sent with notice of general meeting to all shareholders. A shareholder may appoint one or two proxies to attend and vote in his stead at all general meetings. For the time being, the Company has decided not to allow for absentia voting methods such as by mail, email and fax at the general meetings due to concern over the authentication of shareholders' identity.

All the Directors, Management, Company Secretary and external auditors are required to be present at the general meetings to address any questions, unless of exigencies. General meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication are encouraged by the shareholders with the Directors on their view on matters relating to the Company. All resolutions at general meetings are put to vote by poll which are verified by an appointed scrutineer for the general meeting and the results showing the number of votes cast for and against each resolution and the respective percentage are announced to the audience at the general meetings. The polling results are also announced after the meeting via SGXNET.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments and queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon request.

DEALINGS IN SECURITIES

The Company has adopted an internal policy which prohibits the Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information.

The Company, its Directors and officers are prohibited from dealing in the Company's securities on short term considerations and during the period beginning 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 respectively, and ending on the date of the announcement of the relevant results.

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The Board and the AC will review all interested person transactions ("**IPTs**") to be entered to ensure that the relevant rules under Chapter 9 of the Catalist Rules are complied with. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The AC is satisfied that the review procedures for IPTs and the reviews to be made periodically by the AC in relation thereto are adequate to ensure that the IPTs will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no interested person transactions for FY2018.

MATERIAL CONTRACTS

Save for the service agreement of Executive Chairman & CEO, Mr Ang Boon Cheow Edward, there were no material contracts entered into by the Company and its subsidiaries involving the interest of the Executive Chairman, each Director or controlling shareholder, which were either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

NON-SPONSOR FEES

Non-sponsor fees paid to the Company's sponsor, UOB Kay Hian Private Limited, in FY2018 amounted to S$70,000 as manager in relation to the Rights cum Warrants Issue.

USE OF PROCEEDS

An aggregate of 105,642,794 Rights Shares and 105,642,794 Warrants have been allotted and issued by the Company on 6 August 2018 and 7 August 2018, respectively, pursuant to the Rights cum Warrants Issue. The Company has raised net proceeds of approximately S$6.30 million (after deducting estimated costs and expenses incurred in connection with the Rights cum Warrants Issue of approximately S$0.25 million) from the allotment and issuance of 105,642,794 Rights Shares. The net proceeds have not been utilised as at the date of this report.

No Warrants have been exercised as at the date of this report.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The Directors of Ocean Sky International Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are properly 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 of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year then ended on that date; and

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

2. DIRECTORS

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

Ang Boon Cheow Edward
Chia Yau Leong
Chua Keng Hiang
Ng Ya Ken
Tan Min-Li
Chia Boon Kuah

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

	Shareholdings registered in name of Director	
	At beginning of year	**At end of year**
The Company		
Ocean Sky International Limited		
(No. of ordinary shares)		
Ang Boon Cheow Edward	162,968,541	278,160,811
Chia Yau Leong	45,000	45,000
(No. of warrants)		
Ang Boon Cheow Edward	–	92,720,270

By virtue of Section 7 of the Act, Mr Ang Boon Cheow Edward is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2019 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2018.

5. SHARE OPTIONS

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

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

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

6. AUDIT COMMITTEE

The audit committee of the Company is chaired by Chua Keng Hiang, an independent Director, and includes Ng Ya Ken, Tan Min-Li and Chia Boon Kuah, who are independent Directors. The audit committee has met four times since the last Annual General Meeting and has carried out its functions in accordance with section 201B(5) of the Act, including reviewing the following, where relevant, with the Executive Directors and external and internal auditors of the Company:

(a) the audit plan of the external auditor and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONTINUED)

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

(d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Company's external auditor; and

(f) the re-appointment of the external auditor of the Company.

The audit committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external auditor has unrestricted access to the audit committee.

The audit committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, BDO LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

7. INDEPENDENT AUDITOR

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

On behalf of the Board of Directors

Ang Boon Cheow Edward
Director

Chia Yau Leong
Director

Singapore
3 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OCEAN SKY INTERNATIONAL LIMITED

Report on the Audit of the Financial Statements

We have audited the financial statements of Ocean Sky International Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 49 to 121 which comprise:

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

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

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.

Key Audit Matters (Continued)

1 Impairment assessment of goodwill in Ang Tong Seng Brothers Enterprises Pte Ltd

As at 31 December 2018, the Group's goodwill arising from the acquisition of Ang Tong Seng Brothers Enterprises Pte Ltd ("ATS") amounted to approximately S$4.8 million which comprised 6.2% of the Group's total assets. Under SFRS(I) 1-36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually, or more frequently if there are indications that goodwill may be impaired.

For the purpose of impairment assessment, management engaged an external valuer to determine the recoverable amount of the cash-generating unit to which the goodwill belongs using the value-in-use method and the assessment led to the recognition of an impairment loss of S$7.0 million in the consolidated statement of comprehensive income during the financial year. As a result, the carrying amount of goodwill reduced from S$11.8 million as at 31 December 2017 to S$4.8 million as at 31 December 2018.

We have determined the impairment assessment of goodwill to be a key audit matter as it involved significant judgements and estimates applied by management in their assessment.

Related Disclosures

Refer to Notes 3.2 and 6 to the financial statements.

Audit Response

Our procedures on the goodwill impairment assessment of ATS included, amongst others, the following:

- Assessed the independence and competency of the external valuer in performing such valuations;
- Compared the terminal growth rate used by the external valuer to externally published benchmarks;
- Evaluated the key business performance assumptions made by management, including revenue growth rate and earnings before interest, tax, depreciation and amortisation margin against historical performance;
- Evaluated the reasonableness of the discount rate used by independently developing an expectation of the discount rate; and
- Assess the adequacy of related disclosures in the financial statements, including management's analysis of the effects of changes in key assumptions on the recoverable amount.

Key Audit Matters (Continued)

2 Accounting for Construction Contracts

The Group's construction and engineering segment comprises civil engineering works through fixed-price contracts. Revenue is recognised over time as based on surveys of contract work performed as the Group has assessed that the customers simultaneously receive and consume all the benefits arising from the Group's civil engineering works. For the financial year ended 31 December 2018, the Group recorded revenue from construction contracts amounting to S$21.6 million which comprised approximately 98% of the Group's total revenue. On adoption of SFRS(I) 15 *Revenue from Contracts with Customers*, the Group has elected the output method to measure the value of work performed for construction contracts.

As part of the Group's contractual obligations, the Group may be required to carry out rectification of construction defects during the warranty periods. Management exercises judgements in determining whether provisions made for defects liability or contract losses are adequate in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. As at 31 December 2018, management has made provision of S$319,000 for defects liability and S$100,000 for contract losses.

We have determined the accounting for construction contracts to be a key audit matter because revenue from this business segment contributes significantly to the Group's financial statements and the provision for defects liability and contract losses requires the exercise of judgements and estimates.

Related Disclosures

Refer to Notes 3.2, 14 and 20 to the financial statements.

Audit Response

Our procedures included, amongst others, the following, on a sample basis:

* Examined the terms and conditions of the construction contracts and assessed the appropriateness of management's revenue recognition policy in accordance with SFRS(I) 15;
* Obtained surveys of contract works performed to verify the revenue recognised;
* Checked actual costs incurred to supplier invoices;
* Obtained project summaries for ongoing project costs to evaluate the adequacy of management's assessment of provision for contract losses;
* Assessed the adequacy of management's provision for defects liability for completed projects by comparing against historical level of rectification works; and
* Assessed the adequacy of related disclosures in the financial statements.

Other Information

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- 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 Goh Chern Ni.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
3 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000
			(Restated)	(Restated)		(Restated)	(Restated)
Non-current assets							
Property, plant and equipment	4	**10,268**	10,965	17,274	**298**	400	558
Investment property	5	**5,600**	5,600	18,536	**–**	–	–
Goodwill	6	**4,755**	11,755	11,755	**–**	–	–
Intangible assets	7	**–**	293	875	**–**	–	–
Investment in subsidiaries	8	**–**	–	–	**41,152**	36,462	33,246
Investment in joint ventures	9	**17,399**	9,300	–*	**–**	–	–
		38,022	37,913	48,440	**41,450**	36,862	33,804
Current assets							
Inventories		**116**	122	107	**–**	–	–
Development property	10	**5,812**	4,431	–	**–**	–	–
Trade and other receivables	11	**9,053**	13,313	7,621	**128**	70	83
Cash and bank balances	12	**23,910**	28,196	20,647	**21,419**	24,651	15,721
		38,891	46,062	28,375	**21,547**	24,721	15,804
Less:							
Current liabilities							
Trade and other payables	13	**5,713**	9,163	7,715	**24,892**	22,410	3,356
Provisions	14	**419**	402	464	**–**	–	–
Bank term loans	15	**395**	3,396	406	**–**	–	–
Finance lease payable	16	**437**	503	451	**67**	67	67
Current income tax payable		**3,513**	3,262	1,736	**–**	–	–
		10,477	16,726	10,772	**24,959**	22,477	3,423
Net current assets/ (liabilities)		**28,414**	29,336	17,603	**(3,412)**	2,244	12,381
Less:							
Non-current liabilities							
Bank term loans	15	**11,995**	9,396	9,803	**–**	–	–
Finance lease payable	16	**343**	735	679	**113**	180	247
Deferred tax liabilities	17	**14**	125	289	**–**	–	–
		12,352	10,256	10,771	**113**	180	247
Net assets		**54,084**	56,993	55,272	**37,925**	38,926	45,938
Equity							
Share capital	18	**55,167**	48,866	48,866	**55,167**	48,866	48,866
Reserves	19	**(292)**	1,119	10,670	**–**	1,773	2,864
(Accumulated losses)/ Retained earnings	19	**(791)**	7,008	(4,264)	**(17,242)**	(11,713)	(5,792)
Equity attributable to owners of the parent		**54,084**	56,993	55,272	**37,925**	38,926	45,938

* Amount less than S$1,000.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 S$'000	2017 S$'000 (Restated)
Revenue	20	**22,119**	27,590
Cost of services		**(18,830)**	(24,824)
Gross profit		**3,289**	2,766
Other income	21	**270**	12,910
Administrative and other operating expenses		**(11,910)**	(9,284)
Finance costs	22	**(306)**	(278)
Share of results of joint ventures, net of tax	9	**(717)**	(23)
(Loss)/Profit before income tax	23	**(9,374)**	6,091
Income tax expense	25	**(198)**	(2,288)
(Loss)/Profit for the financial year attributable to owners of the parent		**(9,572)**	3,803
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		**362**	(2,203)
Item that will not be reclassified subsequently to profit or loss:			
– Gain on revaluation of investment property	5	**–**	121
Other comprehensive income for the financial year, net of tax		**362**	(2,082)
Total comprehensive income for the financial year attributable to owners of the parent		**(9,210)**	1,721

	Note	2018	2017 (Restated)
(Loss)/Earnings per share (cents)			
– Basic and diluted	26	**(2.61)**	1.17

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share capital S$'000	Foreign currency translation reserve S$'000	Revaluation reserve S$'000	Retained earnings/ (Accumulated losses) S$'000	Equity attributable to owners of the parent S$'000
Balance as at 1 January 2018 (Restated)	**48,866**	**998**	**121**	**7,008**	**56,993**
Effect of change in presentation and functional currency	**–**	**(1,773)**	**–**	**1,773**	**–**
Adjusted balance as at 1 January 2018	**48,866**	**(775)**	**121**	**8,781**	**56,993**
Loss for the financial year	**–**	**–**	**–**	**(9,572)**	**(9,572)**
Other comprehensive income for the financial year					
Exchange differences on translating foreign operations	**–**	**362**	**–**	**–**	**362**
Total other comprehensive income for the financial year	**–**	**362**	**–**	**–**	**362**
Total comprehensive income for the financial year	**–**	**362**	**–**	**(9,572)**	**(9,210)**
Contributions by the owners of the parent					
Rights issuance	**6,301**	**–**	**–**	**–**	**6,301**
Total transactions with the owners of the parent	**6,301**	**–**	**–**	**–**	**6,301**
Balance as at 31 December 2018	**55,167**	**(413)**	**121**	**(791)**	**54,084**
Balance as at 1 January 2017 (Restated)	**48,866**	**3,201**	**7,469**	**(4,264)**	**55,272**
Profit for the financial year	**–**	**–**	**–**	**3,803**	**3,803**
Other comprehensive income for the financial year					
Exchange differences on translating foreign operations	–	(2,203)	–	–	(2,203)
Gain on revaluation of investment property	–	–	121	–	121
Total other comprehensive income for the financial year	–	(2,203)	121	–	(2,082)
Total comprehensive income for the financial year	–	(2,203)	121	3,803	1,721
Disposal of investment property (Note 5)	–	–	(7,469)	7,469	–
Balance as at 31 December 2017 (Restated)	48,866	998	121	7,008	56,993

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 S$'000	2017 S$'000 (Restated)
Operating activities		
(Loss)/Profit before income tax	**(9,374)**	6,091
Adjustments for:		
Allowance for impairment of intangible assets	**–**	2
Depreciation of property, plant and equipment	**855**	1,642
Amortisation of intangible assets	**270**	580
Fair value loss in investment property	**–**	51
Gain on disposal of property, plant and equipment	**(91)**	(103)
Gain on disposal of investment property	**–**	(12,728)
Impairment of goodwill	**7,000**	–
Interest expense	**306**	278
Interest income	**(138)**	(12)
Provision for warranty claims	**–**	368
Provision for defects liability	**197**	313
Provision for defect liability written back	**(220)**	(299)
Provision for contract losses	**100**	–
Property, plant and equipment written off	**–**	7
Unrealised foreign exchange gain	**–**	(282)
Share of results of joint ventures	**717**	23
Loss allowance reversed for trade receivables, net	**(4)**	–
Write-off of intangible assets	**23**	–
Provision made/(written back) for penalties and interest	**327**	(342)
Operating cash flows before working capital changes	**(32)**	(4,411)
Working capital changes:		
Development property	**(1,381)**	(4,431)
Inventories	**6**	(15)
Trade and other receivables	**4,264**	(1,684)
Trade and other payables	**(3,777)**	3,609
Provisions	**(60)**	(76)
Net cash used in operations	**(980)**	(7,008)
Interest paid	**(306)**	(278)
Income taxes paid	**(112)**	(768)
Net cash used in operating activities	**(1,398)**	(8,054)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 S$'000	2017 S$'000 (Restated)
Investing activities		
Purchase of property, plant and equipment (Note 4)	**(139)**	(277)
Proceeds from disposals of property, plant and equipment	**121**	124
Proceeds from disposal of investment property	**–**	24,321
Acquisition of equity interest in joint ventures	**–**	(534)
Advances to joint ventures	**(8,790)**	(8,789)
Interest received	**138**	12
Net cash (used in)/generated from investing activities	**(8,670)**	14,857
Financing activities		
Proceeds from bank borrowings (Note A)	**–**	3,000
Repayment of bank borrowings (Note A)	**(402)**	(417)
Repayment of finance lease obligations (Note A)	**(507)**	(522)
Withdrawal of fixed deposit pledged	**213**	–
Proceeds from issuance of rights shares (Note 18)	**6,550**	–
Payment of rights issuance expense (Note 18)	**(249)**	–
Net cash generated from financing activities	**5,605**	2,061
Net change in cash and cash equivalents	**(4,463)**	8,864
Cash and cash equivalents at beginning of financial year	**27,983**	20,434
Effect of foreign exchange rate changes on cash and cash equivalents	**390**	(1,315)
Cash and cash equivalents at end of financial year (Note 12)	**23,910**	27,983

Note A: Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	2017 S$'000	Financing cash flows S$'000	Additions of property, plant and equipment under finance lease S$'000	Foreign exchange difference S$'000	2018 S$'000
	(Restated)				
Bank term loans (Note 15)	12,792	(402)	–	–	12,390
Finance lease payables (Note 16)	1,238	(507)	49	–	780
	14,030	(909)	49	–	13,170

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Note A: Reconciliation of liabilities arising from financing activities (Continued)

			Non-cash changes		
	2016	Financing cash flows	Additions of property, plant and equipment under finance lease	Foreign exchange difference	2017
	S$'000	S$'000	S$'000	S$'000	S$'000
	(Restated)				(Restated)
Bank term loans (Note 15)	10,209	2,583	–	–	12,792
Finance lease payables (Note 16)	1,130	(522)	653	(23)	1,238
	11,339	2,061	653	(23)	14,030

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

1. GENERAL CORPORATE INFORMATION

Ocean Sky International Limited (the "Company") is a public limited company incorporated and domiciled in Singapore with its registered office and principal place of business at 29 Tuas South Street 1, Singapore 638036. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Company's registration number is 198803225E.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements. The ultimate controlling party is Mr Ang Boon Cheow Edward.

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 3 April 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)s") including related Interpretations of SFRS(I) ("SFRS(I) INTs") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group's and the Company's first financial statements prepared in accordance with SFRS(I)s. The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). As required by SFRS(I) 1 First-time adoption of Singapore Financial Reporting Standards (International), the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 December 2017 in these financial statements have been restated to give effect to these changes.

On 1 January 2018, the functional currency of the Company changed from United States dollar ("US$") to Singapore dollar ("S$"). As Singapore dollar reflects the economic substance of the underlying events and circumstances relevant to the Company, the management concluded that Singapore dollar is the currency of the primary economic environment which the Company operates in. The change in functional currency is applied prospectively for the Company with effect from 1 January 2018. The impact of the change in functional currency has been disclosed in Note 19 to the financial statements. Following the change in functional currency, the presentation currency of the Company and the Group were changed from US$ to S$. The change in presentation currency is a change in accounting policy which has been taken retrospectively at the earlier comparable period. The comparative information has been restated to conform with the current year's presentation and further details are disclosed in Note 35 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. The financial statements are expressed in Singapore dollar and rounded to the nearest thousand ("S$'000"), unless otherwise stated.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

SFRS(I)s and SFRS(I) INTs issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INTs that were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 16	: *Leases*	1 January 2019
SFRS(I) 1-19 (Amendments)	: *Plan Amendment, Curtailment or Settlement*	1 January 2019
SFRS(I) 1-28 (Amendments)	: *Long-term interests in Associates and Joint Ventures*	1 January 2019
SFRS(I) 9 (Amendments)	: *Prepayment Features with Negative Compensation*	1 January 2019
SFRS(I) INT 23	: *Uncertainty over Income Tax Treatments*	1 January 2019
SFRS(I) 1-1, SFRS(I) 1-8 (Amendments)	: *Definition of Material*	1 January 2020
SFRS(I) 3 (Amendments)	: *Definition of a Business*	1 January 2020
SFRS(I) 17	: *Insurance contracts*	1 January 2021
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle		
– SFRS(I) 3 (Amendments)	: *Business combinations*	1 January 2019
– SFRS(I) 11 (Amendments)	: *Joint Arrangements*	1 January 2019
– SFRS(I) 1-12 (Amendments)	: *Income Tax*	1 January 2019
– SFRS(I) 1-23 (Amendments)	: *Borrowing Costs*	1 January 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and SFRS(I) INTs issued but not yet effective (Continued)

Consequential amendments were also made to various standards as a result of these new or revised standards.

Except as disclosed below, management anticipates that the adoption of the above SFRS(I)s and SFRS(I) INTs, if applicable in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group has performed an assessment on the adoption of SFRS(I) 16 based on currently available information as well as recognition exemptions under SFRS(I) 16. The Group plans to elect the exemption under the practical expedients not to recognise the right of use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019. As of 31 December 2018, there are no operating leases with lease commitment for more than 1 year.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statement of financial position as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 December 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners). The carrying amounts of the Group's interests and the 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 interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in a joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.4 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets as amortised cost. The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding prepayments) and cash and bank balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost

These assets arise principally from the rendering of services to customers (for example, trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less allowance for impairment.

Impairment allowances for trade receivables are recognised based on the simplified approach using the lifetime expected credit losses. During this process, the Group assessed the probability of the non-payment of the trade receivables based on its historical observed default rates, adjusted for forward-looking information. For trade receivables, which are reported net, such impairment allowances are recorded in a separate account with the loss being recognised in the profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated impairment allowances made.

Allowance for impairment for receivables from related companies are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the allowance is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses are recognised. For those that are determined to be credit impaired, lifetime expected credit losses are recognised. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occured.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Accounting policy for financial assets prior to 1 January 2018

Financial assets are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Financial assets

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of these financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade and other receivables (excluding prepayments) and cash and bank balances that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost, where applicable, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment losses directly with the exception of trade receivables where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost.

Trade and other payables

Trade and other payables, excluding goods and services tax and provisions, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method.

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

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (Continued)

Financial guarantee contracts (Continued)

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first in first out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.6 Development property

Development properties are held or developed 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.

The costs of the development properties include:

(a) leasehold rights for land;

(b) amounts paid to contractors for construction; and

(c) borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Development property (Continued)

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period 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.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of fixed deposits pledged.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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

Depreciation for property, plant and equipment is provided on straight-line basis so as to write off their depreciable amounts over their estimated useful lives as follows:

Leasehold property	Over the lease terms of 41 years
Plant and machinery	10 years
Renovation	10 years
Computer equipment	5 years
Motor vehicles	5 years
Furniture, fittings and other equipment	3 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (Continued)

The estimated useful lives, residual value and depreciation methods are reviewed, and adjusted as appropriate, at the end of each reporting period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.9 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Investment property is subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property that will be carried at fair value, any difference between the carrying amount and fair value as at the date of change in use is accounted for in the same way as revaluation in accordance with SFRS(I) 1-16 *Property, Plant and Equipment* whereby any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred (see Note 2.3), the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill on subsidiaries is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

2.11 Intangible assets

Construction contracts

Construction contracts arising from the acquisition of the remaining equity interests in a former associate is stated at cost less accumulated amortisation and accumulated impairment losses. The construction contracts have remaining useful lives ranging from 1 to 3 years. The intangible assets are amortised to profit or loss based on the revenue recognised from the contracts during the period over the total contract revenue.

Club memberships

Club memberships are stated at cost less any impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries (Note 2.2). The Group classifies its interests in joint arrangements as either:

– Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

– Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

– The structure of the joint arrangement;

– The legal form of joint arrangements structured through a separate vehicle;

– The contractual terms of the joint arrangement agreement; and

– Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures using the equity method as described in Note 2.13 below.

2.13 Joint ventures

Joint ventures are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in joint venture.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of joint ventures and distributions received are adjusted against the carrying amount of the investments.

Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the joint venture.

Where the Group transacts with a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of non-financial assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.17 Leases

The Group and the Company as lessees

<u>Finance leases</u>

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

<u>Operating leases</u>

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts, variable amounts or both. Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices.

Contract revenue

The Group's construction and engineering segment comprise civil engineering works through fixed-price contracts. Revenue is recognised over time based on surveys of contract work performed as the Group has assessed that the customers simultaneously receive and consume all the benefits arising from the Group's civil engineering works. The Group recognises revenue in the amount to which the Group has a right to invoice customers which corresponds to the surveys of contract work performed to date.

At the inception of the contract, the Group assesses the nature of work to be performed, and identifies the performance obligations related to the contract. The Group determines if the performance obligations within the contract are distinct i.e. if the work performed is separately identifiable and the customer is able to benefit from it.

Estimates of revenues, costs or extent of progress towards completion of contract 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 give rise to the revision become known by management.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

Rental income and asset leasing income

Rental income from investment property and asset leasing is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished.

Sale of construction materials

The Group's construction and engineering segment is also involved in the trading of construction materials. Revenue from the sale of these materials is recognised at point in time when the products are delivered to customers. There is limited judgement needed to identify when the point of control passes to customers. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within a credit term of 30 days.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.19 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the reporting period in which they are declared for payment. Final dividends are recorded in the reporting period in which the dividends are approved by the shareholders.

2.22 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

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.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (Continued)

Deferred tax (Continued)

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

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

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of 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 taxation authority is included as part of receivables or payables in the statements of financial position.

2.23 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Foreign currency transactions and translation (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognised initially in other comprehensive income and accumulated in the Group's foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

On disposal of a foreign operation, the accumulated foreign currency translation reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer who make strategic decisions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.1 Critical judgements in applying the entity's accounting policies

Management is of opinion that there is no significant judgement made in applying the accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for defects liability and contract losses

Significant estimation is required in determining:

(a) Provision for defects liability in respect of cost of works required to be carried out for the rectification of construction defects when there are potential defects that could arise, taking into consideration the estimation of the timing of incurring such costs and of the future costs of carrying out such rectification works.

(b) Provision for contract losses arising from onerous contracts is made when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs in meeting the obligations under the contract.

The carrying amount of the provisions are disclosed in Note 14 to the financial statements.

Impairment of goodwill

Management performs impairment test on goodwill on an annual basis and whenever there is indication that they are impaired. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgement. Management engaged an external valuer to determine the recoverable amount based on the expected future cash flows from the cash generating units to which the goodwill belong. The carrying value of the cash generating unit is then compared against the recoverable amount using value-in-use. Any excess of the carrying value over the discounted future cash flows is recognised as impairment loss in profit or loss.

The carrying amount of goodwill is disclosed in Note 6 to the financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

Income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's current income tax payable and deferred tax liabilities as at 31 December 2018 were S$3,513,000 (31 December 2017: S$3,262,000; 1 January 2017: S$1,736,000) and S$14,000 (31 December 2017: S$125,000; 1 January 2017: S$289,000) respectively.

Fair value of investment property

The Group's investment property is stated at fair value as determined by an independent valuer. These estimated market value may differ from the price at which the Group's asset could be sold at a particular time, since actual selling price is negotiated between willing buyers and sellers. In addition, certain estimates require an assessment of factors not within management's control, such as overall market conditions. As a result, actual results of the realisation of the investment property in the future could differ from the estimates set forth in these financial statements. The carrying amount of the Group's investment property is disclosed in Note 5 to the financial statements.

Impairment of investments in subsidiaries and joint ventures

The Company assesses annually whether its investment in subsidiaries and joint ventures exhibit any indication of impairment. Where such indications exist, the Company will assess recoverable amounts of the investments. The carrying amounts of the Company's investment in subsidiaries and joint ventures are disclosed in Note 8 and Note 9 to the financial statements respectively.

Net realisable value for development property

The development property is carried at the lower of cost and net realisable value in accordance with the accounting policy stated in Note 2.6 to the financial statements. Net realisable value in respect of development property under construction is assessed with reference to market prices at the reporting date for similar completed properties less estimated costs to complete construction. The Company has assessed the net realisable value to be higher than cost. The carrying amount of the Group's development property is disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property S$'000	Plant and machinery S$'000	Renovation S$'000	Computer equipment S$'000	Motor vehicles S$'000	Furniture, fittings and other equipment S$'000	Total S$'000
Cost							
At 1 January 2018 (Restated)	**8,305**	**1,937**	**154**	**17**	**2,230**	**455**	**13,098**
Additions	**–**	**3**	**9**	**35**	**123**	**18**	**188**
Disposals	**–**	**(35)**	**–**	**(15)**	**(68)**	**–**	**(118)**
Written-off	**–**	**–***	**–**	**–**	**–**	**–***	**–***
At 31 December 2018	**8,305**	**1,905**	**163**	**37**	**2,285**	**473**	**13,168**
Accumulated depreciation							
At 1 January 2018 (Restated)	**246**	**348**	**14**	**3**	**1,469**	**53**	**2,133**
Depreciation	**202**	**308**	**17**	**6**	**271**	**51**	**855**
Disposals	**–**	**(20)**	**–**	**(6)**	**(62)**	**–**	**(88)**
Written-off	**–**	**–***	**–**	**–**	**–**	**–***	**–***
At 31 December 2018	**448**	**636**	**31**	**3**	**1,678**	**104**	**2,900**
Carrying amount							
At 31 December 2018	**7,857**	**1,269**	**132**	**34**	**607**	**369**	**10,268**
Cost							
At 1 January 2017 (Restated)	13,421	1,192	559	10	2,252	509	17,943
Additions	–	770	28	7	24	101	930
Disposals	–	(38)	–	–	–	–	(38)
Transfer to investment property (Note 5)	(5,147)	–	(431)	–	–	(104)	(5,682)
Written-off	–	(1)	(7)	–	–	–	(8)
Currency re-alignment	31	14	5	–	(46)	(51)	(47)
At 31 December 2017 (Restated)	8,305	1,937	154	17	2,230	455	13,098
Accumulated depreciation							
At 1 January 2017 (Restated)	19	27	4	1	567	51	669
Depreciation	295	321	46	3	920	57	1,642
Disposals	–	(17)	–	–	–	–	(17)
Transfer to investment property (Note 5)	(76)	–	(37)	–	–	(8)	(121)
Written-off	–	(1)	–	–	–	–	(1)
Currency re-alignment	8	18	1	(1)	(18)	(47)	(39)
At 31 December 2017 (Restated)	246	348	14	3	1,469	53	2,133
Carrying amount							
At 31 December 2017 (Restated)	8,059	1,589	140	14	761	402	10,965

* Amount less than S$1,000.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Motor vehicles S$'000	Furniture, fittings and other equipment S$'000	Total S$'000
Cost			
At 1 January 2018 (Restated)	**546**	**59**	**605**
Additions	**–**	**10**	**10**
At 31 December 2018	**546**	**69**	**615**
Accumulated depreciation			
At 1 January 2018 (Restated)	**148**	**57**	**205**
Depreciation	**109**	**3**	**112**
At 31 December 2018	**257**	**60**	**317**
Carrying amount			
At 31 December 2018	**289**	**9**	**298**
Cost			
At 1 January 2017 (Restated)	592	60	652
Currency re-alignment	(46)	(1)	(47)
At 31 December 2017 (Restated)	546	59	605
Accumulated depreciation			
At 1 January 2017 (Restated)	42	52	94
Depreciation	114	6	120
Currency re-alignment	(8)	(1)	(9)
At 31 December 2017 (Restated)	148	57	205
Carrying amount			
At 31 December 2017 (Restated)	398	2	400

As at the end of the financial year, the carrying amount of the Group's leasehold property pledged for Term loan II as disclosed in Note 15 to the financial statements was S$7,857,000 (31 December 2017: S$8,059,000; 1 January 2017: S$8,296,000).

As at 31 December 2018, the Group and the Company had plant and equipment with carrying amount of S$1,505,000 (31 December 2017: S$1,963,000; 1 January 2017: S$1,637,000) and S$289,000 (31 December 2017: S$398,000; 1 January 2017: S$550,000) respectively, purchased under finance lease arrangements.

During the financial year, the Group acquired plant and equipment amounting to S$188,000 (2017: S$930,000) of which cash payments of S$139,000 (2017: S$277,000) were made to purchase the plant and equipment and the remaining were purchased by means of a finance lease.

5. INVESTMENT PROPERTY

	Group	
	2018 S$'000	2017 S$'000 (Restated)
At fair value		
At 1 January	**5,600**	18,536
Disposal	–	(17,601)
Transfer from property, plant and equipment (Note 4)	–	5,561
Revaluation surplus	–	121
Fair value loss	–	(51)
Currency re-alignment	–	(966)
At 31 December	**5,600**	5,600

In the previous financial year, the Group disposed of its investment property in Cambodia to third party for a consideration of S$30,329,000. The Group received net cash proceeds of S$24,321,000, net of rental deposit of S$1,994,000 due to the tenant. The remaining amount of S$4,014,000 which was held in escrow under "Other receivables – third parties" (Note 11) in previous financial year was released during the financial year. Arising from this disposal, a gain on disposal of S$12,728,000 was recognised in the Group's profit or loss and the revaluation reserve of S$7,469,000 was reclassified to retained earnings in the Group's consolidated statement of changes in equity for the financial year ended 31 December 2017.

The Group's leasehold property in Singapore was leased to a third party starting from July 2017 and due to the change of use, the leasehold property has been accounted for as investment property at fair value.

The leasehold property in Singapore was valued by an independent professional valuer who holds a recognised and relevant professional qualification and with recent experience in the location and category of the property held by the Group. The valuation was arrived at using the Comparable Sales approach whereby sales prices of comparable properties in similar locations were adjusted for differences in key attributes such as property size. The most significant input into the valuation model was the price per square metre of the properties. The valuation was based on the property's highest and best use, which was in line with its actual use. The resulting fair value of the investment property is considered level 3 recurring fair value measurement.

The Directors have exercised their judgement in relying on the valuation reports and are satisfied that the fair values are reflective of current market situations.

Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 *Fair Value Measurement* guidance.

5. INVESTMENT PROPERTY (CONTINUED)

For valuations performed by external valuation experts, the management reviews the appropriateness of the valuation methodologies and assumptions adopted. The management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the management for reasonableness.

Details of the Group's investment property as at 31 December 2018 are set out below:

Description	Location	Existing use
Leasehold property	17 Tuas View Close, Singapore 637484	Rental of property for a lease period of 36 months.

The following table presents the valuation technique and key inputs that were used to determine the fair value of the leasehold property categorised under level 3 of the fair value hierarchy.

Description	Valuation technique	Significant unobservable inputs	Sensitivity
Leasehold property	Comparable Sales approach	Adjustment made for difference in tenure, size, type and date of transactions.	A significant decrease in the adjustment used would result in a significant decrease in fair value, and vice versa.

The following amounts are recognised in profit or loss:

	Group	
	2018 S$'000	2017 S$'000
		(Restated)
Rental income from investment property	257	1,102
Property tax	(31)	(55)

As at the end of the financial year, the investment property has been pledged for Term loan I as disclosed in Note 15 to the financial statements.

6. GOODWILL

	Group	
	2018 S$'000	2017 S$'000 (Restated)
At 1 January	**11,755**	11,755
Impairment loss	**(7,000)**	–
At 31 December	**4,755**	11,755

Goodwill acquired in a business combination is allocated to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of goodwill was allocated to the Group's construction and engineering segment in Singapore. The Group tests the CGU for impairment annually, or more frequently when there is an indication that the unit may be impaired.

The recoverable amount of the CGU is determined from value-in-use calculations prepared by an external valuer based on cash flow forecasts derived from the most recent financial budgets approved by management. The key assumptions for the value-in-use calculations are based on earnings before interest, tax, depreciation and amortisation ("EBITDA") margin ranging from 9.3% to 9.9% (2017: 10.2% to 12.6%), discount rate of 9.0% (2017: 8.0%) and the terminal growth rate of 2% (2017: 2%). Revenue has forecasted to increase by 16.6% (2017: 1.7%) for the first year based on expected revenue from projects that have commenced and subsequently from 1.0% to 2.0% (2017: 2.0%) for the next four years. Actual outcome could varies from these estimates.

Management estimates discount rates using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates beyond the first 5 years are based on country growth forecasts and historical performance of the subsidiary.

Management has performed sensitivity analysis on the key assumptions as follows:

	2018 Impact to recoverable amount
Reduction of revenue growth rate for 2nd year to 5th year to 1%	Decrease by approximately S$853,000
Reduction of EBITDA margin by 0.5% for all years forecasted	Decrease by approximately S$1,887,000
Reduction of terminal growth rate by 0.5%	Decrease by approximately S$942,000
Increase of discount rate by 0.5%	Decrease by approximately S$1,203,000

The impairment loss recognised during the financial year was attributable to the intense competition among local and overseas construction players. As a result of the impairment review, an impairment loss of S$7,000,000 has been recognised in the profit or loss under the construction and engineering segment.

7. INTANGIBLE ASSETS

Group	Construction contracts S$'000	Club memberships S$'000	Software S$'000	Total S$'000
Cost				
At 1 January 2018 (Restated)	**935**	**35**	**3**	**973**
Write-off	**–**	**(35)**	**–**	**(35)**
At 31 December 2018	**935**	**–**	**3**	**938**
Accumulated amortisation and impairment				
At 1 January 2018 (Restated)	**665**	**12**	**3**	**680**
Amortisation	**270**	**–**	**–**	**270**
Write-off	**–**	**(12)**	**–**	**(12)**
At 31 December 2018	**935**	**–**	**3**	**938**
Carrying amount				
At 31 December 2018	**–**	**–**	**–**	**–**
Cost				
At 1 January 2017 and 31 December 2017 (Restated)	935	35	3	973
Accumulated amortisation and impairment				
At 1 January 2017 (Restated)	85	10	3	98
Amortisation	580	–	–	580
Impairment loss	–	2	–	2
At 31 December 2017 (Restated)	665	12	3	680
Carrying amount				
At 31 December 2017 (Restated)	270	23	–	293

8. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000
		(Restated)	(Restated)
Unquoted equity investments, at cost	**29,932**	30,932	29,932
Allowance for impairment losses	**(9,364)**	(4,233)	(4,233)
Carrying amount of investments	**20,568**	26,699	25,699
Due from subsidiaries – non-trade	**20,584**	9,763	7,547
	41,152	36,462	33,246

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

As at 31 December 2018, non-trade receivables from subsidiaries comprised advances which were unsecured, interest-free and with no fixed terms of repayment. The settlement of these advances will be made upon the realisation of the investments held by the subsidiaries in the future. The balances are accounted for as part of the net investment in the subsidiaries and not expected to be repaid within the next 12 months.

Movements in the allowance for impairment losses are as follows:

	Company	
	2018	**2017**
	S$'000	**S$'000**
		(Restated)
At 1 January	**4,233**	4,233
Impairment loss recognised during the financial year	**5,131**	–
At 31 December	**9,364**	4,233

At the end of the financial year, the Company carried out a review of the recoverable amount of the investment in Ang Tong Seng Brothers Enterprises Pte Ltd in the construction and engineering segment. Due to the intense competition among local and overseas construction players, the review led to the recognition of impairment loss of S$5,131,000 recognised in the Company's profit or loss during the financial year. The recoverable amount of the investment of S$18,023,000 was determined using the value-in-use method. The discount rate used in measuring value-in-use was 9.0% (2017: 8.0%).

Movements in the unquoted equity investments, at cost:

	Company	
	2018	**2017**
	S$'000	**S$'000**
		(Restated)
At 1 January	**30,932**	29,932
Incorporation of subsidiaries	**–***	1,000
Disposal of subsidiaries	**(1,000)**	–
At 31 December	**29,932**	30,932

* Amount less than S$1,000.

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of significant subsidiaries are as follows:

Name of subsidiaries	Country of incorporation and principal place of business	Principal activities	Proportion of equity interest 2018 %	Proportion of equity interest 2017 %
Held by the Company				
Suntex Investment Co., Ltd[2]	Cambodia	Dormant	**100**	100
Ang Tong Seng Brothers Enterprises Pte Ltd[1]	Singapore	Building and civil engineering contractors	**100**	100
Pacific Sky Investment Pte. Ltd.[1]	Singapore	Investment holding	**–**	100
Arctic Sky Investment Pte. Ltd.[1]	Singapore	Investment holding	**–**	100
Atlantic Sky Investment Pte. Ltd.[1]	Singapore	Real estate development	**–**	100
Ocean Sky Properties Pte. Ltd.[1]	Singapore	Investment holding	**100**	–
Held by Ocean Sky Properties Pte. Ltd.				
Pacific Sky Investment Pte. Ltd.[1]	Singapore	Investment holding	**100**	–
Arctic Sky Investment Pte. Ltd.[1]	Singapore	Investment holding	**100**	–
Atlantic Sky Investment Pte. Ltd.[1]	Singapore	Real estate development	**100**	–
Held by Ang Tong Seng Brothers Enterprises Pte Ltd				
Ang Tong Seng Construction Pte. Ltd.[1]	Singapore	Wholesales and leasing of construction – related machinery and materials	**100**	–

Notes:
(1) Audited by BDO LLP, Singapore
(2) The subsidiary is not audited as it is dormant

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Incorporation of subsidiaries

On 3 January 2018, the Company incorporated a wholly-owned subsidiary in Singapore, known as Ocean Sky Properties Pte. Ltd., with an issued and paid-up capital of S$1.00 comprising 1 ordinary share.

On 3 January 2018, the subsidiary of the company, Ang Tong Seng Brothers Enterprises Pte Ltd ("ATS"), incorporated a wholly-owned subsidiary in Singapore, known as Ang Tong Seng Construction Pte. Ltd. ("ATSC") with an issued and paid up capital of S$1.00 comprising 1 ordinary share. On 28 December 2018, ATS increased its investment in ATSC to S$250,000 by subscribing an additional of 249,999 ordinary shares at an issue price of S$1.00.

Transfer of share ownership of a subsidiary within the Group

On 8 February 2019, following an internal restructuring exercise, the Company disposed of the entire equity interests in Arctic Sky Investment Pte. Ltd., Atlantic Sky Investment Pte. Ltd. and Pacific Sky Investment Pte. Ltd. to its wholly owned subsidiary, Ocean Sky Properties Pte. Ltd., at a total consideration of S$1,000,000.

9. INVESTMENT IN JOINT VENTURES

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	S$'000	**S$'000**	**S$'000**
		(Restated)	**(Restated)**
Unquoted equity investments, at cost	**534**	534	–*
Share of post-acquisition results	**(717)**	(23)	–
Currency re-alignment	**18**	–	–
	(165)	511	–*
Due from joint ventures – non-trade	**17,564**	8,789	–
	17,399	9,300	–*

* Amount less than S$1,000.

As at 31 December 2018, non-trade receivables from joint ventures comprised advances of S$17,564,000 (2017: S$8,789,000) which were unsecured, interest-free and with no fixed terms of repayment. The settlement of these advances will be made upon the realisation of the development properties of the joint ventures in the future. The balances are accounted for as part of the net investment in the joint ventures and not expected to be repaid within the next 12 months.

9. INVESTMENT IN JOINT VENTURES (CONTINUED)

Details of the Group's significant joint ventures are as follows:

Name of joint ventures	Country of incorporation and principal place of business	Principal activities	Proportion of equity interest 2018 %	Proportion of equity interest 2017 %
Held by Pacific Sky Investment Pte. Ltd.				
Eco Garden Mall Co., Ltd.[1] ("EGM")	Cambodia	Real estate development	**33.33**	33.33
Held by Arctic Sky Investment Pte. Ltd.				
TSky Development Pte. Ltd.[2] ("TSky")	Singapore	Investment holding	**40.00**	40.00
Held by TSky Development Pte. Ltd.				
TSky Balmoral Pte. Ltd.[2]	Singapore	Real estate development	**28.00**	28.00
TSky Cairnhill Pte. Ltd. [2]	Singapore	Real estate development	**20.40**	–

Notes:
(1) Audited by BDO (Cambodia) Limited, Cambodia
(2) Audited by KPMG, Singapore

9. INVESTMENT IN JOINT VENTURES (CONTINUED)

Summarised financial information in relation to the joint ventures are presented below:

	TSky and its joint ventures S$'000	EGM S$'000	Total S$'000
2018			
Current assets	**41,117**	**3,081**	**44,198**
Current liabilities	**(41,643)**	**(57)**	**(41,700)**
Non-current liabilities	**(194)**	**(2,654)**	**(2,848)**
Net assets attributable to parents of the joint ventures	**(720)**	**370**	**(350)**
Included in the above amounts are:			
– Cash and cash equivalents	**644**	**423**	**1,067**
– Non-current financial liabilities (excluding trade and other payables and provisions)	**194**	**2,654**	**2,848**
Loss for the financial year, representing total comprehensive income	**(1,774)**	**(20)**	**(1,794)**
2017 (Restated)			
Current assets	19,651	1,339	20,990
Non-current assets	1,355	1,794	3,149
Current liabilities	(20,051)	(136)	(20,187)
Non-current liabilities	–	(2,609)	(2,609)
Net assets attributable to parents of the joint ventures	955	388	1,343
Included in the above amounts are:			
– Cash and cash equivalents	404	1,211	1,615
– Non-current financial liabilities (excluding trade and other payables and provisions)	–	2,609	2,609
Loss for the financial year, representing total comprehensive income	(45)	(16)	(61)

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

9. INVESTMENT IN JOINT VENTURES (CONTINUED)

Reconciliation of summarised financial information

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

	TSky and its joint ventures S$'000	EGM S$'000	Total S$'000
2018			
Proportion of Group ownership	**40.00%**	**33.33%**	
Net assets attributable to parents of the joint ventures	**(720)**	**370**	
Interest in joint ventures	**(288)**	**123**	
Carrying value	**(288)**	**123**	**(165)**
Due from joint ventures – non-trade			**17,564**
Carrying value of Group's interest in joint ventures			**17,399**
2017 (Restated)			
Proportion of Group ownership	40.00%	33.33%	
Net assets attributable to parents of the joint ventures	955	388	
Interest in joint ventures	382	129	
Carrying value	382	129	511
Due from joint ventures – non-trade			8,789
Carrying value of Group's interest in joint ventures			9,300

10. DEVELOPMENT PROPERTY

	Group	
	31.12.2018 S$'000	31.12.2017 S$'000
		(Restated)
Land cost	**4,323**	4,296
Development costs	**1,489**	135
	5,812	4,431

The development property has been pledged as security for Term Loan III granted to the Group as disclosed in Note 15 to the financial statements.

During the financial year, finance costs of approximately S$80,000 (2017: S$24,000), arising from borrowing obtained specifically for the development property were capitalised under "Development costs".

11. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000
		(Restated)	(Restated)		(Restated)	(Restated)
Trade receivables	**8,739**	9,020	7,350	**–**	–	–
Less: Loss allowance	**(18)**	(22)	(22)	**–**	–	–
	8,721	8,998	7,328	**–**	–	–
Other receivables						
– Third parties	**33**	4,034	25	**20**	–	–
– Subsidiaries	**–**	–	–	**33**	–	–
Deposits	**68**	92	77	**–**	–	–
Prepayments	**231**	189	191	**75**	70	83
Total trade and other receivables	**9,053**	13,313	7,621	**128**	70	83
Less: Prepayments	**(231)**	(189)	(191)	**(75)**	(70)	(83)
Add:						
Cash and bank balances	**23,910**	28,196	20,647	**21,419**	24,651	15,721
Total financial assets carried at amortised cost	**32,732**	41,320	28,077	**21,472**	24,651	15,721

Trade receivables are non-interest bearing and generally have credit terms of 30 to 60 days (31 December 2017: 30 to 60 days; 1 January 2017: 30 to 60 days). Included in the Group's trade receivables owing from third parties are retention sum arising from construction contracts of S$3,778,000 (31 December 2017: S$3,565,000; 1 January 2017: S$2,876,000).

In the previous financial year, non-trade receivables due from third parties comprised mainly an amount of S$4,014,000 held in escrow for the sale of investment property (Note 5).

Other receivables due from subsidiaries represent payment on behalf of the subsidiaries, which are unsecured, non-interest bearing and repayable upon demand.

The Group provides for lifetime expected credit losses for trade receivables based on the Group's historical observed default rates which is adjusted with forward-looking information. At the end of the financial year, management had assessed the expected credit losses to be insignificant. The loss allowance as at the financial year end represents allowances made for trade receivables that are credit impaired.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the loss allowance for trade receivables for the Group are as follows:

	Group	
	2018 S$'000	**2017 S$'000**
		(Restated)
At 1 January	**22**	22
Loss allowance made	**15**	–
Loss allowance reversed	**(19)**	–
At 31 December	**18**	22

The age analysis of trade receivables which were past due but not impaired are as follows:

	Group	
	31.12.2017 $'000	**1.1.2017 $'000**
	(Restated)	**(Restated)**
Past due for 1 to 30 days	490	332
Past due for 31 to 60 days	28	18
Past due for 61 to 90 days	–	27
Past due for more than 90 days	18	19

12. CASH AND BANK BALANCES

Cash and bank balances comprise the following:

	Group			Company		
	31.12.2018 S$'000	**31.12.2017 S$'000**	**1.1.2017 S$'000**	**31.12.2018 S$'000**	**31.12.2017 S$'000**	**1.1.2017 S$'000**
		(Restated)	**(Restated)**		**(Restated)**	**(Restated)**
Cash on hand and bank balances	**9,910**	27,983	13,199	**7,419**	24,651	8,486
Fixed deposits	**14,000**	213	7,448	**14,000**	–	7,235
Cash and bank balances on statements of financial position	**23,910**	28,196	20,647	**21,419**	24,651	15,721
Less: Fixed deposits pledged	**–**	(213)	(213)	**–**	–	–
Cash and cash equivalents on consolidated statement of cash flows	**23,910**	27,983	20,434	**21,419**	24,651	15,721

12. CASH AND BANK BALANCES (CONTINUED)

Banker's performance guarantees issued in favour of customers amounted to S$807,000 (31 December 2017: S$220,000; 1 January 2017: S$241,000).

Fixed deposits earn interest ranging from 1.28% to 1.41% (31 December 2017: 0.15%; 1 January 2017: 0.15% to 0.34%) per annum and have tenors from 60 to 90 (31 December 2017: 180; 1 January 2017: 30 to 180) days. Fixed deposits of the Group amounting to Nil (31 December 2017: S$213,000; 1 January 2017: S$213,000) was pledged to a bank to secure credit facilities granted to a certain subsidiary which relate to performance guarantee.

13. TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000
		(Restated)	(Restated)		(Restated)	(Restated)
Trade payables						
– third parties	**3,387**	5,075	3,084	**–**	–	–
– subsidiaries	**–**	–	–	**–**	–	26
Other payables						
– third parties	**842**	573	2,295	**36**	72	221
– subsidiaries	**–**	–	–	**24,596**	20,636	2,927
– penalties and interest (Note 28)	**327**	–	402	**–**	–	–
– warranty claims	**–**	368	–	**–**	–	–
Goods and services tax payable	**149**	341	200	**–**	–	–
Accrued expenses	**968**	2,774	1,704	**220**	1,670	152
Accrued Directors' fee	**40**	32	30	**40**	32	30
Total trade and other payables	**5,713**	9,163	7,715	**24,892**	22,410	3,356
Less:						
– Goods and services tax payable	**(149)**	(341)	(200)	**–**	–	–
– Penalties and interest payable	**(327)**	–	(402)	**–**	–	–
– Warranty claims payable	**–**	(368)	–	**–**	–	–
Add:						
– Bank term loans	**12,390**	12,792	10,209	**–**	–	–
– Finance lease payable	**780**	1,238	1,130	**180**	247	314
Total financial liabilities carried at amortised cost	**18,407**	22,484	18,452	**25,072**	22,657	3,670

13. TRADE AND OTHER PAYABLES (CONTINUED)

Included in the Group's trade payables owing to third parties are retention sum payables of S$831,000 (31 December 2017: S$904,000; 1 January 2017: S$742,000). Trade payables due to third parties are non-interest bearing and are generally settled on 30 to 60 (31 December 2017: 30 to 90; 1 January 2017: 30 to 90) days' credit terms.

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

In the previous financial year and during the financial year, the Company received warranty claims of S$960,000 and S$368,000, respectively from Sunny Force Limited ("Sunny Force") for tax liabilities in relation to the disposed apparel operations in 2013. In accordance with the sales and purchases agreement, the Company shall fully indemnify Sunny Force against any tax liabilities covering the periods prior to the sale of the business in 2013. Accordingly, the Company paid S$960,000 to Sunny Force in previous financial year and the remaining balance of S$368,000 was paid during the financial year.

14. PROVISIONS

Movements in provisions are as follows:

	Group		
	Defects liability S$'000	Contract losses S$'000	Total S$'000
2018			
At 1 January (Restated)	**402**	**–**	**402**
Addition during the financial year	**197**	**100**	**297**
Utilised during the financial year	**(60)**	**–**	**(60)**
Written back during the financial year	**(220)**	**–**	**(220)**
At 31 December	**319**	**100**	**419**
2017			
At 1 January (Restated)	464	–	464
Addition during the financial year	313	–	313
Utilised during the financial year	(76)	–	(76)
Written back during the financial year	(299)	–	(299)
At 31 December (Restated)	402	–	402

The provision for defects liability represents the best estimate of the Group's contractual obligations as at the end of the financial year. The provision is based on past experience of the level of rectification work. The majority of the costs is expected to be incurred over the applicable warranty periods.

The provision for contract losses represents the estimated losses arising from onerous contracts where the estimated costs to complete the contract exceed the economic benefits expected to be received under it.

The assumptions used to estimate the above provisions are reviewed periodically in light of actual experience.

15. BANK TERM LOANS

	Group		
	31.12.2018 S$'000	**31.12.2017 S$'000 (Restated)**	**1.1.2017 S$'000 (Restated)**
Current			
Secured			
Term loan I	**128**	126	124
Term loan II	**267**	270	282
Term loan III	**–**	3,000	–
	395	3,396	406
Non-current			
Secured			
Term loan I	**3,138**	3,281	3,410
Term loan II	**5,857**	6,115	6,393
Term loan III	**3,000**	–	–
	11,995	9,396	9,803
	12,390	12,792	10,209
Effective interest rate per annum			
Bank term loans	**2.65% to 2.98%**	2.22% to 3.12%	1.79% to 2.91%

Term loan I

Term loan I is repayable in 300 monthly instalments commencing 8 August 2012.

Term loan I is secured against the investment property of S$5,600,000 (31 December 2017: S$5,600,000) (Note 5) and leasehold property of S$5,106,000 (Note 4) as at 1 January 2017.

Term loan II

Term loan II is repayable in 360 monthly instalments commencing 13 September 2016.

Term loan II is secured against the leasehold property of S$7,857,000 (31 December 2017: S$8,059,000; 1 January 2017: S$8,296,000) (Note 4) and fixed deposits of Nil (31 December 2017: S$213,000; 1 January 2017: S$213,000) (Note 12).

15. BANK TERM LOANS (CONTINUED)

Term loan III

Term loan III is repayable in one lump sum after 36 months from first drawdown or on 7 months after the issuance of the Temporary Occupation Permit or on 31 August 2020.

Term loan III is secured against the development property of S$5,812,000 (31 December 2017: S$4,431,000; 1 January 2017: Nil) (Note 10) and corporate guarantee of S$4,125,000 (31 December 2017: S$4,125,000; 1 January 2017: Nil) (Note 28).

During the financial year, the Group has obtained a revised term loan letter in respect of Term loan III which the Company did not meet certain loan covenant as at 31 December 2017. Since the Group has obtained the revised term loan letter during the financial year, the Group has classified Term loan III of S$3,000,000 as non-current portion in current financial year and as current portion in the previous financial year.

As at the end of the financial year, the fair value of bank term loans approximates the carrying amount as the interest rate approximates the prevailing market rate.

16. FINANCE LEASE PAYABLE

	Group			Company		
	31.12.2018 S$'000	**31.12.2017 S$'000**	**1.1.2017 S$'000**	**31.12.2018 S$'000**	**31.12.2017 S$'000**	**1.1.2017 S$'000**
		(Restated)	**(Restated)**		**(Restated)**	**(Restated)**
Minimum lease payments due:						
Within one year	**471**	541	488	**76**	76	75
After one year but within five years	**374**	797	750	**128**	205	281
After five years	**4**	–	–	**–**	–	–
	849	1,338	1,238	**204**	281	356
Future finance charges	**(69)**	(100)	(108)	**(24)**	(34)	(42)
Present value of finance lease liabilities	**780**	1,238	1,130	**180**	247	314

The present value of finance lease payable is repayable as follows:

	Group			Company		
	31.12.2018 S$'000	**31.12.2017 S$'000**	**1.1.2017 S$'000**	**31.12.2018 S$'000**	**31.12.2017 S$'000**	**1.1.2017 S$'000**
		(Restated)	**(Restated)**		**(Restated)**	**(Restated)**
Within one year	**437**	503	451	**67**	67	67
After one year but within five years	**340**	735	679	**113**	180	247
After five years	**3**	–	–	**–**	–	–
	780	1,238	1,130	**180**	247	314

16. FINANCE LEASE PAYABLE (CONTINUED)

The term of the financial leases are for 3 to 7 years (31 December 2017: 3 to 7 years; 1 January 2017: 3 to 7 years).

Finance lease liabilities are secured by rights to the leased assets which will revert to the lessor in the event of default.

The interest rate charged is 2.59% to 5.39% (31 December 2017: 2.41% to 5.39%; 1 January 2017: 2.41% to 5.39%) per annum. The finance leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

The management estimates that the carrying amount of the Group's and the Company's finance lease payable approximates its fair value.

17. DEFERRED TAX LIABILITIES

	Group	
	2018 S$'000	**2017 S$'000**
		(Restated)
At 1 January	**125**	289
Credit to profit or loss	**(111)**	(164)
At 31 December	**14**	125

The following are the major deferred tax liabilities/(assets) recognised by the Group and the movements during the financial year.

	Group		
	Accelerated tax depreciation S$'000	**Fair value adjustments S$'000**	**Total S$'000**
At 1 January 2018 (Restated)	**169**	**(44)**	**125**
Credit to profit or loss	**(111)**	**–**	**(111)**
At 31 December 2018	**58**	**(44)**	**14**
At 1 January 2017 (Restated)	169	120	289
Credit to profit or loss	–	(164)	(164)
At 31 December 2017 (Restated)	169	(44)	125

Deferred tax liabilities are attributable to temporary differences between the tax written down values and the carrying amounts of the property, plant and equipment computed at the statutory income tax rate of 17%.

18. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of ordinary shares	S$'000	Number of ordinary shares	S$'000
				(Restated)
Issued and fully paid				
At 1 January	**324,940,302**	**48,866**	324,940,302	48,866
Issuance of right shares	**105,642,794**	**6,301**	–	–
At 31 December	**430,583,096**	**55,167**	324,940,302	48,866

During the financial year, the Company has allotted and issued 105,642,794 Right Shares with issue price of S$0.062 each per Rights Share and 105,642,794 Warrants on 6 August 2018 and 7 August 2018 respectively. Accordingly the number of issued and paid up capital has increased from 324,940,302 to 430,583,096. The Company has raised net proceeds of approximately S$6,301,000 after netting the transaction costs of approximately S$249,000 from the Right cum Warrants Issue.

As at 31 December 2018, the Company has outstanding warrants of 105,642,794, convertible into 105,642,794 shares of the Company.

19. RESERVES AND ACCUMULATED LOSSES

	Group		
	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000
		(Restated)	(Restated)
Foreign currency translation reserve	**(413)**	998	3,201
Revaluation reserve	**121**	121	7,469
	(292)	1,119	10,670

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

19. RESERVES AND ACCUMULATED LOSSES (CONTINUED)

Revaluation reserve

The revaluation reserve represents the increase in the fair value of leasehold property, prior to the change in use from property, plant and equipment to investment property.

Company reserves

Movement in the Company's accumulated losses and foreign currency translation reserve is as follows:

	Company			
	Accumulated losses		Foreign currency translation reserve	
	2018 S$'000	2017 S$'000	2018 S$'000	2017 S$'000
		(Restated)		(Restated)
At 1 January	**(11,713)**	(5,792)	**1,773**	2,864
Loss for the financial year	**(7,302)**	(5,921)	**–**	–
Effect of change in presentation and functional currency	**1,773**	–	**(1,773)**	–
Exchange differences on translating of financial statements	**–**	–	**–**	(1,091)
At 31 December	**(17,242)**	(11,713)	**–**	1,773

The Company had changed its functional currency from United States dollar to Singapore dollar with effect from 1 January 2018. The change in functional currency was a result of disposal of the investment property in Cambodia in the previous financial year, which resulted in a change in the primary economic environment in which the Group operates to mainly in Singapore. Pursuant to SFRS(I) 1-21, the Company changed its functional currency prospectively from 1 January 2018 to Singapore dollar. Following the change in functional currency, the Group has also changed its presentation currency to Singapore dollar.

20. REVENUE

Disaggregation of revenue

The Group has disaggregated revenue into various categorical in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data; and
- enable users to understand the relationship with revenue segment information provided in Note 30 to the financial statements.

	Group					
Segment	Construction and engineering		Real estate		Total	
	2018 S$'000	2017 S$'000 (Restated)	2018 S$'000	2017 S$'000 (Restated)	2018 S$'000	2017 S$'000 (Restated)
Primary geographical markets						
Singapore	**21,862**	26,488	**257**	132	**22,119**	26,620
Cambodia	**–**	–	**–**	970	**–**	970
	21,862	26,488	**257**	1,102	**22,119**	27,590
Type of good or service						
Provision of civil engineering works	**21,612**	26,179	**–**	–	**21,612**	26,179
Rental income	**–**	–	**257**	1,102	**257**	1,102
Leasing of equipment	**241**	309	**–**	–	**241**	309
Sales of construction materials	**9**	–	**–**	–	**9**	–
	21,862	26,488	**257**	1,102	**22,119**	27,590
Timing of transfer of goods and services						
Point in time	**9**	–	**–**	–	**9**	–
Over time	**21,612**	26,179	**–**	–	**21,612**	26,179
Others	**241**	309	**257**	1,102	**498**	1,411
	21,862	26,488	**257**	1,102	**22,119**	27,590

20. REVENUE (CONTINUED)

The Group has applied the practical expedient not to disclose information about its remaining performance obligation as the Group recognised revenue in the amount to which the Group has a right to invoice customers in amounts that correspond directly with the value to the customers of the Group's performance completed to date.

21. OTHER INCOME

	Group	
	2018 S$'000	**2017 S$'000 (Restated)**
Interest income	**138**	12
Gain on disposal of investment property	**–**	12,728
Gain on disposal of property, plant and equipment	**91**	103
Government grant	**41**	67
	270	12,910

22. FINANCE COSTS

	Group	
	2018 S$'000	**2017 S$'000 (Restated)**
Interest expense		
– Bank term loans	**268**	236
– Finance leases	**38**	42
	306	278

23. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax for the year is arrived at after charging/(crediting) the following:

	Group	
	2018 S$'000	**2017 S$'000 (Restated)**
Cost of services		
Depreciation of property, plant and equipment	**434**	1,129
Provision for defects liability	**197**	313
Provision for defects liability written back	**(220)**	(299)
Provision for contract losses	**100**	–
Material costs	**6,250**	6,485
Operating lease expenses	**403**	44

23. (LOSS)/PROFIT BEFORE INCOME TAX (CONTINUED)

(Loss)/Profit before income tax for the year is arrived at after charging/(crediting) the following (Continued):

	Group	
	2018	**2017**
	S$'000	**S$'000**
		(Restated)
Administrative and other operating expenses		
Audit fees		
– auditors of the Company	**163**	147
– other auditors	**–**	6
Non-audit fees		
– auditors of the Company	**38**	55
– other auditors	**–**	10
Depreciation of property, plant and equipment	**421**	513
Amortisation of intangible assets	**270**	580
Fair value loss on investment property	**–**	51
Property, plant and equipment written off	**–**	7
Intangible assets written off	**23**	–
Loss allowance reversed for trade receivables, net	**(4)**	–
Operating lease expenses	**56**	60
Professional fees	**61**	3,456
Provision made/(written back) for penalties and interest	**327**	(342)
Provision for warranty claims	**–**	368
Impairment of goodwill	**7,000**	–
Unrealised foreign exchange gain	**–**	(282)

24. EMPLOYEE BENEFITS EXPENSES

	Group	
	2018	**2017**
	S$'000	**S$'000**
		(Restated)
Directors' fees	**160**	123
Short-term employee benefits	**6,505**	6,435
Post-employment benefits	**1,526**	1,348
	8,191	7,906

24. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

The employee benefits expenses are recognised in the following line items of profit or loss:

	Group	
	2018	**2017**
	S$'000	**S$'000**
		(Restated)
Cost of services	**5,827**	5,554
Administrative and other operating expenses	**2,364**	2,352
	8,191	7,906

The remuneration of Directors and other members of the key management personnel of the Company during the financial year was as follows:

	Group	
	2018	**2017**
	S$'000	**S$'000**
		(Restated)
Directors of the Company		
Short-term employee benefits	**1,153**	1,428
Post-employment benefits	**33**	35
	1,186	1,463

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. There are no key management personnel who are not Directors of the Company for the current financial year.

25. INCOME TAX EXPENSE

	Group	
	2018	**2017**
	S$'000	**S$'000**
		(Restated)
Current tax:		
– Current year	**29**	2,728
– Under/(Over) provision in prior years	**280**	(276)
	309	2,452
Deferred tax:		
– Current year	**(85)**	(164)
– Over provision in prior years	**(26)**	–
	(111)	(164)
Total income tax expense	**198**	2,288

Domestic income tax is calculated at 17% (2017: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

25. INCOME TAX EXPENSE (CONTINUED)

Reconciliation of effective tax rate

	Group	
	2018 **S$'000**	**2017** **S$'000** **(Restated)**
(Loss)/Profit before income tax	**(9,374)**	6,091
Income tax using Singapore tax rate of 17% (2017: 17%)	**(1,594)**	1,035
Deferred tax asset not recognised	**241**	–
Effect of income not subject to tax	**(26)**	(94)
Effect of expenses not deductible for tax purposes	**1,346**	1,237
Income tax exemption	**(48)**	(42)
Effect of different tax rates in other countries	**(3)**	388
Under/(Over) provision of income tax in prior years	**254**	(276)
Others	**28**	40
	198	2,288

The deferred tax assets not recognised relates mainly to deductible temporary differences in respect of property, plant and equipment and have not been recognised due to uncertainty of profits.

At the end of the financial year, the temporary difference associated with undistributed earnings of a subsidiary for which deferred tax liabilities have not been recognised was S$1,906,000 (31 December 2017: S$1,914,000; 1 January 2017: S$858,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

26. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the parent is based on the following data:

	Group	
	2018	**2017** **(Restated)**
(Loss)/Earnings		
(Loss)/Profit for the financial year attributable to owners of the parent (S$'000)	**(9,572)**	3,803
Number of shares		
Actual number of ordinary shares in issue ('000)	**430,583**	324,940
Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share ('000)	**367,197**	324,940
(Loss)/Earnings per share		
Basic and diluted (cents)	**(2.61)**	1.17

26. (LOSS)/EARNINGS PER SHARE (CONTINUED)

The Group was in a loss making position for the financial year ended 31 December 2018. As such, the potential ordinary shares to be converted arising from the outstanding warrants as at 31 December 2018 were anti-dilutive. Diluted earnings per share is the same as the basic earnings per share because the Group does not have any dilutive options.

27. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the financial year, commitments in respect of non-cancellable operating leases for site workers' dormitories were as follows:

	Group	
	2018	**2017**
	S$'000	**S$'000**
		(Restated)
Within one year	**266**	281

Leases for site workers' dormitories are negotiated annually with no arrangement on contingent rents. The Group and the Company are given an option to renew the leases before expiry. Lease payments are usually increased upon renewals to reflect market rentals.

The Group as lessor

At the end of the financial year, the Group has contracted with tenants for the following minimum lease receivables:

	Group	
	2018	**2017**
	S$'000	**S$'000**
		(Restated)
Within one year	**264**	264
Within two to five years	**132**	396
	396	660

The lease for the investment property was negotiated for a term of 36 months commencing from 1 July 2017 with no arrangement on contingent rents. Lease payments will be reviewed upon renewal to reflect market rentals.

28. CONTINGENT LIABILITIES

The Company has provided a corporate guarantee of S$4,125,000 (31 December 2017: S$4,125,000) to a bank for a S$3,000,000 (31 December 2017: S$3,000,000) loan taken by a subsidiary. The Company has also provided an undertaking to the banks of its indirectly owned joint ventures in accordance with its equity interest in the indirect joint ventures. The financial guarantee and undertaking have not been recognised in the financial statements of the Company as the risk of default payment by the subsidiary and indirect joint ventures are assessed to be remote.

During the financial year, a subsidiary in Cambodia received a notice of tax reassessment for the financial year ended 31 December 2014 ("Tax Reassessment") from the Large Taxpayers Department of the General Department of Taxation, Cambodia ("LTD") of approximately S$1,169,000 for the withholding tax on deemed dividend distribution to the Company and the related penalty and interests. The management has submitted an objection letter subsequently on the basis that there are no specific tax provisions and legal basis for the LTD to deem such dividend distribution as the dividend has not been paid.

Management has, without admission of the correctness of the Tax Reassessment received and pending clarification from the LTD, made a provision of S$293,000 in relation to the withholding tax and has recorded this amount as provision of current income tax, and provision of S$327,000 for related penalties and interests under "Administrative and other operating expenses" in the profit or loss. The above amounts are recognised in the statement of financial position under "Current income tax payable" and "Trade and other payables", respectively.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The outstanding balances with related parties as at the end of the financial year are unsecured, interest-free and with no fixed terms of repayment, unless otherwise stated.

In addition to the information disclosed elsewhere in the financial statements, the following were significant related party transactions during the financial year:

	Group	
	2018 S$'000	2017 S$'000
		(Restated)
Substantial shareholder		
Joint venture agreement with a company controlled by Mr Ang Boon Chong*	–	900

* Mr Ang Boon Chong is a substantial shareholder of the Company and brother of Mr Ang Boon Cheow Edward, Executive Chairman and CEO of the Group.

30. SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker.

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore and Cambodia. Singapore remains as the Corporate Headquarters and with various subsidiaries engaged in the construction and engineering business as well as real estate business, while Cambodia is engaged in real estate business.

The Group has two reportable segments being construction and engineering as well as real estate.

The construction and engineering segment is in the business of building and civil engineering contractors.

The real estate segment is in the business of leasing of properties and development of properties.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

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

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

Income taxes are managed on a Group basis.

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

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

30. SEGMENT REPORTING (CONTINUED)

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

	Note	Construction and engineering S$'000	Real estate S$'000	Unallocated S$'000	Consolidated S$'000
2018					
Revenue					
Revenue from external customers		21,862	257	–	22,119
Total revenue		21,862	257	–	22,119
Results					
Segment results	A	2,027	(230)	(2,161)	(364)
Interest income		1	–	137	138
Interest expense		(188)	(109)	(9)	(306)
Depreciation of property, plant and equipment		(743)	–	(112)	(855)
Amortisation of intangible assets		(270)	–	–	(270)
Share of results of joint ventures		–	(717)	–	(717)
Impairment of goodwill		(7,000)	–	–	(7,000)
Loss before income tax		(6,173)	(1,056)	(2,145)	(9,374)
Income tax expense					(198)
Loss for the financial year					(9,572)
Capital expenditure					
Additions to non-current assets	B	178	–	10	188
Assets and liabilities					
Segment assets	C	26,119	28,977	21,817	76,913
Segment liabilities	D	11,480	10,595	740	22,815
Deferred tax liabilities					14
Total liabilities					22,829

30. SEGMENT REPORTING (CONTINUED)

	Note	Construction and engineering S$'000	Real estate S$'000	Unallocated S$'000	Consolidated S$'000
2017 (Restated)					
Revenue					
Revenue from external customers		26,488	1,102	–	27,590
Total revenue		26,488	1,102	–	27,590
Results					
Segment results	A	1,561	301	(5,937)	(4,075)
Interest income		–	–	12	12
Interest expense		(216)	(53)	(9)	(278)
Depreciation of property, plant and equipment		(1,524)	–	(118)	(1,642)
Amortisation of intangible assets		(580)	–	–	(580)
Share of results of joint ventures		–	(23)	–	(23)
Gain on disposal of investment property		–	12,728	–	12,728
Fair value loss on investment property		–	(51)	–	(51)
(Loss)/Profit before income tax		(759)	12,902	(6,052)	6,091
Income tax expense					(2,288)
Profit for the financial year					3,803
Capital expenditure					
Additions to non-current assets	B	930	–	–	930
Assets and liabilities					
Segment assets	C	35,282	23,547	25,146	83,975
Segment liabilities	D	14,429	10,158	2,270	26,857
Deferred tax liabilities					125
Total liabilities					26,982

Notes:

A. Unallocated segment results comprise mainly Corporate Headquarter expenses.

B. Additions to non-current assets consist of additions to property, plant and equipment.

C. Unallocated segment assets comprise mainly cash and bank balances held at the Corporate Headquarter.

D. Unallocated segment liabilities comprise mainly finance leases and trade and other payables at the Corporate Headquarter.

30. SEGMENT REPORTING (CONTINUED)

Geographic information

Location of non-current assets

	Singapore S$'000	Cambodia S$'000	Consolidated S$'000
2018			
Non-current assets	**37,014**	**1,008**	**38,022**
2017 (Restated)			
Non-current assets	36,884	1,029	37,913

Non-current assets consist of property, plant and equipment, investment property, goodwill, intangible assets and investment in joint ventures.

Major customer

The Group's revenue from construction and engineering segment of S$21,862,000 (2017: S$26,488,000) are derived from various customers in Singapore. The Group derives revenue from 2 (2017: 1) major customers from the construction and engineering segment who contributed revenue amounting more than 10% of the Group's total revenue. The revenue from these customers amounted to S$4,281,000 and S$4,253,000 respectively (2017: S$3,862,000).

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

31.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. The Group assesses the credit risk of new customers before entering into contracts and generally does not require a collateral. Such credit ratings are taken into account by local business practices.

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

31.1 Credit risk (Continued)

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the Board of Directors.

The Board of Directors determines concentrations of credit risk by monitoring the creditworthiness rating of existing customers and through a review of the ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics.

Credit risk also arises from cash and bank balances with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "AA-" are accepted and hence, subjected to immaterial credit loss.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in Note 11 to the financial statements.

31.2 Liquidity risk

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of receipts and payments. The Group manages liquidity risks by keeping committed lines of credit available.

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

31.2 Liquidity risk (Continued)

The following table details the Group and the Company's remaining contractual maturity for its financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay. The table includes both interest and principal cash flows.

	Within 1 year S$'000	After 1 year but within 5 years S$'000	After 5 years S$'000	Total S$'000
Group				
Financial liabilities				
Trade and other payables	**5,237**	**–**	**–**	**5,237**
Finance lease payable	**471**	**374**	**4**	**849**
Bank term loans	**747**	**5,737**	**8,786**	**15,270**
As at 31 December 2018	**6,455**	**6,111**	**8,790**	**21,356**
Financial liabilities				
Trade and other payables	8,454	–	–	8,454
Finance lease payable	541	797	–	1,338
Bank term loans	3,710	3,240	8,508	15,458
As at 31 December 2017 (Restated)	12,705	4,037	8,508	25,250
Financial liabilities				
Trade and other payables	7,113	–	–	7,113
Finance lease payable	488	750	–	1,238
Bank term loans	630	3,149	8,925	12,704
As at 1 January 2017 (Restated)	8,231	3,899	8,925	21,055

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

31.2 Liquidity risk (Continued)

	Within 1 year S$'000	After 1 year but within 5 years S$'000	After 5 years S$'000	Total S$'000
Company				
Financial liabilities				
Trade and other payables	**24,892**	**–**	**–**	**24,892**
Finance lease payable	**76**	**128**	**–**	**204**
As at 31 December 2018	**24,968**	**128**	**–**	**25,096**
Financial guarantee contract	3,000	–	–	3,000
Financial liabilities				
Trade and other payables	22,410	–	–	22,410
Finance lease payable	76	205	–	281
As at 31 December 2017 (Restated)	22,486	205	–	22,691
Financial guarantee contract	3,000	–	–	3,000
Financial liabilities				
Trade and other payables	3,356	–	–	3,356
Finance lease payable	75	281	–	356
As at 1 January 2017 (Restated)	3,431	281	–	3,712

The disclosed amounts for the financial guarantee contract represents the banking facility utilised by a subsidiary which could be called upon in the event of default.

31.3 Currency risk

The Group has foreign currency exposures arising from monetary assets and liabilities that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Hong Kong dollar and United States dollar.

The Group does not have a formal hedging policy against foreign exchange fluctuations. The Group continuously monitors the exchange rates on a daily basis so as to realise the currencies at the most favourable exchange rate.

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

31.3 Currency risk (Continued)

The Group's and the Company's exposure from foreign currency denominated monetary assets and monetary liabilities as at the end of the reporting period was as follows:

	Group			Company		
	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000
		(Restated)	(Restated)		(Restated)	(Restated)
Monetary assets						
United States dollar	**4,824**	27,689	12,133	**4,801**	23,502	10,603
Hong Kong dollar	**322**	319	4,779	**322**	319	4,779
Monetary liabilities						
United States dollar	**63**	2,157	2,374	**–**	22,410	2,824

The Group is mainly exposed to Hong Kong dollar (HKD) and United States dollar (USD) denominated monetary assets and liabilities.

The following table details the Group's sensitivity to a 1% (31 December 2017: 1%; 1 January 2017: 2%) change in HKD against Singapore dollar (SGD) and a 2% (31 December 2017: 7%; 1 January 2017: 2%) change in USD against SGD. The sensitivity analysis assumes an instantaneous change in the foreign currency exchange rates from the end of the reporting period, with all variables held constant. The results of the model are also constrained by the fact that only monetary items, including external loans and loans to foreign operations, which are denominated in HKD and USD are included in the analysis. Consequently, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

	Increase/(Decrease)					
	Group			Company		
	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000	31.12.2018 S$'000	31.12.2017 S$'000	1.1.2017 S$'000
		(Restated)	(Restated)		(Restated)	(Restated)
HKD						
Strengthens against SGD	**3**	3	96	**3**	3	96
Weakens against SGD	**(3)**	(3)	(96)	**(3)**	(3)	(96)
USD						
Strengthens against SGD	**95**	1,787	195	**96**	76	156
Weakens against SGD	**(95)**	(1,787)	(195)	**(96)**	(76)	(156)

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

31.4 Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to bank term loans as shown in Note 15 to the financial statements. The Company is not exposed to interest rate risk as it does not have any bank borrowings at the end of the reporting period.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowings which are at floating interest rates. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 100 basis points change in the interest rates from the end of the reporting period, with all variables held constant.

The table below demonstrates the sensitivity to a reasonably possible change in interest rate with all other variables held constant, of the Group's profit before tax (through the impact on interest expense on floating rate bank term loans for investment property) and the Group's equity (through the impact on capitalisation of interest expense on floating rate bank term loans for development property and the interest expense on floating rate bank term loans for investment property).

		Group	
	Increase/ decrease in basis points	Effect on profit before tax S$'000	Effect on equity S$'000
31 December 2018			
Bank term loans	**+100**	**(94)**	**(64)**
Bank term loans	**-100**	**94**	**64**
31 December 2017 (Restated)			
Bank term loans	+100	(98)	(68)
Bank term loans	-100	98	68
1 January 2017 (Restated)			
Bank term loans	+100	(101)	(101)
Bank term loans	-100	101	101

32. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

The Group's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

In the current and previous financial year, the Group has complied with all externally-imposed capital requirements which comprise loan covenants imposed by banks in respect of bank term loans granted to certain subsidiaries except as disclosed in Note 15. The Group's overall strategy remains unchanged from 2017.

33. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The management of the Group has determined that the carrying amounts of cash and bank balances, trade and other receivables, and trade and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The carrying amounts of the Group's bank term loans approximate its fair value as they are mostly at floating interest rates. The fair values of other classes of financial liabilities are disclosed in the respective notes to the financial statements.

34. CAPITAL COMMITMENTS

As at the end of the financial year, commitments in respect of capital expenditure were as follows:

	Group	
	2018	**2017**
	S$'000	**S$'000**
		(Restated)
Group's share of joint ventures' capital commitments	**1,528**	2,470
Capital expenditure contracted but not provided for commitments for the property development	**745**	1,820
Capital expenditure contracted but not provided for commitments for the development project by joint venture	**8,390**	2,384

35. COMPARATIVE FIGURES

The comparative figures were restated due to the change in the presentation currency as disclosed in Note 2.1 to the financial statements and adoption of SFRS(I) 15 *Revenue from Contracts with Customers*. The percentage of completion method under FRS 11 Construction Contracts, require both the contract revenue and contract costs to be accounted with reference to the stage of completion whereas under SFRS(I) 15, the Group continues to apply the output method of revenue recognition over time, and costs that cannot be capitalised are expensed as incurred. As such, certain contracts where revenue was recognised based on the actual costs incurred over budgeted costs in prior year amounting to S$1,116,000 is recognised as an adjustment to the opening retained earnings as at 1 January 2018. The effect of the restatements and reclassifications are summarised below.

Consolidated Statements of Financial Position

	As previously reported 31.12.2017 US$'000	As represented 31.12.2017 S$'000	Effect of SFRS(I) 15 31.12.2017 S$'000	As restated 31.12.2017 S$'000
Group				
Non-current assets				
Property, plant and equipment	8,195	10,965	–	10,965
Investment property	4,185	5,600	–	5,600
Goodwill	8,785	11,755	–	11,755
Intangible assets	219	293	–	293
Investment in joint ventures	6,936	9,300	–	9,300
	28,320	37,913	–	37,913
Current assets				
Inventories	92	122	–	122
Development property	3,311	4,431	–	4,431
Due from customers for contract work	834	1,116	(1,116)	–
Trade and other receivables	9,950	13,313	–	13,313
Cash and bank balances	21,073	28,196	–	28,196
	35,260	47,178	(1,116)	46,062
Less:				
Current liabilities				
Trade and other payables	6,847	9,163	–	9,163
Provisions	301	402	–	402
Bank term loans	2,538	3,396	–	3,396
Finance lease payable	376	503	–	503
Current income tax payable	2,438	3,262	–	3,262
	12,500	16,726	–	16,726
Net current assets	22,760	30,452	–	29,336

35. COMPARATIVE FIGURES (CONTINUED)

Consolidated Statements of Financial Position (Continued)

	As previously reported 31.12.2017 US$'000	As represented 31.12.2017 S$'000	Effect of SFRS(I) 15 31.12.2017 S$'000	As restated 31.12.2017 S$'000
Less:				
Non-current liabilities				
Bank term loans	7,022	9,396	–	9,396
Finance lease payable	549	735	–	735
Deferred tax liabilities	93	125	–	125
	7,664	10,256	–	10,256
Net assets	43,416	58,109	–	56,993
Equity				
Share capital	36,522	48,866	–	48,866
Reserves	1,137	1,119	–	1,119
Retained earnings	5,757	8,124	(1,116)	7,008
Equity attributable to owners of the parent	43,416	58,109	(1,116)	56,993

35. COMPARATIVE FIGURES (CONTINUED)

Consolidated Statements of Financial Position (Continued)

	As previously reported 1.1.2017 US$'000	As represented 1.1.2017 S$'000	Effect of SFRS(I) 15 1.1.2017 S$'000	As restated 1.1.2017 S$'000
Group				
Non-current assets				
Property, plant and equipment	11,936	17,274	–	17,274
Investment property	12,810	18,536	–	18,536
Goodwill	8,122	11,755	–	11,755
Intangible assets	604	875	–	875
	33,472	48,440	–	48,440
Current assets				
Inventories	74	107	–	107
Due from customers for contract work	22	31	(31)	–
Trade and other receivables	5,245	7,590	31	7,621
Cash and bank balances	14,268	20,647	–	20,647
	19,609	28,375	–	28,375
Less:				
Current liabilities				
Trade and other payables	5,331	7,715	–	7,715
Provisions	321	464	–	464
Bank term loans	280	406	–	406
Finance lease payable	312	451	–	451
Current income tax payable	1,200	1,736	–	1,736
	7,444	10,772	–	10,772
Net current assets	12,165	17,603	–	17,603
Less:				
Non-current liabilities				
Bank term loans	6,774	9,803	–	9,803
Finance lease payable	469	679	–	679
Deferred tax liabilities	199	289	–	289
	7,442	10,771	–	10,771
Net assets	38,195	55,272	–	55,272

35. COMPARATIVE FIGURES (CONTINUED)

Consolidated Statements of Financial Position (Continued)

	As previously reported 1.1.2017 US$'000	As represented 1.1.2017 S$'000	Effect of SFRS(I) 15 1.1.2017 S$'000	As restated 1.1.2017 S$'000
Equity				
Share capital	36,522	48,866	–	48,866
Reserves	4,768	10,670	–	10,670
Accumulated losses	(3,095)	(4,264)	–	(4,264)
Equity attributable to owners of the parent	38,195	55,272	–	55,272

Consolidated Statement of Comprehensive Income

	As previously reported 2017 US$'000	As represented 2017 S$'000	Effect of SFRS(I) 15 2017 S$'000	As restated 2017 S$'000
Revenue	20,731	28,706	(1,116)	27,590
Cost of services	(17,927)	(24,824)	–	(24,824)
Gross profit	2,804	3,882	–	2,766
Other income	9,321	12,910	–	12,910
Administrative and other operating expenses	(6,692)	(9,284)	–	(9,284)
Finance costs	(201)	(278)	–	(278)
Share of results of joint ventures, net of tax	(17)	(23)	–	(23)
Profit before income tax	5,215	7,207	(1,116)	6,091
Income tax expense	(1,652)	(2,288)	–	(2,288)
Profit for the financial year attributable to owners of the parent	3,563	4,919	(1,116)	3,803

35. COMPARATIVE FIGURES (CONTINUED)

Consolidated Statement of Comprehensive Income (Continued)

	As previously reported 2017 US$'000	As represented 2017 S$'000	Effect of SFRS(I) 15 2017 S$'000	As restated 2017 S$'000
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
– Exchange differences on translating foreign operations	1,570	(2,203)	–	(2,203)
Item that will not be reclassified subsequently to profit or loss:				
– Gain on revaluation of investment property	88	121	–	121
Other comprehensive income for the financial year, net of tax	1,658	(2,082)	–	(2,082)
Total comprehensive income for the financial year attributable to owners of the parent	5,221	2,837	(1,116)	1,721
Earnings per share (cents)				
– Basic and diluted	1.10	1.51		1.17

35. COMPARATIVE FIGURES (CONTINUED)

Consolidated Statement of Cash Flows

	As previously reported 2017 US$'000	As represented 2017 S$'000	Effect of SFRS(I) 15 2017 S$'000	As restated 2017 S$'000
Operating activities				
Profit before income tax	5,215	7,207	(1,116)	6,091
Adjustments for:				
Allowance for impairment of intangible assets	1	2	–	2
Depreciation of property, plant and equipment	1,186	1,642	–	1,642
Amortisation of intangible assets	419	580	–	580
Fair value loss in investment property	38	51	–	51
Gain on disposal of property, plant and equipment	(74)	(103)	–	(103)
Gain on disposal of investment property	(9,190)	(12,728)	–	(12,728)
Interest expense	201	278	–	278
Interest income	(9)	(12)	–	(12)
Provision for warranty claims	275	368	–	368
Provision for defects liability	226	313	–	313
Provision for defects liability written back	(216)	(299)	–	(299)
Property, plant and equipment written off	6	7	–	7
Unrealised foreign exchange gain	72	(282)	–	(282)
Share of results of joint ventures	17	23	–	23
Provision for penalties and interest written back	(247)	(342)	–	(342)
Operating cash flows before working capital changes	(2,080)	(3,295)	(1,116)	(4,411)
Working capital changes:				
Development property	(3,200)	(4,431)	–	(4,431)
Inventories	(11)	(15)	–	(15)
Trade and other receivables	(1,239)	(1,684)	–	(1,684)
Trade and other payables	2,605	3,609	–	3,609
Due from customers for contract work	(784)	(1,116)	1,116	–
Provisions	(55)	(76)	–	(76)
Net cash used in operations	(4,764)	(7,008)	–	(7,008)
Interest paid	(201)	(278)	–	(278)
Income taxes paid	(554)	(768)	–	(768)
Net cash used in operating activities	(5,519)	(8,054)	–	(8,054)

35. COMPARATIVE FIGURES (CONTINUED)

Consolidated Statement of Cash Flows (Continued)

	As previously reported 2017 US$'000	As represented 2017 S$'000	Effect of SFRS(I) 15 2017 S$'000	As restated 2017 S$'000
Investing activities				
Purchase of property, plant and equipment	(200)	(277)	–	(277)
Proceeds from disposals of property, plant and equipment	89	124	–	124
Proceeds from disposal of investment property	17,560	24,321	–	24,321
Acquisition of equity interest in joint ventures	(392)	(534)	–	(534)
Advances to joint ventures	(6,467)	(8,789)	–	(8,789)
Interest received	9	12	–	12
Net cash generated from investing activities	10,599	14,857	–	14,857
Financing activities				
Proceeds from bank borrowings	2,167	3,000	–	3,000
Repayment of bank borrowings	(301)	(417)	–	(417)
Repayment of finance lease obligations	(345)	(522)	–	(522)
Net cash generated from financing activities	1,521	2,061	–	2,061
Net change in cash and cash equivalents	6,601	8,864	–	8,864
Cash and cash equivalents at beginning of financial year	14,121	20,434	–	20,434
Effects of foreign exchange rate changes on cash and cash equivalents	192	(1,315)	–	(1,315)
Cash and cash equivalents at end of financial year	20,914	27,983	–	27,983

Reconciliation to Company's equity reported in accordance with FRS to SFRS(I)

The Company has transitioned to SFRS(I) on 1 January 2017 hence, an opening statement of financial position was prepared on that date. There were no material impact to the Company's financial position on the transition to SFRS(I). The relevant accounting policies on the financial instruments has been disclosed in Note 2.4 to the financial statements.

STATISTICS OF SHAREHOLDINGS

AS AT 22 MARCH 2019

Issued and Fully Paid-Up Capital	:	S$64,642,088.65
No. of Shares Issued	:	430,583,096
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per Ordinary Share
No. of Treasury Shares and Subsidiary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	11	0.96	504	0.00
100 – 1,000	54	4.72	34,421	0.01
1,001 – 10,000	458	40.00	2,888,050	0.67
10,001 – 1,000,000	608	53.10	50,526,989	11.73
1,000,001 AND ABOVE	14	1.22	377,133,132	87.59
TOTAL	**1,145**	**100.00**	**430,583,096**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	ANG BOON CHEOW EDWARD	278,160,811	64.60
2	RAFFLES NOMINEES (PTE) LIMITED	34,845,044	8.09
3	DBS NOMINEES (PRIVATE) LIMITED	27,237,310	6.33
4	WONG SIEW HUI	8,093,556	1.88
5	ANG SIEW TIONG	7,691,098	1.79
6	UOB KAY HIAN PRIVATE LIMITED	5,390,100	1.25
7	PHILLIP SECURITIES PTE LTD	4,217,050	0.98
8	TAN KIM SENG	2,500,000	0.58
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,848,200	0.43
10	WEE HIAN KOK	1,722,200	0.40
11	YEO YEOK SOO	1,539,463	0.36
12	TEO HOCK HENG	1,422,600	0.33
13	TAN MARK TERENCE	1,250,000	0.29
14	KWAK PING SIONG	1,215,700	0.28
15	PHUA CHYE TOON	976,800	0.23
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	976,700	0.23
17	CITIBANK NOMINEES SINGAPORE PTE LTD	951,200	0.22
18	ANNE YANG BOOT TA	860,500	0.20
19	TEO HAN ENG	800,000	0.19
20	AU SOO LUAN	764,400	0.18
	TOTAL	**382,462,732**	**88.84**

STATISTICS OF SHAREHOLDINGS

AS AT 22 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

(AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2019)

	Direct Interest		Deemed Interest	
Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
ANG BOON CHEOW EDWARD[(1)]	278,160,811	64.60	–	–
ANG BOON CHONG[(1),(2)]	–	–	31,847,044	7.40

Notes:

(1) Mr Ang Boon Cheow Edward and Mr Ang Boon Chong are brothers.

(2) Mr Ang Boon Chong is deemed interested in 31,847,044 shares which are owned by Mr Ang Boon Chong and registered in the name of Raffles Nominees (Pte) Limited.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 26.11% of the issued ordinary shares in the capital of the Company are held in the hands of the public as at 22 March 2019. Rule 723 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited has therefore been complied with.

STATISTICS OF WARRANTHOLDINGS

AS AT 22 MARCH 2019

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	1	0.76	50	0.00
100 – 1,000	5	3.79	4,300	0.00
1,001 – 10,000	40	30.30	237,950	0.23
10,001 – 1,000,000	84	63.64	8,426,175	7.98
1,000,001 AND ABOVE	2	1.51	96,974,319	91.79
TOTAL	**132**	**100.00**	**105,642,794**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	ANG BOON CHEOW EDWARD	92,720,270	87.77
2	DBS NOMINEES (PRIVATE) LIMITED	4,254,049	4.03
3	ANG SIEW TIONG	1,000,000	0.95
4	RAFFLES NOMINEES (PTE) LIMITED	617,500	0.58
5	TAN MARK TERENCE	500,000	0.47
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	445,000	0.42
7	NG SENG HONG	417,200	0.39
8	KWAK PING SIONG	405,200	0.38
9	TEO HOCK HENG	363,000	0.34
10	PHUA CHYE TOON	325,600	0.31
11	FOK CHEE CHEONG @ FOK CHEE CHIONG	280,000	0.27
12	TEO TECK LIAM	250,000	0.24
13	AGNES POON YU MING MRS AGNES TAN-POON YU MING	200,500	0.19
14	TAN WEE KOK	200,000	0.19
15	TAN JUI YAK	178,000	0.17
16	TAN LAY TECK JEFFREY	161,000	0.15
17	HSBC (SINGAPORE) NOMINEES PTE LTD	156,300	0.15
18	WANG KAI	135,450	0.13
19	LIM YOKE PENG	112,500	0.11
20	WOON HEE CHOY	104,000	0.10
	TOTAL	**102,825,569**	**97.34**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Ocean Sky International Limited (the "**Company**") will be held at Raffles Marina, Bridge Room, Level 2, 10 Tuas West Drive, Singapore 638404 on Monday, 29 April 2019 at 10.30 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' Statement and the Independent Auditor's Report thereon. **(Resolution 1)**

2. To re-elect Mr Ang Boon Cheow Edward as Director who is retiring pursuant to Article 89 of the Company's Constitution. *[See Explanatory Note (i)]* **(Resolution 2)**

3. To re-elect Ms Tan Min-Li as Director who is retiring pursuant to Article 89 of the Company's Constitution. *[See Explanatory Note (ii)]* **(Resolution 3)**

4. To approve the payment of directors' fees of S$160,000 for the financial year ending 31 December 2019, payable quarterly in arrears (FY2018: S$160,000). **(Resolution 4)**

5. To re-appoint Messrs BDO LLP as auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without amendments, as Ordinary Resolutions:–

6. **Authority to issue shares and convertible securities** **(Resolution 6)**

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**"), the Constitution and Rule 806 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

(a) (i) allot and issue shares in the capital of the Company (the "**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements, or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue:

(i) additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the Directors while this Resolution was in force; and

(ii) Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force or such additional Instruments in (b)(i) above,

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) shall not exceed one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below) or such other limit as may be prescribed by the Catalist Rules as at the date of this Resolution is passed, of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below) or any such other limit as may be prescribed by the Catalist Rules as at the date of this Resolution is passed;

(2) (subject to such manner of calculation and adjustments 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 total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:–

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise, the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (iii)]

7. **Proposed Renewal of Share Purchase Mandate** **(Resolution 7)**

"That:

(a) for the purposes of the Companies Act, Chapter 50 of Singapore (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to use Funds (as defined hereinafter) to purchase or otherwise acquire the ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as defined hereinafter), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as defined hereinafter), whether by way of:

(i) on-market purchases (each an "**On-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 schemes as may be determined or formulated by the Directors of the Company as they consider fit based on the requirements of Section 76C of the Act,

and in accordance with all other laws and regulations of Singapore and the 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**");

(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 may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held or required by the law to be held;

(ii) the date on which the share purchases are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Purchase Mandate is revoked or varied;

(c) in this Resolution:

"**Funds**" means internal sources of funds of the Company. Illustrations of the financial impact of the use of Funds are set out in the Appendix 1;

"**Maximum Limit**" means that number of Shares representing ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period (as defined hereinafter), in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last annual general meeting was held and expiring on the date the next annual general meeting is held or is required by law to be held or the date on which the share purchases are carried out to the full extent of the Share Purchase Mandate or the date the said mandate is revoked or varied by the Company in a general meeting, whichever is the earlier, after the date 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 an On-Market Purchase: 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase: 130% of the Highest Last Dealt Price, where:

"**Average Closing Price**" means the average of the closing market prices of a share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the On-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) market days period;

"**Highest Last Dealt Price**" means the highest price transacted for a share on the market day on which the Shares were transacted on the SGX-ST immediately preceding the date of the making of the offer pursuant to the Off-Market Purchase;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, 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

(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."

[See Explanatory Note (iv)]

Any Other Business

8. To transact any other business which may properly be transacted at an annual general meeting.

By Order of the Board

Chia Yau Leong
Executive Director cum Company Secretary

Singapore, 12 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) **Ordinary Resolution 2** – Mr Ang Boon Cheow Edward will, upon re-election as Director of the Company, remain as Executive Chairman and Chief Executive Officer and a member of the Nominating Committee. Detailed information on Mr Ang Boon Cheow Edward can be found under the "Board of Directors" and "Disclosure of Information on Directors Seeking Re-Election" sections in the Company's Annual Report.

(ii) **Ordinary Resolution 3** – Ms Tan Min-Li will, upon re-election as Director of the Company, remain as the Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee. The Board considers Ms Tan Min-Li to be independent pursuant to Rule 704(7) of the Catalist Rules. Detailed information on Ms Tan Min-Li can be found under the "Board of Directors" and "Disclosure of Information on Directors Seeking Re-Election" sections in the Company's Annual Report.

(iii) **Ordinary Resolution 6**, if passed, will empower the Directors from the date of this AGM until the date of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares, make or grant Instruments convertible into shares and to issue share pursuant to such Instruments. The aggregate number of shares (including shares to be made in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue, shall not exceed, in total, one hundred per cent. (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) of the Company, of which the total number of shares issued other than on a pro-rata basis to existing shareholders of the Company, shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) of the Company.

(iv) **Ordinary Resolution 7**, if passed, will empower the Directors of the Company to make purchases or otherwise acquire the Company's issued shares from time to time subject to and in accordance with the guidelines set out in the Appendix 1 accompanying this Notice. The authority will expire at 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, whichever is earlier, unless previously revoked or waived at a general meeting.

Notes:

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2. If the appointer is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. A member who is a Relevant Intermediary is entitled to appoint two or more proxies to attend and vote in his/her stead, 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 and class of shares to be represented by each proxy must be stated. "Relevant Intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50 of Singapore.

4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 29 Tuas South Street 1, Singapore 638036, not less than forty-eight (48) hours before the time appointed for the holding of the AGM.

Personal data privacy:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (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 proxy(ies) and/or representative(s) appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

APPENDIX 1

OCEAN SKY INTERNATIONAL LIMITED

(Registration No. 198803225E)
(Incorporated in the Republic of Singapore)

SUMMARY SHEET FOR SHARE PURCHASE MANDATE

The Sponsor and the SGX-ST assume no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix. If you are in doubt as to the action that you should take, you should consult your stockbroker or other professional adviser immediately.

(A) Shares Purchased In The Previous Twelve Months

The Company has not made any share purchases pursuant to the share purchase mandate renewed at the annual general meeting on 30 April 2018 in the last 12 months immediately preceding 22 March 2019 (the "**Latest Practicable Date**").

(B) Proposed Renewal Of The Share Purchase Mandate

The Ordinary Resolution No. 7 if passed at the annual general meeting to be held on 29 April 2019 ("**2019 AGM**"), will renew the share purchase mandate (the "**Share Purchase Mandate**") approved by the shareholders of the Company from the date of the 2019 AGM and expiring on the earliest of the date the next annual general meeting of the Company is held or is required by law to be held, the date on which the share purchases are carried out to the full extent of the Share Purchase Mandate or the date the said mandate is revoked or varied by the Company in a general meeting (the "**Relevant Period**").

(C) Rationale For The Share Purchase Mandate

The Share Purchase Mandate will provide the Company with the flexibility to undertake share purchases of up to the ten per cent. (10%) of the total number of issued and paid-up share capital of the Company ("**Shares**") (excluding treasury shares and subsidiary holdings) during the period when the Share Purchase Mandate is in force.

In addition to the growth and expansion of the Group's business, a share purchase at the appropriate price level may also increase shareholders' value in the Company as it is one of the ways in which the return on equity of the Group may be enhanced.

Share purchases may also provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient, effective and cost-efficient manner. It will also provide the Directors with greater flexibility over the Company's share capital structure with a view to enhancing the earnings per share and/or net tangible assets value per share.

The existing Shares purchased by the Company under the Share Purchase Mandate, if held as treasury shares, may be utilise for the issuance of shares pursuant to an employees' share scheme or as (part) consideration for the acquisition of shares in or assets of another company.

Short term speculation may at times cause the market price of the Shares to be depressed below the true value of the Group. In a depressed share price situation, the Directors further believe that share purchases by the Company will help mitigate short-term market volatility, offset the effects of short-term speculation which in turn protect shareholders' investments and bolster shareholder confidence.

The Directors will only effect a share purchase as and when the circumstances permit, after taking into account, amongst other things, the Company's financial condition, the prevailing market conditions and whether such share purchases represent the most cost-effective and efficient approach in enhancing share value. The Directors do not propose to carry out share purchases to an extent that would, or in circumstances that might, result in a material adverse effect on the liquidity and/or the orderly trading of the Shares and/or the financial position of the Group.

The Directors will ensure that the share purchases will not have any effect on the listing of the Company's securities including the Shares listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Rule 723 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the SGX-ST requires at least ten per cent. (10%) of any class of a company's listed securities to be held by the public at all times. The Directors shall safeguard the interests of public shareholders before undertaking any share purchases. Before exercising the Share Purchase Mandate, the Directors shall at all times take due cognisance of (a) the then shareholding spread of the Company in respect of the number of Shares held by substantial shareholders and by non-substantial shareholders and (b) the volume of trading on the SGX-ST in respect of the Shares immediately before the exercise of any share purchase.

As at the Latest Practicable Date, 112,436,685 Shares (26.11%) of a total of 430,583,096 Shares issued by the Company are held by 1,142 public shareholders. For illustrative purposes only, assuming that the Company purchases the maximum number of ten per cent. (10%) of the issued Shares, being 43,058,309 Shares as at the Latest Practicable Date, and assuming that such Shares are held in public hands, the resultant number of Shares held by the public after the purchase of such Shares would be reduced to 69,378,376 Shares, representing approximately 17.90% of the remaining issued Shares of the Company. As such, the Company is of the view that there is sufficient number of Shares in issue held by public shareholders which would permit the Company to undertake share purchases of up to ten per cent. (10%) of its total number of 430,583,096 issued Shares (excluding treasury shares and subsidiary holdings) without affecting the listing status of the Shares on the SGX-ST. The Company will ensure that the share purchases will not cause market illiquidity or affect orderly trade.

(D) Financial Impact Of The Proposed Shares Purchases

1. The purchased Shares shall be cancelled immediately on purchase or acquisition unless held in treasury in accordance with Section 76H of the Companies Act, Chapter 50 (the "**Act**"). Section 76H of the Act allows purchased Shares to be:

    (i) held by the Company; or

    (ii) dealt with, at any time, in accordance with Section 76K of the Act, as treasury shares.

Section 76K of the Act allows the Company to:

(i) sell the treasury shares (or any of them) for cash;

(ii) transfer the treasury shares (or any of them) for the purposes of, or pursuant to an employees' share scheme;

(iii) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares (or any of them); or

(v) sell, transfer or otherwise use the treasury shares (or any of them) for such other purposes as may be prescribed by the Minister for Finance.

The aggregate number of Shares held as treasury shares shall not at any time exceed ten per cent. (10%) of the total number of Shares (excluding treasury shares and subsidiary holdings) at that time. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Act within six (6) months.

Any share purchase will:

(i) reduce the amount of the Company's share capital where the Shares were purchased or acquired out of the capital of the Company;

(ii) reduce the amount of the Company's profits where the Shares were purchased or acquired out of the profits of the Company; or

(iii) reduce the amount of the Company's share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares.

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the treasury shares will be treated as having no voting rights.

2. The financial effects on the Company and the Group arising from the purchases of the Shares pursuant to the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased and the consideration paid at the relevant time.

3. For illustrative purposes only, based on the existing issued and paid-up share capital of the Company of S$55,166,911 comprising 430,583,096 Shares in issue as at the Latest Practicable Date, the purchase by the Company of up to a maximum of ten per cent. (10%) of its total number of issued Shares (excluding treasury shares and subsidiary holdings) under the Share Purchase Mandate will result in the purchase of 43,058,309 Shares.

4. For illustrative purposes only, the financial effects of Share purchases by the Company pursuant to the Share Purchase Mandate based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2018 are set out below based on the following assumptions:

(a) in full exercise of the Share Purchase Mandate, 43,058,309 Shares were purchased as at the Latest Practicable Date;

(b) the maximum price for the On-Market Purchases (as defined in paragraph F(2)) is S$0.055, which is 105% above the Average Closing Price (as defined in paragraph F(2));

(c) the maximum price for the Off-Market Purchases (as defined in paragraph F(2)) is S$0.068, which is 130% of the Highest Last Dealt Price (as defined in paragraph F(2)); and

(d) the maximum amount of funds required for the share purchases in the aggregate is approximately S$2.37 million and S$2.93 million for On-Market Purchases and Off-Market Purchases respectively.

On-Market Purchases and held as Treasury Shares or cancelled

	Company before share purchases (S$'000)	**Company after share purchases (S$'000)**	**Group before share purchases (S$'000)**	**Group after share purchases (S$'000)**
As at 31 December 2018				
Shareholders' funds	37,925	35,557	54,084	51,716
Net tangible assets	37,925	35,557	49,329	46,961
Current assets	21,547	19,179	38,891	36,523
Current liabilities	24,959	24,959	10,477	10,477
Net current (liabilities)/assets	(3,412)	(5,780)	28,414	26,046
Total borrowings	180	180	13,170	13,170
Cash, bank balances and fixed deposits	21,419	19,051	23,910	21,542
Number of shares[1] ('000)	430,583	387,525	430,583	387,525
(Treasury shares) ('000)	–	(43,058)	–	(43,058)
Weighted average number of shares ('000)	367,197	330,478	367,197	330,478
Financial Ratios				
Net tangible assets per share (SGD cents)	8.81	9.18	11.46	12.12
Basic loss per share (SGD cents)	(1.99)	(2.21)	(2.61)	(2.90)
Gearing ratio[2] (net) (times)	NM[3]	NM[3]	NM[3]	NM[3]
Current ratio (times)	0.86	0.77	3.71	3.49

Notes:

(1) Number of shares is the number of issued Shares (excluding treasury shares) as at the Latest Practicable Date.

(2) Gearing ratio is equal to net borrowings divided by shareholders' funds. Net borrowings is total borrowings less cash, bank balances and fixed deposits.

(3) Not meaningful

Off-Market Purchases and held as Treasury Shares or cancelled

	Company before share purchases (S$'000)	Company after share purchases (S$'000)	Group before share purchases (S$'000)	Group after share purchases (S$'000)
As at 31 December 2018				
Shareholders' funds	37,925	34,997	54,084	51,156
Net tangible assets	37,925	34,997	49,329	46,401
Current assets	21,547	18,619	38,891	35,963
Current liabilities	24,959	24,959	10,477	10,477
Net current (liabilities)/assets	(3,412)	(6,340)	28,414	25,486
Total borrowings	180	180	13,170	13,170
Cash, bank balances and fixed deposits	21,419	18,491	23,910	20,982
Number of shares[1] ('000)	430,583	387,525	430,583	387,525
(Treasury shares) ('000)	–	(43,058)	–	(43,058)
Weighted average number of shares ('000)	367,197	330,478	367,197	330,478
Financial Ratios				
Net tangible assets per share (SGD cents)	8.81	9.03	11.46	11.97
Basic loss per share (SGD cents)	(1.99)	(2.21)	(2.61)	(2.90)
Gearing ratio[2] (net) (times)	NM[3]	NM[3]	NM[3]	NM[3]
Current ratio (times)	0.86	0.75	3.71	3.43

Notes:

(1) Number of shares is the number of issued Shares (excluding treasury shares) as at the Latest Practicable Date.

(2) Gearing ratio is equal to net borrowings divided by shareholders' funds. Net borrowings is total borrowings less cash, bank balances and fixed deposits.

(3) Not meaningful

5. **Shareholders should note that the financial effects set out above are based on the audited financial accounts of the Group and the Company for the financial year ended 31 December 2018 and are for illustration only. The results of the Group and the Company for the financial year ended 31 December 2018 may not be representative of future performance.**

6. The Company intends to use its internal sources of funds to finance its purchases of the Shares. The Company does not intend to obtain or incur any borrowings to finance its purchases of the Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the working capital requirements of the Group would be materially affected. Pursuant to the Act, any payment made by the Company in consideration of the purchase or acquisition of Shares by the Company may be made out of the Company's capital or profits, so long as the Company is solvent. It is an offence for a Director or an officer of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent.

7. The Company will take into account both financial and non-financial factors, among other things, the market conditions at such time, the Company's financial condition, the performance of the Shares and whether such share purchases would represent the most efficient and cost-effective approach to enhance the share value. Share purchases will only be made if the Board believes that such purchases are likely to benefit the Company and increase economic value for shareholders.

(E) Consequences of Shares Purchases Under The Singapore Code on Take-overs and Mergers

1. In accordance with The Singapore Code on Take-overs and Mergers (the "**Take-over Code**"), a person will be required to make a general offer for a public company if:

   (a) he acquires 30 per cent. (30%) or more of the voting rights of the company; or

   (b) he already holds between 30 per cent. (30%) and 50 per cent. (50%) of the voting rights of the company, and he increases his voting rights in the company by more than one per cent. (1%) in any six-month period.

2. As at the Latest Practicable Date, the substantial shareholders' and Directors' interests are as follows:

	← Direct Interest →		← Deemed Interest →		← Total Interest →	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Director						
Ang Boon Cheow Edward[1]	278,160,811	64.60	–	–	278,160,811	64.60
Chia Yau Leong	45,000	0.01	–	–	45,000	0.01
Substantial Shareholder (other than Directors)						
Ang Boon Chong[1, 2]	–	–	31,847,044	7.40	31,847,044	7.40

Notes:

(1) Mr Ang Boon Cheow Edward and Mr Ang Boon Chong are brothers.

(2) Mr Ang Boon Chong is deemed interested in 31,847,044 Shares of which 31,847,044 Shares are owned by Mr Ang Boon Chong and registered in the name of Raffles Nominees (Pte) Limited.

In the event the Company undertakes share purchases within the Relevant Period of up to ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as permitted by the Share Purchase Mandate, the shareholdings and voting rights of Mr Ang Boon Cheow Edward and Mr Ang Boon Chong will remain above 50%. Accordingly, Mr Ang Boon Cheow Edward and Mr Ang Boon Chong are not required to make a general offer pursuant to the Take-over Code.

(F) Miscellaneous

1. The maximum number of Shares that may be purchased or acquired by the Company is limited to that number of Shares representing not more than ten per cent. (10%) of the issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the 2019 AGM at which the proposed renewal of the Share Purchase Mandate is approved (unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company and subsidiary holdings from time to time). As at the Latest Practicable Date, the Company does not have any treasury shares or subsidiary holdings.

APPENDIX 1

2. Any share purchases undertaken by the Company shall be at a price of up to but not exceeding:

   (a) in the case of an on-market purchases ("**On-Market Purchase**"), 105% of the Average Closing Price (as defined hereinafter); and

   (b) in the case of an off-market purchases ("**Off-Market Purchase**"), 130% of the Highest Last Dealt Price,

   (the "**Maximum Price**") in either case, excluding related expenses of the purchase.

   For the above purposes:

   "**Average Closing Price**" means the average of the closing market prices of a share over the last five (5) Market Days, on which transactions in the Shares were recorded, preceding the day of the On-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) day period;

   "**Highest Last Dealt Price**" means the highest price transacted for a share on the Market Day on which the Shares were transacted on the SGX-ST immediately preceding the date of the making of the offer pursuant to the Off-Market Purchase;

   "**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

   "**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, 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.

3. In making Share purchases, the Company will comply with the requirements of the Catalist Rules, in particular, Rule 871 with respect to notification to the SGX-ST of any share purchases. Rule 871 is reproduced below:

   "(1) An issuer must announce any share purchase as follows:

   (a) In the case of an On-Market acquisition, by 9.00 am on the market day following the day on which it purchased shares,

   (b) In the case of an Off-Market acquisition under an equal access scheme, by 9.00 am on the second market day after the close of acceptances of the offer.

   (2) The announcement must be in the form of Appendix 8D."

4. Share purchases will be made in accordance with the "Terms of the Share Buyback Mandate" as set out in the Company's Circular to Shareholders dated 9 April 2009. All information required under the Act relating to the Share Purchase Mandate is contained in the said Terms.

5. The Catalist Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times. However, as a listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its shares, the Company will undertake not to purchase or acquire shares pursuant to the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any shares during the period commencing one month immediately preceding the announcement of the Company's full-year results and the period of two weeks immediately preceding the announcement of its quarterly results.

6. Within thirty (30) days of the passing of the shareholders' resolution to approve any purchase or acquisition of Shares by the Company, the Company shall lodge a copy of such resolution with Accounting & Corporate Regulatory Authority of Singapore ("**ACRA**").

   The Company shall notify ACRA within thirty (30) days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include, *inter alia*, details of the purchase or acquisition, the total number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before and after the purchase or acquisition of Shares and the amount of consideration paid by the Company for the purchase or acquisition, whether the Shares were purchased out of profits or capital of the Company and such other particulars as may be required in the prescribed form.

   Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of treasury shares in the prescribed form as required by ACRA.

(G) Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or, reproduced in this Appendix in its proper form and context.

(H) Directors' Recommendation

The Directors of the Company are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors of the Company recommend that shareholders vote in favour of Ordinary Resolution No. 7.

APPENDIX 1

(I) Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional tax advisers.

(J) Documents For Inspection

Copies of the following documents may be inspected at the registered office of the Company at 29 Tuas South Street 1, Singapore 638036 during normal business hours from the date of this Appendix up to and including the date of the 2019 AGM:

(a) the Constitution of the Company; and

(b) the Company's annual report for the financial year ended 31 December 2018.

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OCEAN SKY INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198803225E)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "**relevant intermediary**").
2. For investors who have used their CPF monies to buy shares in the Company, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF and shall be ineffective for all intents and purposes if used or purported to be used by them.

ANNUAL GENERAL MEETING PROXY FORM

I/We, ______________________________ (Name),

NRIC/Passport/Company Registration No. ______________________________

of ______________________________ (Address)

being a member/members of OCEAN SKY INTERNATIONAL LIMITED, (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate):

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her, the Chairman of the Annual General Meeting as my/our proxy to attend and vote for me/us on my/our behalf, by poll, at the Annual General Meeting of the Company to be held at Raffles Marina, Bridge Room, Level 2, 10 Tuas West Drive, Singapore 638404 on Monday, 29 April 2019 at 10.30 a.m. and at any adjournment thereof (the "**AGM**").

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the AGM.

If you wish to exercise all your votes "For" or "Against" the relevant resolution, please indicate with an "X" within the relevant box provided. Alternatively, please indicate the number of shares in the boxes provided.

No.	**Resolutions relating to:**	**Number of Votes For**	**Number of Votes Against**
1.	Adoption of Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' Statement and the Independent Auditor's Report		
2.	Re-election of Mr Ang Boon Cheow Edward as Director of the Company		
3.	Re-election of Ms Tan Min-Li as Director of the Company		
4.	Approval of directors' fees of S$160,000 for financial year ending 31 December 2019, payable quarterly in arrears		
5.	Re-appointment of Messrs BDO LLP as auditors and authority to fix their remuneration		
6.	Authority to issue shares or convertible securities		
7.	Proposed renewal of Share Purchase Mandate		

Dated this ______ day of ________________ 2019

Total number of shares held in:	**No. of Shares**
(a) Depository Register	
(b) Register of Members	

____
Signature(s) of Member(s) or Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint two or more proxies to attend and vote at the AGM. Relevant intermediary is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
   (b) a capital markets services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
   (c) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

4. Where a Member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 29 Tuas South Street 1, Singapore 638036, not less than forty-eight (48) hours before the time appointed for the AGM.

6. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. The dispensation of the use of common seal pursuant to the Companies Act, Chapter 50 of Singapore effective from 30 March 2017 is applicable at this AGM.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the members, being the appointer, 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 holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.

Notes

Notes

OCEAN SKY
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