BENG SOON MACHINERY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1987

2019 ANNUAL REPORT

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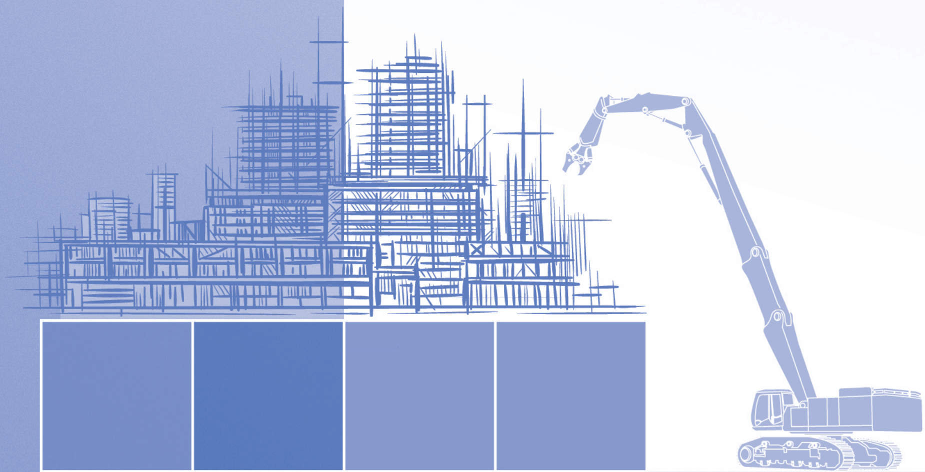
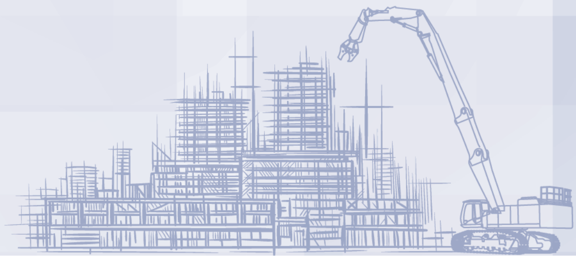


CORPORATE INFORMATION



BOARD OF DIRECTORS

Executive Directors

Mr. Tan Chee Beng *(Chairman and Chief Executive Officer)*
Ms. Tang Ling Ling
Mr. Tan Wei Leong

Non-Executive Directors

Mr. Cheung Kam Fai

Independent Non-Executive Directors

Mr. Wee Chorng Kien
Mr. Leung Yau Wan John
Mr. Leung Kee Wai

AUDIT COMMITTEE

Mr. Leung Yau Wan John *(Chairman)*
Mr. Wee Chorng Kien
Mr. Leung Kee Wai

NOMINATION COMMITTEE

Mr. Tan Chee Beng *(Chairman)*
Mr. Wee Chorng Kien
Mr. Leung Kee Wai

REMUNERATION COMMITTEE

Mr. Leung Yau Wan John *(Chairman)*
Mr. Tan Chee Beng
Ms. Tang Ling Ling
Mr. Wee Chorng Kien
Mr. Leung Kee Wai

COMPANY SECRETARY

Mr. Chan Kar Nang Sherman (Appointed on 1 January 2020)
Ms. Lo Kim Fong (Resigned on 1 January 2020)

AUTHORISED REPRESENTATIVES

Mr. Tan Chee Beng
Mr. Chan Kar Nang Sherman (Appointed on 1 January 2020)
Ms. Lo Kim Fong (Resigned on 1 January 2020)

AUDITOR

PricewaterhouseCoopers
Certified public accountants
Registered public interest entity auditor
22/F, Prince's Building
Central, Hong Kong

COMPLIANCE ADVISOR

Honestum International Limited
Room 3005, 30/F, West Tower, Shun Tak Centre
168 Connaught Road Central
Hong Kong

LEGAL ADVISOR

Wong, Wan & Partners in Association with Seyfarth Shaw
Suite 3701, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

REGISTERED OFFICE

PO Box 1350, Clifton House
75 Fort Street, Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

21 Tuas South Street 7
Singapore 637111

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2603A, 26/F., Tower 1, Lippo Centre
89 Queensway, Admiralty
Hong Kong

COMPANY'S WEBSITE

http://www.bsm.com.sg/

PRINCIPAL SHARE REGISTRAR

Estera Trust (Cayman) Limited
PO Box 1350, Clifton House
75 Fort Street, Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

DBS Bank Ltd
12 Marina Boulevard
#43 MBFC Tower 3
Singapore 018982

United Overseas Bank Limited
325 Boon Lay Place #02-00
Singapore 649886

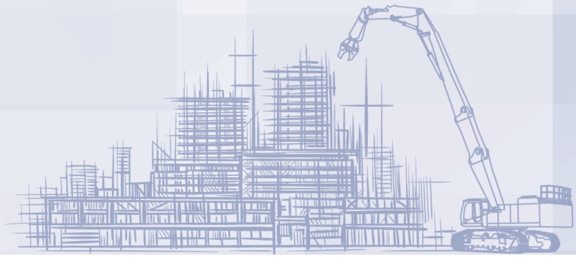
STOCK CODE

1987

LISTING DATE

8 November 2019

CHAIRMAN’S STATEMENT



Dear Shareholders,

On behalf of the board (the “**Board**”) of Directors (the “**Directors**”) of Beng Soon Machinery Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”), I am pleased to present the annual results of the Group for the year ended 31 December 2019 (“**FY2019**”).

FY2019 was a crucial year to the business development of the Group. The shares of the Company (the “**Shares**”) were successfully listed by way of global offering (the “**Global Offering**”) on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Listing**”) on 8 November 2019 (the “**Listing Date**”). The Listing is symbolic of the Group’s leading position in the demolition services industry and contributes towards enhancing the Group’s visibility and prestige. On the business development front, the Group’s corporate profile has benefited from enhanced credibility with its suppliers and customers and other business partners. We believe that the net proceeds from the Listing will assist the implementation of the Group’s future development and business strategies as set out in the prospectus of the Company dated 22 October 2019 (the “**Prospectus**”).

BUSINESS REVIEW

The Group is an established and leading services provider in Singapore with operational history of over 26 years in taking up demolition projects in both the public and private sectors, including demolition of industrial buildings, power stations, chemical plants, high rise commercial, educational institutions and residential properties, bridges and marine structures, public roads and infrastructures. The Group is also registered with the Contractors Registration System administered by the Building and Construction Authority of Singapore, which is the pre-requisite to tender for construction or construction related projects in Singapore’s public sector. The Group obtained a Class 2 General Builder Licence, a single grade under CR03 “Demolition” workhead (the “**Single Grade Licence**”), C3 grade under CW01 “General Building” workhead and C1 grade under CW02 “Civil Engineering” workhead (collectively the “**Licences**”), which allows it to tender and undertake various public and private sector demolition projects. Amongst the Licences obtained, the Single Grade Licence allows the Group to undertake general public demolition projects of an unlimited tender/contract value.

During FY2019, the Group’s total revenue increased slightly by S$58,000 or 0.2% from the year ended 31 December 2018 (“**FY2018**”) to approximately S$34.0 million. The slight increase was due to the increase in other revenue derived from the leasing of the Group’s machinery of approximately S$0.9 million from approximately S$0.1 million for FY2018 to approximately S$ 1.0 million for FY2019.

Profit attributable to the equity holders of the Company was approximately S$3.1 million and S$3.2 million for FY2018 and FY2019 respectively, representing an increase of approximately S$0.1 million or 5.1% from FY2018 to FY2019.

During FY2019, the Group undertook 23 demolition projects for different types of buildings, including schools, residential blocks and factory buildings in Singapore and completed 17 demolition projects. The Group’s outstanding projects undertook in FY2019 are progressing on schedule with an estimated total revenue of approximately S$10 million. In addition, the Group made an investment of S$2.9 million in relation to the purchase of excavators with different capacities including one unit of a 48.5-metre-high reach excavator, which is expected to increase the Group’s growth in profitability and financial performance.

LOOKING AHEAD

Sustainable construction is critical to Singapore's economic development due to Singapore's limited natural resources and land scarcity. As the majority of construction materials have to be imported, sustainable redevelopment and green building construction in Singapore has formed the core of its development policy. Under the selective En Bloc Redevelopment Scheme initiated since 1995 with the aim to rejuvenate the old estates, more replacement flats have been selected and are expected to be completed by 2022. As an estimation, there were more than 1,000 buildings aged 30 years or above in Singapore in 2017 and it is likely that these aging buildings may eventually undergo demolition for redevelopment. It is therefore imperative that the demolition of existing buildings is performed systematically so that recycled materials from demolition waste can be reclaimed for the manufacture of structural and non-structural components. According to a commissioned industry research report prepared by Frost & Sullivan used in the Company's Prospectus (the "**Industry Report**"), the market size of contractor demolition of work by revenue is expected to maintain a steady growth at a compound annual growth rate of 6.1% from 2019 to 2023. This growth is expected to be driven by the forthcoming redevelopment projects and increase in demand for demolition services to facilitate the recovery of land resources in Singapore.

The Group is strategically positioned with the requisite expertise and machinery at the forefront of the Singapore government's sustainable redevelopment initiative. The Group attributes its reputation as one of the leading demolition services providers in Singapore to decades of valuable and diversified project experience. This in turn has enabled the Group to enhance the confidence of and establish long-term business relationships with its customers and secure future business opportunities. In view of the positive economic outlook in Singapore, the Group will continue to strengthen its market position and contribute to Singapore's sustainable growth in land redevelopment.

APPRECIATION

On behalf of the Board, I would like to express my deepest gratitude to my fellow Board members, management team and staff members for their invaluable contribution to the Group. Last but not least, I would like to thank our valued customers, business partners, subcontractors, suppliers and shareholders of the Company (the "**Shareholders**") for their steadfast support. We are optimistic about the prospects of the demolition services market and are committed to expanding the Group's scale of operation and maximising returns to our Shareholders.

Tan Chee Beng
Chairman, Chief Executive Officer and Executive Director

Hong Kong
27 March 2020

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tan Chee Beng ("Mr. Tan"), aged 65, is the founder and chairman of (the Company, together with its subsidiaries, the "**Group**"), chief executive officer, an executive director of the Company (the "**Director(s)**"), chairman of the nomination committee of the Board and a member of the remuneration committee of the Board. Mr. Tan was appointed as a Director on 6 April 2018, and was re-designated as the executive Director on 25 June 2018. Mr. Tan is responsible for the overall management, business development and formulation of business strategy of the Group.

Mr. Tan has over 26 years of experience in the demolition industry. In 1979, Mr. Tan established a sole proprietorship in the trade name of Beng Soon Machinery Service Co, providing demolition services as a general contractor in Singapore. Mr. Tan founded Beng Soon Machinery Services (Singapore) Pte Ltd ("**Beng Soon Machinery**"), the principal operating subsidiary of the Group, in 1993 as a limited liability company. Mr. Tan has been the managing director of Beng Soon Machinery since its incorporation, and was mainly responsible for the overall management, operation, as well as the growth of, Beng Soon Machinery.

Mr. Tan was awarded The Public Service Medal (Pingat Bakti Masyarakat) and The Public Service Star (Bintang Bakti Masyarakat) in 2010 and 2017, respectively, which recognize individuals who have rendered commendable public service or achievement in Singapore.

Mr. Tan obtained a certificate of completion of the Building Construction Supervisors Safety Course conducted by the BCA in July 2008. Mr. Tan holds a certificate of completion of the Essential Knowledge in Construction Regulations & Management for Licensed Builders Course conducted by the BCA in April 2009.

Mr. Tan is a controlling Shareholder and the spouse of Ms. Lee Peck Kim ("**Ms. Lee**"), who is also a controlling Shareholder, and father of Mr. Tan Wei Leong, who is an executive Director.

Ms. Tang Ling Ling (Alias: Chen Ling Ling) ("Ms. Tang"), aged 47, is the general manager of Beng Soon Machinery, an executive Director of the Company and a member of the remuneration committee of the Board. Ms. Tang was appointed as a Director on 6 April 2018, and was re-designated as an executive Director on 25 June 2018. Ms. Tang is responsible for the overall management and operation, and in particular human resources and tenders of the Group.

Ms. Tang has worked in the demolition industry for more than 19 years. Ms. Tang joined Beng Soon Machinery in April 2000 as an administration/personnel executive and has been Beng Soon Machinery's general manager since June 2009.

Ms. Tang obtained a diploma in management studies from the Singapore Institute of Management, Singapore in October 2002. Ms. Tang obtained a certificate of completion of the Asbestos Removal and Management Course co-conducted by the National Environment Agency and the Ministry of Manpower in July 2005, two certificates of completion issued by EQS Asia Pte. Ltd., Singapore, one in Workplace Risk Assessment Training in August 2006 and the other in Workplace Safety and Health Act Training in October 2006, a certificate of attendance of the bizSAFE Risk Management Course conducted by Team6 Safety Training and Consultancy(s) Pte. Ltd. in June 2010, certificates of completion of the Demolition Safety Course, bizSAFE Level 1 Workshop for company CEO/Top Management and the Project Management for Construction Professionals in Building & Construction Industry conducted by the BCA in March 2009, March 2009 and October 2011, respectively, and a certificate of completion of the Building Construction Supervisors Safety Course conducted by Absolute Kinetics Consultancy Pte. Ltd. in October 2013.

Mr. Tan Wei Leong ("Mr. Alvin Tan"), aged 29, is the recycling and logistics manager of Beng Soon Machinery and an executive Director of the Company. Mr. Alvin Tan was appointed as a Director on 6 April 2018, and was re-designated as an executive Director on 25 June 2018. Mr. Alvin Tan is responsible for the overall management, administration and development of the recycling and logistics the Group.

Mr. Alvin Tan has worked in the demolition field for more than 8 years. Mr. Alvin Tan joined Beng Soon Machinery in April 2011 as a project coordinator. Mr. Alvin Tan was subsequently promoted to the position of project executive from June 2013 to July 2014. Mr. Alvin Tan was promoted to his current position in July 2017.

Mr. Alvin Tan obtained a diploma in civil and environmental engineering from Ngee Ann Polytechnic, Singapore in May 2011. Being sponsored by the Group to further his studies in engineering, Mr. Alvin Tan obtained a bachelor of engineering (mechanical) degree with honours from the Singapore campus of University of Newcastle, Australia in October 2017.

Mr. Alvin Tan completed the Building Construction Supervisor Safety Course conducted by NTUC LearningHub Pte. Ltd. in March 2011, and obtained a certificate of completion of the Registered Earthwork Supervisor Course conducted by the BCA in July 2017.

Mr. Alvin Tan is the son of Mr. Tan, who is the founder and chairman of the Group, chief executive officer, a controlling Shareholder and an executive Director, and son of Ms. Lee, who is a controlling Shareholder and spouse of Mr. Tan.

NON-EXECUTIVE DIRECTOR

Mr. Cheung Kam Fai (張錦輝) ("Mr. Cheung"), aged 47, was appointed as a Director on 6 April 2018, and was re-designated as a non-executive Director on 25 June 2018. Mr. Cheung is primarily responsible for overseeing and supervising the management of the Group independently.

Mr. Cheung was a managing director of Baron Group International Limited from January 2012 to September 2015 and was mainly responsible for the overall group's operation and development in China. Mr. Cheung was an executive director of Ping An Securities Group (Holdings) Limited, a company listed on the Stock Exchange (Stock Code: 231) from January 2016 to June 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wee Chorng Kien ("Mr. Wee"), aged 45, was appointed as an independent non-executive Director, a member of the audit committee of the Board, a member of the remuneration committee of the Board and a member of the nomination committee of the Board on 15 October 2019. Mr. Wee is primarily responsible for supervising the management of the Group independently.

Mr. Wee has over 18 years of investment experience and has held various positions in the investment and private equity industry. Mr. Wee has served as the chief executive officer of Celligenics Pte. Ltd., a company principally engaged in research and experimental development on biotechnology, life and medical science, since August 2016. Mr. Wee has also served as the chief executive officer of Quantisys Pte. Ltd., a company principally engaged in turnaround advisory and consultancy, since June 2014. Prior to his current positions, Mr. Wee founded Conrad & Ottess Private Asset Management Limited, a company principally engaged in financial service activities, in late 1999 and served as its director and vice president prior to its dissolution in April 2014.

Mr. Wee obtained a bachelor of arts (economics and Southeast Asian studies) degree from National University of Singapore in July 1998. Mr. Wee has successively served as a vice-president and president currently of the Association of Small & Medium Enterprises in Singapore since November 2003, a council member of the Singapore Business Federation and the chairman of the Small and Medium-Sized Enterprises Committee, and an executive committee member of the Singapore Children's Society since 2007 and chair of its Appeals Standing Committee since 2008. Mr. Wee served as a member of the Corporate Governance Council of the Monetary Authority of Singapore from February 2017 to August 2018. Mr. Wee was appointed as a Justice of the Peace for Singapore in April 2018.

Mr. Leung Yau Wan John (梁又穩) ("Mr. John Leung"), aged 60, was appointed as an independent non-executive Director, the chairman of the audit committee of the Board and the chairman of the remuneration committee of the Board on 15 October 2019. Mr. John Leung is primarily responsible for overseeing and supervising the management of the Group independently.

Mr. John Leung has over 30 years of corporate and financial management experience and has held various positions in the financial services industry. Since January 2014, Mr. John Leung has served as an executive director at Easternflair Investment and Development Management Limited, a company principally engaged in the management and development of real estates, and a senior partner at Linkers CPA Limited, a company principally engaged in corporate compliance and corporate secretarial services. Mr. John Leung has been the managing director at JR Plus Capital Limited, a company principally engaged in business consulting services, since November 2015.

Mr. John Leung has been an independent non-executive director of Redsun Properties Group Limited, a company listed on the Stock Exchange (Stock Code: 1996), since June 2018.

Mr. John Leung obtained a master of business administration from the University of Macau (formerly the University of East Asia Macau) in October 1988. Mr. John Leung obtained a master of accounting studies from the University of New England, Australia in April 1994.

Mr. John Leung was admitted as an associate and subsequently a certified practising accountant of the Certified Practising Accountants Australia in November 1993 and November 1995, respectively. Mr. John Leung has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 1996. Mr. John Leung has been a fellow of the Association of Taxation and Management Accountants, Australia since October 1993. Mr. John Leung has been a founding associate member of the Hong Kong Independent Non-executive Director Association and a founding member of the Hong Kong Business Accountant Association since January 2016 and July 2014, respectively.

Mr. Leung Kee Wai (梁基偉) ("Mr. Leung"), aged 55, was appointed as an independent non-executive Director, a member of the audit committee of the Board, a member of the remuneration committee of the Board and a member of the nomination committee of the Board on 15 October 2019. Mr. Leung is primarily responsible for overseeing and supervising the management of the Group independently.

Mr. Leung has over 28 years of accounting and corporate management experience and has held various positions in the accounting industry. Since October 2015, Mr. Leung has been primarily responsible for the company secretarial and compliance matters of Century Ginwa Retail Holdings Limited, a company listed on the Stock Exchange (Stock Code: 162), and was subsequently promoted to the position of chief financial officer and company secretary in March 2019. Prior to his current position, Mr. Leung was an accountant at PT International Development Corporation Limited (formerly known as ITC Corporation Limited), a company listed on the Stock Exchange (stock code: 372), from August 1991 to March 1992. Mr. Leung was a finance manager at Sino Products Proposition Co., Ltd., a company principally engaged in property agency, from April 1992 to August 1994. Mr. Leung was successively a senior accountant and a deputy financial controller at Kung Sheung International Holdings Limited, a company principally engaged in the trading of leisure, beauty and fitness equipment, from February 1995 to January 2014, and was mainly responsible for overseeing the company's finance and accounting operations. Mr. Leung was a company secretary at Culturecom Holdings Limited, a company listed on the Stock Exchange (Stock Code: 343), from June 2014 to July 2015, and was mainly responsible for overseeing the company's corporate and regulatory compliance issues.

Mr. Leung obtained a diploma in accounting from the Hong Kong Shue Yan University (formerly the Hong Kong Shue Yan College) in July 1988. Mr. Leung obtained a master of business administration from the University of Bradford, United Kingdom in December 1989. Mr. Leung was certified as an associate of the Hong Kong Institute of Certified Public Accountants in October 1995. Mr. Leung was admitted as a fellow of the Association of Chartered Certified Accountants in January 2001. Mr. Leung was elected a fellow of the Hong Kong Institute of Chartered Secretaries in August 2001. Mr. Leung was admitted as a fellow of the Institute of Chartered Secretaries and Administrators in August 2001. Mr. Leung has been a holder of the Practitioner's Endorsement from the Hong Kong Institute of Chartered Secretaries since August 2014.

SENIOR MANAGEMENT

Ms. Cheng Chiew Ngok ("Ms. Cheng"), aged 44, has been Beng Soon Machinery's accounts manager since June 2009 and is responsible for the overall management of the accounting and taxation functions of the Group.

Ms. Cheng has over 21 years of experience of accounting and corporate management experience. Prior to her joining of the Group, Ms. Cheng was an accounts officer at Eastern Wire Pte. Ltd., a company principally engaged in the design and manufacturing of customized welded steel mesh reinforcement and mesh cages, from March 1996 to April 2002, and was mainly responsible for the company's accounting functions. Ms. Cheng was a senior accounts officer at NatFerrous Pte. Ltd., a company principally engaged in the recycling of metal waste and scrap, from April 2002 to October 2007.

Ms. Cheng was awarded a diploma in the third level of business studies from the London Chamber of Commerce and Industry Examinations Board on April 1998. Ms. Cheng was awarded certificates of completion of the Information Technology Processes Examination and the Certified Accounting Technician Examinations conducted by the Association of Chartered Certified Accountants in May 2003 and June 2004, respectively. Ms. Cheng was awarded a certificate of accomplishment for completing the Basic GST Course conducted by the Inland Revenue Authority of Singapore in June 2004.

Mr. Khoo Leng Kong ("Mr. Khoo"), aged 68, joined Beng Soon Machinery in October 2005 as a service manager and has been Beng Soon Machinery's equipment operation manager since January 2016 and is responsible for the overall management of the Group's fleet of machinery and operation of the workshop.

Mr. Khoo obtained certificates of completion of the Lifting Supervisors Safety Course, the Signalman Course and the Rigger Course co-conducted by the Singapore Contractors Association Ltd. and the Singapore Construction Safety & Consultancy Pte. Ltd. in May 2001, May 2001 and August 2001, respectively. Mr. Khoo is approved as a certified crane erector by the Ministry of Manpower.

Mr. Ng Boon Hoo ("Mr. Ng"), aged 55, has been Beng Soon Machinery's professional engineer since April 2016 and is responsible for all civil and structural engineering matters of the Group.

Mr. Ng obtained a bachelor of engineering (civil) degree from the National University of Singapore in June 1989. Mr. Ng obtained a master of science (international construction management) degree from the Nanyang Technological University in January 1998. Mr. Ng has been registered as a qualified erosion control professional with the Association of Consulting Engineers Singapore since January 2018. Mr. Ng was approved as a professional engineer in civil engineering in Singapore by the Singapore Professional Engineers Board in October 1996. Mr. Ng has been registered as a professional engineer with practicing certificate in Malaysia by the Board of Engineers Malaysia since February 2018.

Mr. Tan Chin Tien ("Mr. CT Tan"), aged 53, has been Beng Soon Machinery's project manager and projects coordinating officer since April 2013 and is responsible for overseeing, and to ensure the safe execution and timely execution of, the Group's projects.

Mr. CT Tan obtained a diploma in manufacturing engineering from Singapore Polytechnic in May 1992. Mr. CT Tan obtained a certificate of completion of the Industrial Technician (mechanical engineering) Program conducted by Singapore Technical Institute in August 1985. Mr. CT Tan obtained a certificate of completion of the Building Construction Supervisors Safety Course conducted by NTUC LearningHub Pte. Ltd. in April 2013, a certificate of completion of the Work-at-Height Course conducted by QMT Industrial & Safety Pte Ltd in May 2013, a certificate of completion of the Work-at-Height Course for Assessors conducted by Absolute Kinetics Consultancy Pte Ltd in April 2014, and a certificate of completion of the Work-at-Height Course for Managers conducted by Eversafe Consultants Pte. Ltd. in January 2015. Mr. CT Tan obtained a certificate of competency in Earth Control Measures for Construction Site Personnel by the Institute of Engineers Singapore in September 2015.

COMPANY SECRETARY

On 1 January 2020, Ms. Lo Kim Fong ("**Ms. Lo**") resigned from her positions as the Company Secretary and authorized representative of the Company and Mr. Chan Kar Nang Sherman ("**Mr. Chan**") was simultaneously appointed as the company secretary and authorised representative of the Company.

Mr. Chan has been a qualified solicitor in Hong Kong since 2003 and in England & Wales since 2008. He is also a China Appointed Attesting Officer. Mr. Chan currently is a Consultant at Wong, Wan & Partners in association with Seyfarth Shaw. He specialises in the areas of corporate advisory work for both public listed and private companies with extensive experience in legal and regulatory compliance matters.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW AND BUSINESS REVIEW

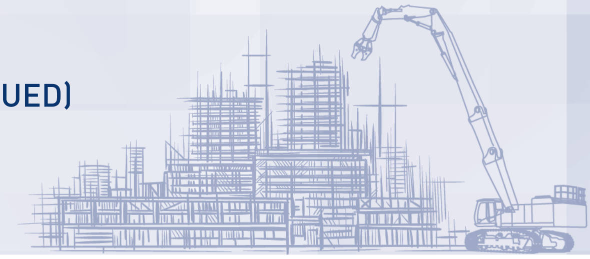
The Group is an established and leading demolition services provider in Singapore and has been running the demolition business in Singapore for more than 26 years in both the public and private sectors. The Group is primarily focusing on demolition of various types of buildings and structures, including power stations, chemical plants, high rise commercial and residential properties, bridges and marine structures. To a lesser extent, the Group also leases and sells machineries. The Shares have been successfully listed on the Main Board of the Stock Exchange since the Listing Date. The Listing not only benefited the Group with easier access to capital and fund raising, but also implied recognition of the Group's leading position in the demolition services industry, and has enhanced the Group's visibility and prestige.

Despite the relatively steady growth in the market size of the demolition industry in Singapore, by leveraging on the Group's well-established market presence, proven track record, advanced fleet of machinery, dedicated and experienced workforce, the Group's revenue achieved rapid growth at CAGR of 8.3% from 2016 to 2019. During FY2019, the Group undertook 23 demolition projects, among which 17 have been completed and 6 remain on-going. These demolition projects have also driven the needs for salvage materials disposal.

OUTLOOK AND PROSPECTS

The primary business objective of the Group is to strengthen its position as one of the leading demolition services providers in Singapore and achieve sustainable growth. On one hand, as a result of the increasing level of land scarcity coupled with the needs for new building development, the demand for demolition works in Singapore is expected to increase. On the other hand, there has been a market challenge of shortage of workers, which could lead to rising operation costs and potential delay of construction and demolition projects. To take advantage of the opportunities and cope with the challenges, the Group will make more investments in upgrading and increasing the capacity of its machinery and equipment and taking up more demolition projects.

According to the Industry Report, the Group is among the few demolition services providers in Singapore with experience in the demolition of power plants and large-scale chemical plants and is a preferred services provider for the demolition of the aforementioned structures. Therefore, the Board believes that the customers will continue to give favourable consideration to the Group's track record and diversified project portfolio when evaluating the tender/quotation proposals. In light of the above, the Group believes it is able to secure more sizable demolition projects and create value for its Shareholders.



FINANCIAL REVIEW

Revenue

During FY2019, the revenue of the Group was mainly derived from the provision of demolition and related value-added services to the Group's project owners (the "**Contract Revenue**"). The Contract Revenue comprised of (i) the net contract sum from the project owners; (ii) the proceeds from the disposal of salvage materials removed from the demolition sites to salvage materials buyers; and (iii) the proceeds from earth providers for depositing earth at the demolition sites for landfilling purposes. During FY2019, the Group's total revenue slightly increased by approximately S$58,000 or 0.2% from FY2018 to approximately S$34.0 million. The increase was due to the increase in the other revenue derived from the leasing of the Group's machinery of approximately S$0.9 million from approximately S$0.1 million for FY2018 to approximately S$1.0 million for FY2019.

	FY 2019 S$'000	FY 2018 S$'000
Net Contract Sum	**15,972**	8,462
Proceeds from Disposal of Salvage Materials	**15,697**	20,423
Earth Depositing Proceeds	**1,400**	5,021
Other Revenue	**976**	81

Cost of sales

The Group's cost of sales for FY2019 amounted to approximately S$21.4 million, representing an increase of S$1.1 million from approximately S$20.3 million in FY2018. The cost of sales mainly comprised of (i) direct labour costs; (ii) depreciation of the Group's machinery and equipment; (iii) raw materials, consumables and other overheads; and (iv) subcontractor charges. The increase in the cost of sales of the Group in FY2019 was mainly due to an increase in subcontractor charges of approximately S$2.0 million, which is mainly due to the increase in sizeable projects undertaken for FY2019, which involved more scaffolding and drainage works, which the Group generally subcontracted to subcontractors.

Gross profit and gross profit margin

The Group's gross profit decreased by S$1.0 million or 7.7%, from approximately S$13.7 million for FY2018 to approximately S$12.7 million for FY2019. The Group's gross profit margin was approximately 37.2% and 40.3% for FY2019 and FY2018 respectively, representing a difference of 3.1%. The decrease in the Group's gross profit margin was mainly due to (i) a large portion of revenue for FY2018 being recognised and derived from sizable projects with relatively high cumulative gross profit margins. The demolition projects in relation to chemical and cement plants produced comparatively more salvage materials of high economic value such as ferrous metals and non-ferrous metals. Thus, the Group derived a relatively high gross profit margin from such projects during FY2018; and (ii) a large portion of the Group's revenue for FY2019 were derived from three sizable projects involving the demolition of residential and factory buildings which produced comparatively less salvage materials of high economic value such as ferrous metals and non-ferrous metals and therefore had a relatively low cumulative gross profit margin.

Other income and other gains

During FY2019, the Group's other income amounted to approximately S$143,000, representing a decrease of approximately S$55,000 from approximately S$198,000 in FY2018. The decrease primarily resulted from a decrease of approximately S$78,000 received in government grants. The amount of the government grant differs each year according to the productivity or noise-levels of the projects undertaken by the Group for the particular year.

The Group's other gains amounted to approximately S$109,000 for FY2019, representing a decrease of approximately S$471,000 from approximately S$580,000 for FY2018. Such decrease was mainly due to the decrease of approximately S$519,000 from gains on disposal of property, plant and equipment.

Administrative expenses

The Group's administrative expenses for FY2019 amounted to approximately S$8.1 million, representing a decrease of S$1.3 million from approximately S$9.4 million in FY2018. The administrative expenses primarily consisted of (i) staff costs; and (ii) depreciation costs in respect of the Group's property, office equipment, motor vehicles and right-of-use assets. The decrease in FY2019 was principally a combined effect of an increase of approximately S$0.2 million in depreciation costs and a decrease of approximately S$1.6 million in listing expenses.

Finance costs

During FY2019, finance costs incurred by the Group was approximately S$513,000, representing an increment of S$8,000 from approximately S$505,000 during FY2018. The slight increase was principally a combined effect of an increase in interest expenses on bank borrowings and a decrease in interest expenses on lease liabilities.

Income tax expenses

During FY2019, income tax incurred by the Group was approximately S$0.8 million, representing a decrease of approximately S$0.5 million from approximately S$1.3 million during FY2018. The reduction resulted from the higher corporate income tax rebate granted by the Inland Revenue Authority of Singapore for FY2019 compared to FY2018.

Profit attributable to the equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company increased by approximately S$0.1 million or 5.1% to approximately S$3.2 million for FY2019, compared with approximately S$3.1 million for FY2018. Basic earning per share for FY2019 is S$0.41 cents, as compared to S$0.41 cents for FY2018.

Capital structure, liquidity and financial resources

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of its debt and equity balance. The capital structure of the Group consists of debt, which includes bank borrowings and obligations under finance leases, net of bank deposits, bank balances, cash and equity attributable to the equity holders of the Group, comprising share capital and reserves. There has been no change in the capital structure of the Group since Listing. The Group has a solid financial position and continues to maintain a strong and steady cash inflow from internal generated funds, bank loans and other borrowings.

The Group adopts a prudent cash and financial management policy. The Group's cash, mainly denominated in Singapore dollars, are generally deposited with certain financial institutions.

As at 31 December 2019, the Group had net current assets of approximately S$27.0 million as compared to S$5.2 million as at 31 December 2018, representing a substantial increment of approximately S$21.8 million or 419.2%. The increase was mainly attributable to the receipt of proceeds from the Listing and the repayment of trade and other payables, borrowings and lease liabilities. As at 31 December 2019, the Group had cash and cash equivalents of approximately S$14.1 million as compared to S$3.0 million as at 31 December 2018. During FY2019, the cash were used primarily for capital expenditures on machinery and equipment and repayment on borrowings. The increase of cash and cash equivalents as at 31 December 2019 was due to an increase of cash at banks mainly resulting from the proceeds of the Listing. The Board considers the level of cash balances reasonable and would enable the Company to take on suitable business opportunities in a very competitive and efficient manner.

As at 31 December 2019, the Group's total equity attributable to equity holders of the Company amounted to approximately S$51.5 million as compared to S$30.1 million as at 31 December 2018, and the Group's total debts amounted to approximately S$14.0 million as compared to approximately S$20.3 million as at 31 December 2018. The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

Gearing ratio

The gearing ratio (calculated by dividing the obligations under borrowings and lease liabilities by total equity and then multiplied by 100%) decreased from 67.5% as at 31 December 2018 to 27.1% as at 31 December 2019. This resulted from a considerable decrease in bank borrowings and lease liabilities and a substantial increase in other reserves through the issuance of Shares. The Board is of the view that the utilisation of proceeds from the Listing to repay term loans and advanced fixed facilities has enhanced the Group's financial position.

Treasury policies

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The Group's bank borrowings are all denominated in S$ and have been arranged on a floating-rate basis. It is the Group's policy not to enter into derivative transactions for speculative purposes. The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

Listing expenses

Listing expenses represented fees to various professional parties in connection with the Listing. Listing expenses recognised in profit and loss for FY2019 were approximately S$1.7 million (2018: S$3.3 million).

Contingent liabilities

As at 31 December 2019, the Group had no significant contingent liabilities or outstanding litigation (2018: none).

Capital commitment

Details of capital commitment of the Group as at 31 December 2019 and 2018 are set out in note 30 to the consolidated financial statements.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 16 December 2019, the Company acquired 100% of the issued share capital of Beyond Elite Investments Limited ("**Beyond Elite**"), a company incorporated in the British Virgin Islands with limited liability. On 27 December 2019, Beyond Elite acquired 100% of the issued share capital of Sky Express Asia Limited ("**Sky Express**"), a company incorporated in Hong Kong. Upon completion of the aforesaid share acquisitions, Beyond Elite and Sky Express both became wholly-owned subsidiaries of the Group. As at the date of this report, (the "**Latest Practicable Date**"), the Group intends to use Beyond Elite and Sky Express for investment holding purposes.

Save as disclosed in this annual report, the Group did not have other plans for material acquisitions or disposals of subsidiaries or associates during the period from the Listing Date up to 31 December 2019 (the "**Relevant Period**").

Future plans for material investments or capital assets

Save as disclosed in this annual report and the prospectus, the Group did not have specific plans for material investments or capital assets.

Employee information and remuneration policy

As at 31 December 2019, the Group had a total of 130 employees, 1 more than the same time in 2018. All of the executive Directors and employees are located in Singapore. The remuneration offered to employees generally includes salaries and bonus and are determined with reference to market norms and individual employees' performance, qualifications and role. The Company has adopted a share option scheme under which options may be granted to Directors and eligible employees as an incentive.

The remuneration, bonuses and other compensation payable of the Directors are determined by the Remuneration Committee, having regard to the Company's operating results, responsibilities and individual performance of Directors.

Significant investment held

As at 31 December 2019, save as disclosed in this annual report, there were no material investments held by the Group (2018: nil).

Charge of the Group's assets

As at 31 December 2019, the leasehold land and building of the Group with carrying amounts of approximately S$6.3 million (2018: S$6.8 million) were mortgaged to licensed banks as security for credit facilities granted to the Group.

Foreign currency exposure

The Group operates in Singapore and most of its income and expenditures are denominated in Singapore Dollar ("**S$**"), being the functional currency of the Company. The Group has exposure to foreign exchange risk as a result of cash and cash equivalents, trade receivables, deposits, and other receivables and trade and other payables denominated in the United States dollar ("**US$**") and Hong Kong dollar ("**HK$**"). As at 31 December 2019, if S$ is strengthened/weakened by 4% for FY2019 against these currencies, with all other variables held constant, the impact of the post tax profit for the year and the equity would have been approximately S$20,000 (2018: S$1,000) lower/higher for the year ended 31 December 2019 as a result of foreign exchange losses/gain.

The Group's exposure to other foreign exchange movements is not material and currently does not hedge its currency risk. The Group will continue to monitor its foreign currency exposure closely and consider hedging significant foreign currency exposure should the need arise.

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for FY2019.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 April 2018. In preparation for the Listing, the Group underwent reorganisation, details of which are set out in the section headed "History, Development and Reorganisation" of the Prospectus. Following the Listing by way of Global Offering, 250,000,000 new Shares were initially offered by the Company at a price of HK$0.5 per share. The net proceeds from the Share Offer are approximately HK$77.5 million. The Company was listed on the Stock Exchange on 8 November 2019.

PRINCIPAL ACTIVITIES

The Group is a demolition services provider in Singapore, which also (i) sells salvage materials removed from the demolition sites to third party salvage materials buyers; (ii) deposits earth from earth providers at its demolition sites for landfilling purposes; and (iii) leases and sells machinery to third parties. The principal business activity of the Company is investment holding. The names and the activities of its principal subsidiaries are set out in note 32 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during FY2019.

BUSINESS REVIEW

The business review analysis using key financial performance indicators and future development in the Group's business for FY2019 are set out in the section headed "Management Discussion and Analysis" on pages 11 to 16 of this annual report. This discussion forms part of this Directors' report.

There are certain risks involved in the Group's operations, which may affect its business and results of operations. The following highlights some of the risks which its Directors consider to be material:

- the Group derives a significant portion of its revenue from the disposal of salvage materials, which are prone to price fluctuations;
- the Group's demolition projects are non-recurring in nature and there is a possibility of not being able to secure new projects;
- no long-term agreements with the Group's customers or salvage materials buyers have been entered into. The Group can neither ensure that its customers and salvage materials buyers will continue to engage its services and purchase its salvage materials respectively;
- incorrect estimation of the Group's project operating costs and value of salvage materials in the determination of its tender or quotation prices may materially and adversely affect its profitability and financial performance; and
- the Group is dependent on its key personnel and cannot assure that it will be able to retain them.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 31 December 2019, the Group had a total of 130 employees (including its executive Directors). Approximately 30% of the Group's employees were local employees and 70% were foreign employees (including site foreign workers and other foreign employees). All of the Group's employees are located in Singapore and are remunerated according to their qualifications, role and responsibilities. Discretionary bonuses may be offered depending on their performance, profitability of the Group and market conditions. The Group adopts effective employee and emolument policies to comply with the local rules and regulations in relation to employment in Singapore.

Depending on the role and scope of work of the Group's employees, the Group sponsors its employees to receive relevant training courses including courses in relation to occupational health and safety, work quality and compulsory courses required by the Building and Construction Authority of Singapore and the Ministry of Manpower of Singapore.

The Group's employees are invaluable assets of the Group, with whom it has and continues to maintain good relationships. During FY2019, the Group did not have any significant disputes with its employees nor did it have any material difficulties in the recruitment of employees or any disruption to its operations due to any labour dispute.

The Group has established long-term business relationships with its key business partners and maintained long-term business relationships with its major customers, including a Singaporean state-owned developer and manager of industrial estates and a Singaporean private company engaged in the business of construction of buildings. The Group has maintained strong and long-term business relationships with the majority of its five largest customers for over three years, the longest business relationship being 15 years. For the salvage materials buyers whom the Group disposes the salvage materials to, the majority of business relationships are of at least seven years, the longest business relationship being approximately 14 years.

As a result, the Directors believe that the Group has become its customers' preferred demolition services provider and salvage materials supplier. Moreover, the Directors also believe that the Group's strong and long-term relationships with these key customers provide it with a competitive advantage to secure future contracts and a steady flow of repeated business, and enhance its marketing and business development capabilities with new customers.

The Group has also established close and long-term working relationships with subcontractors and suppliers in different areas, including specialised construction activities and process and industrial plant engineering design and consultancy services providers. The majority of the Group's five largest suppliers (including subcontractors) have collaborated with the Group for at least five years. The Group believes that these established relationships have enhanced the Group's ability to provide its services to its customers and will continue to help expand its business capabilities.

In view of the above and as at the date of this report, there is no circumstance or any event which will have a significant impact on the Group's business on which the Group's success depends. During FY2019, there was no material and significant dispute between the Group and its suppliers and/or customers.

DIVIDEND POLICY

In order to enhance transparency of the Company and facilitate the Shareholders and investors to make informed investment decisions relating to the Company, the Board adopted a dividend policy on 27 March 2020 (the "Dividend Policy"). According to the Dividend Policy, when determining whether to declare any dividend in the future and the amount of dividend to be declared, the Company shall consider a number of factors, including but not limited to:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Group;
- the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
- any restrictions on payment of dividends that may be imposed by the Group's contracting parties;
- the Group's expected working capital requirements and future expansion plans;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- any other factors that the Board may deem appropriate.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion. The Board will review the Dividend Policy on a regular basis.

RESULTS AND DIVIDENDS

The Group's profit for FY2019 and the Group's financial position are set out in the consolidated financial statements on pages 55 to 118 of this annual report.

The Directors do not recommend the payment of a final dividend in respect of FY2019.

ENVIRONMENTAL PERFORMANCE

The Group is aware of and is committed to its corporate responsibility. Apart from driving the success of the Group's business, it also focuses on the impact it has on its employees, society and the environment. As a demolition services provider, the Company provides removal of salvage materials services by collecting recyclable demolition waste such as ferrous metal, non-ferrous metal and recycled concrete aggregate, from which it generates proceeds for the disposal of salvage materials to salvage materials buyers. The Company is pleased that its services do not only generate income for the Group but also reinforces the sustainable redevelopment plans envisaged and promoted by the Singapore Government.

The Company has adopted an environmental management system and policies in accordance with all applicable laws and regulations. The Group's operations on site are also subject to certain environmental requirements pursuant to the laws in Singapore such as the Environmental Public Health Act (Chapter 95) and the Environmental Protection and Management Act (Chapter 94A) of Singapore.

The environmental management system of the Group is certified to be in compliance with the standard under ISO 14001:2015 since 2016 as a recognition of its policies and procedures undertaken to protect the environment.

The environmental management system includes specific operational procedures covering various aspects of control including air pollution control, noise pollution control, waste management and resources conservation for our employees to observe. The Company will comply with the environmental management procedures when the Company formulates the method statements or work plans to its customers before commencing the projects and implement them on an ongoing basis in the execution stage of the project.

To the best knowledge of the Directors, the Group was in compliance with the applicable environmental laws and regulations in all material respects during FY2019. For the three years ended 31 December 2019, our aggregate costs for environmental compliance was approximately S$1.9 million, S$1.7 million and S$2.0 million, respectively.

For details, please refer to the Environmental, Social and Governance Report 2019 which will be published by the end of June 2020.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during FY2019.

USE OF PROCEEDS FROM LISTING

On the Listing Date, the issued shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). A total of 250,000,000 ordinary shares were issued to the public at a price of HK$0.5 per share for net proceeds of approximately HK$77.5 million after the deduction of related listing expenses. These proceeds were utilised in accordance with the proposed allocation set out in the Prospectus.

Set out below are details of the allocation of the net proceeds and the utilised amount of the net proceeds as at 31 December 2019:

Use of Net Proceeds	Approximate Percentage of Total Amount	Approximate Actual Net Proceeds HK$'000	Approximate Amount Utilised As At 31 December 2019 HK$'000	Approximate Unused Net Proceeds HK$'000
Enhancing the machinery fleet by acquiring excavators with different capacities including one unit of 48.5-metre high-reach excavator and attachments to excavators	66.0%	51,200	16,800	34,400
Repaying the bank borrowing bearing interest rate at approximately 2.9% per annum and maturing in 2019, the proceeds from borrowing were used as working capital	17.4%	13,500	13,500	–
Expanding the labour force by recruiting additional staff, including project management and project execution staff in the two years ending 31 December 2021	11.8%	9,100	–	9,100
Engagement of a professional consultant to review the internal management systems for the purpose of the registration for B1 grade under the CW02 "Civil Engineering" workhead	2.9%	2,200	–	2,200
Group's general working capital	1.9%	1,500	–	1,500

As at 31 December 2019, the amount of the net proceeds which remained unutilised amounted to approximately HK$47.2 million. The remaining unutilised net proceeds are expected to be utilised within 2 years up to 31 December 2021 for the following purposes:

- acquisition of property, plant and equipment;
- application costs, including professional fees etc. for upgrading the "CW02, Civil Engineering" workhead from C1 grade to B1 Grade; and
- recruitment of new staff.

DONATIONS

The Group did not make any charitable donations during FY2019.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

PROPERTIES

The Group holds a medical facility unit in Singapore for investment purposes and a three-storey building as its head office as at 31 December 2019, details of which are set out in notes 13 and 14 to the consolidated financial statements.

SHARE CAPITAL

As of 31 December 2019, the total amount of the issued share capital of the Company was HK$10,000,000, divided into 1,000,000,000 shares of HK$0.01 per share. The movements in the Company's share capital during FY2019 are set out in note 24 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during FY2019 are set out in the consolidated statement of changes in equity on page 57 of this annual report and note 31 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company's reserves available for distribution was approximately S$41.5 million.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the purchases attributable to the Group's major suppliers (including its subcontractors) for FY2019 are as follows:

Suppliers

— the largest supplier: 15.2%

— five largest suppliers combined: 47.6%

The percentage of revenue from the Group's major customers (by aggregate contract revenue contributed from the relevant projects) and percentage of total proceeds derived from disposal of salvage materials from major salvage materials buyers (by proceeds from the disposal of salvage materials) for FY2019 are respectively as follows:

Customers

— the largest customer: 18.5%

— five largest customers combined: 66.0%

Salvage Materials Buyers

— the largest salvage materials buyer: 45.0%

— five largest salvage materials buyers combined: 75.7%

None of the Directors, their associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's major customers, salvage materials buyers and suppliers.

DIRECTORS

During FY2019, the Directors comprised of:

Executive Directors

Mr. Tan Chee Beng, (Chairman, re-designated as an executive Director on 25 June 2018)
Ms. Tang Ling Ling (Re-designated as an executive Director on 25 June 2018)
Mr. Tan Wei Leong (Re-designated as an executive Director on 25 June 2018)

Non-executive Director

Mr. Cheung Kam Fai (Re-designated as a non-executive Director on 25 June 2018)

Independent Non-executive Directors

Mr. Wee Chorng Kien (Appointed on 15 October 2019)
Mr. Leung Yau Wan John (Appointed on 15 October 2019)
Mr. Leung Kee Wai (Appointed on 15 October 2019)

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed in this report, the Directors confirm that in relation to their profile, no information is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date, which may be terminated in accordance with the terms of the service contracts.

The non-executive Director has signed a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated in accordance with the terms of the letter of appointment.

Each of the independent non-executive Directors ("**INED**") has signed a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated in accordance with the terms of their respective letters of appointment.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting of the Company has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than statutory compensation.

DIRECTORS' REMUNERATION & EMOLUMENT POLICY

Details of the remuneration of the Directors are set out in note 9 to the consolidated financial statements. The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Company's board of Directors with reference to duties and responsibilities of the Directors and the performance and results of the Group.

The Remuneration Committee was established for reviewing and determining the remuneration and compensation packages of the Directors and senior management of the Company with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors are set out under the section headed "Biographies of Directors and Senior Management" on pages 6 to 10 of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in notes 9 and 27 to the consolidated financial statements, no transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of FY2019 or at any time during FY2019.

DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

There is no transaction which falls within the disclosure requirements under Rules 13.18 and 13.21 of the Listing Rules during the Relevant Period.

MANAGEMENT CONTRACTS

No contract between the Group and a person whom undertakes the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during FY2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares of associated corporation of the Company

(i) Long positions in the Shares

Name	Capacity/ Nature of interest	Number of Shares (Note 1)	Percentage of shareholding in the Company
Mr. Tan Chee Beng	Interest in a controlled corporation (Note 2); Interest of spouse (Note 3)	655,600,000 Shares (L)	65.56%
Mr. Cheung Kam Fai	Interest in a controlled corporation (Note 4)	94,400,000 Shares (L)	9.44%

Note:

1. The letter (L) denotes the person's long position in such Shares.

2. Mr. Tan beneficially owns all of the issued shares of TCB Investment Holdings Limited ("**TCB**"), which in turn holds 49.17% of the Shares. Therefore, Mr. Tan is deemed, or taken to be, interested in the Shares held by TCB for the purposes of the SFO. Mr. Tan is a director of TCB.

3. Mr. Tan is the spouse of Ms. Lee Peck Kim ("**Ms. Lee**"), who holds 16.39% of the Shares. Accordingly, Mr. Tan is deemed, or taken to be, interested in the Shares which Ms. Lee is interested in for the purpose of the SFO.

4. Mr. Cheung Kam Fai beneficially owns 50% of the issued shares of Prosperity Delight Limited ("**Prosperity Delight**"), which in turn holds 9.44% of the Shares. Therefore, Mr. Cheung Kam Fai is deemed, or taken to be interested in the Shares held by Prosperity Delight for the purposes of the SFO. Mr. Cheung Kam Fai is a director of Prosperity Delight.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (CONTINUED)

Long positions in the Shares and underlying Shares of associated corporation of the Company (Continued)

(ii) Long position in the share of associated corporation

Name	Name of associated corporation	Capacity/ Nature of interest	Number of Shares held/ interested [Note 1]	Percentage of shareholding in the associated corporation
Mr. Tan Chee Beng	TCB	Beneficial owner	100	100%
Mr. Cheung Kam Fai	Prosperity Delight	Beneficial owner	2	50%

Notes:

1. As at 31 December 2019, the total number of issued shares of TCB and Prosperity Delight were 100 and 4 respectively.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the registered of interests required to be kept under Section 352 of the SFO or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as known to the Directors or chief executive of the Company, immediately following completion of the Global Offering and as at 31 December 2019, the following corporates and persons (other than the Directors or chief executive of the Company) had interests or short positions in Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in Shares

Name	Capacity/nature of interest	Number of Share held/ interested	Percentage of shareholding
TCB	Beneficial owner	491,700,000	49.17%
K Luxe Holdings Limited ("**K Luxe**")	Beneficial owner	163,900,000	16.39%
Ms. Lee	Interest in controlled corporation [Note 1] Interest of spouse [Note 2]	655,600,000	65.56%

Notes:

(1) Ms. Lee beneficially owns all of the issued shares of K Luxe, which in turn holds 16.39% of the Shares. Therefore, Ms. Lee is deemed, or taken to be, interested in the Shares held by K Luxe for the purposes of the SFO.

(2) Ms. Lee is the spouse of Mr. Tan. Accordingly, Ms. Lee is deemed, or taken to be, interested in the Shares which Mr. Tan is interested for the purposes of the SFO.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during FY2019 was the Company, or any of its subsidiaries, a party to any arrangements which enable the Directors and the chief executives of the Company to acquire benefits by means of an acquisition of Shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during FY2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor the controlling Shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) in the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group during FY2019 and up to the date of this report.

SHARE OPTION SCHEME

The Company has conditionally approved and adopted the share option scheme (the "**Share Option Scheme**") on 15 October 2019 (the "**Adoption Date**") which shall remain in force for a period of ten years commencing on the Adoption Date and expire at the close of business on the business day immediately preceding the tenth anniversary thereof. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group (the "**Eligible Persons**") and to promote the success of the business of the Group.

The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus. Subject to the provisions of the Share Option Scheme, the Board may grant options at any time from time to time within a period of ten years from the Adoption Date. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not, in aggregate, exceed 10% of the total number of Shares in issue as at the Listing Date (the "**Scheme Limit**"), unless approved by its Shareholders pursuant to paragraph (iii) below.

The Company may seek separate approval of the Shareholders in a general meeting for refreshing the Scheme Limit provided that such limit as refreshed shall not exceed 10% of the total number of Shares in issue as of the date of the approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The total number of Shares issued and to be issued upon exercise of options granted to any Eligible Persons (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in any issue.

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme and there was no share option outstanding as at 31 December 2019.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the memorandum and articles of association of the Company (the "**Articles**"), the Directors, auditors, secretary and other officers, for the time being, acting in relation to the affairs of the Company, shall be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the exertion of their duty.

The permitted indemnity provision is currently in force for the benefit of the Directors as defined and required by Section 470 of Hong Kong Companies Ordinance and has been in force throughout the Relevant Period.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, the Company did not enter into any equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares during FY2019 or had subsisted at the end of FY2019.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

During the Relevant Period, no purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the Relevant Period, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules, which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules. None of the related party transactions constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the sufficient public float of at least 25% of the issued Shares under the Listing Rules as at the Latest Practicable Date.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders. There is also no restriction against such rights under the laws of the Cayman Islands.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 34 to the consolidated financial statements, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this report.

After the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented in different countries and regions.

While the Group has not seen any significant disruptions to its business, the Group is closely monitoring the development of the COVID-19 outbreak and evaluating its impact on the financial position and operating results of the Group. As at the date of this report, the Group is not aware of any material adverse effects on the consolidated financial statements for the year ended 31 December 2019 as a result of the COVID-19 outbreak.

OTHER MATTERS

There are no other matters that are material for the Shareholders' appreciation of the state of the Company's and its subsidiaries' affairs.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 were audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment upon conclusion of the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as auditor of the Company and to authorise the Directors to fix its remuneration.

On behalf of the Board

Tan Chee Beng
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 March 2020

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance in management and internal procedures so as to achieve effective accountability and to protect and enhance Shareholders' value. Committed to upholding good corporate standards and procedures in the best interests of its Shareholders, the Company has adopted the principles and all the relevant code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "**CG Code**").

Throughout the Relevant Period, the Company has complied with the applicable code provisions of the CG Code with the exceptions of the deviation from code provisions A.2.1 and A.1.8 as explained below:

DEVIATION FROM A.2.1 OF THE CG CODE

Under paragraph A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer of a company should be separate and should not be performed by the same individual. Mr. Tan is currently the Chairman of the Board and the chief executive officer (the "**CEO**") of the Group and primarily responsible for the day-to-day management of the Group's business. In view of the fact that Mr. Tan has been operating and managing our Group since its establishment, our Board believes it is in the best interests of our Group to have Mr. Tan take up both roles of effective management and business development. The Directors consider that vesting the roles of the chairman of the Board and CEO in the same person facilitates the execution of the Group's business strategies and decision making, and maximises the effectiveness of the Group's operation. The Directors also believe that the presence of three INEDs provides added independence to the Board, and that the Board is appropriately structured to maintain the balance of power and to provide sufficient checks to protect the interests of the Company and its Shareholders. The Directors shall review the structure from time to time and consider an adjustment should it become appropriate.

The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Mr. Tan), one non-executive Director, and three INEDs and therefore has a fairly strong independence element in its composition.

DEVIATION FROM A.1.8 OF THE CG CODE

Under the code provision of A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against the Directors. Currently, the Company is applying for insurance cover in this respect. In the meantime, the Company has been closely monitoring its internal control system and supervising its management to prevent its Directors from being at risk of any legal action.

MODEL CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code to the Listing Rules as its own code of conduct regarding Directors' transactions in securities of the Company. Having made specific enquiries with the Directors, all the Directors confirm that they have complied with the required standard set out in the Model Code during the Relevant Period.

BOARD OF DIRECTORS

Responsibilities of the Directors

The Board is primarily responsible for overseeing and managing the Company's affairs, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group.

The Board is also responsible for determining the Company's corporate governance functions which include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's policies and practices to ensure compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- reviewing the Company's compliance with the code provisions set out in the CG Code and its disclosure requirements in the Corporate Governance Report.

During the Relevant Period, the Board has performed the above-mentioned corporate governance functions by reviewing the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management, who fulfill their duties within their scope of authority and responsibility. Divisional heads are responsible for different aspects of the businesses. Major functions delegated to management include preparation of annual and interim results; execution of business strategies and initiatives adopted by the Board; implementation of adequate risk management and internal control systems; and compliance with the relevant statutory requirements. The functions and power that are so delegated are reviewed periodically by the Company to ensure that they remain appropriate.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

BOARD OF DIRECTORS (CONTINUED)

Chairman and Chief Executive

During the Relevant Period, Mr. Tan Chee Beng has taken up the dual-role of chairman ("**Chairman**") and chief executive officer of the Company (the "**CEO**"). Mr. Tan recognises that these two roles are distinct. His respective responsibilities are clearly defined and segregated to ensure a balance of power and authority, and reinforce his independence and accountability. The Chairman provides leadership for the decision of the Board regarding the daily operations and administration of the Company that are delegated to the management and led by the CEO. Acting as the principal manager, the CEO formulates the business strategies, oversees the business operations of the Group and ensures the implementation of the strategies and policies adopted and prioritised by the Board are supported with effective and competent management. The CEO is also responsible for informing all Directors on major Company changes and business development in a timely and appropriate manner.

Board Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board assumes the responsibility for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The Board currently comprises of the following Directors:

Executive Directors

Mr. Tan Chee Beng *(Chairman and Chief Executive Officer)*
Ms. Tang Ling Ling
Mr. Tan Wei Leong

Non-executive Director

Mr. Cheung Kam Fai

Independent Non-executive Directors

Mr. Wee Chorng Kien
Mr. Leung Yau Wan John
Mr. Leung Kee Wai

BOARD OF DIRECTORS (CONTINUED)

Relationships between the Board

Details of the background and qualifications of all the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Biographies of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships among members of the Board.

The Company is committed to the view that the Board should include a balanced composition of executive and INEDs so that there is a strong independent element on the Board which can effectively exercise independent judgment. The composition of the Board is reviewed by the Company from time to time to ensure that the Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

Independent Non-executive Directors

During the Relevant Period, the Board has at all times complied with rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Board consisted of three INEDs, which represents one-third of the Board. Of the INEDs, at least two possess appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. As such, there is a strong independent element in the Board to provide independent judgment.

The roles of the INEDs are to provide independent and unbiased opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. The INEDs are of sufficient caliber and free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment. They are able to provide impartial and professional advice to protect the interests of the minority Shareholders of the Company.

Specific enquiry has been made by the Company with each of the INEDs to confirm their independence pursuant to rule 3.13 of the Listing Rules. The Company has received positive confirmations from all three INEDs. Furthermore, the Board is not aware of any relationship or circumstances which would interfere with the exercise of the independent judgment of the INEDs. Based on the confirmations received, the Company is of the view that all INEDs are independent.

BOARD OF DIRECTORS (CONTINUED)

Appointment and Re-election of Directors

All the non-executive directors /INEDs are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

The Articles provide that all Directors appointed to fill a casual vacancy shall be subject to re-election by Shareholders at the first general meeting after appointment.

Pursuant to article 108(a) of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with article 108(a) of the Company's Articles, Mr. Tan Chee Beng, Mr. Cheung Kam Fai and Mr. Wee Chorng Kien will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Continuous Professional Development of Directors

Every newly appointed Director will receive an information package on the first occasion of his/her appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director pursuant to the Listing Rules. In addition, this information package includes material which briefly describes the operations and business of the Company. Directors will be continuously updated on major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Directors are committed to complying with code provision A.6.5 of the CG Code and all Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the Relevant Period to the Company.

BOARD OF DIRECTORS (CONTINUED)

Continuous Professional Development of Directors (Continued)

The individual training record of each Director received for the Relevant Period is summarised as follows:

Directors	Type of continuous professional development programmes
Mr. Tan Chee Beng	A
Ms. Tang Ling Ling	A
Mr. Tan Wei Leong	A
Mr. Cheung Kam Fai	A
Mr. Wee Chorng Kien	A
Mr. Leung Yau Wan John	A
Mr. Leung Kee Wai	A

Notes:

A: reading regulatory updates.

Board Meetings

Pursuant to code provisions of the CG Code, meetings of the Board should be held at least four times a year at approximately quarterly intervals and notice of at least 14 days should be given for a regular board meeting. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meeting to ensure that the Directors are given sufficient time to review the documents.

The Board is responsible for the approval and monitoring of the Company's overall strategies and policies, approval of business plans, evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board held one meeting during the Relevant Period. Notice of the Board meeting, agenda and Board papers were sent to the Directors in a timely manner before the meeting.

BOARD COMMITTEES

The Board delegates certain responsibilities to committees. In accordance with Singapore laws, the Articles and the Listing Rules, the Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Audit Committee consists of three INEDs, namely Mr. Leung Yau Wan John, Mr. Wee Chorng Kien and Mr. Leung Kee Wai. The chairman of the Audit Committee, Mr. Leung Yau Wan John, possesses the appropriate professional qualifications and financial expertise for the purposes of compliance with the requirements of rule 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The principal duties of the Audit Committee include the following:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal;

- monitoring the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them;

- reviewing the Company's financial controls, risk management and internal control systems; and

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have an effective system including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

During the audit committee meeting held on 27 March 2020, the Audit Committee performed the following work in respect of the Relevant Period:

- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting functions, risk management systems and processes;

- made recommendations to the Board on the re-appointment of the external auditors based on the needs of the business. The Board did not deviate from such recommendations provided and has adopted the same;

- reviewed the results of the Group for FY2019 as well as the report prepared by the external auditor relating to accounting issues and major findings during the course of the audit; and

- established proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters.

According to the terms of reference of the Audit Committee, the members of the Audit Committee should meet at least twice a year. As the Company was listed on 8 November 2019, the Audit Committee did not hold any meeting during the Relevant Period.

Nomination Committee

The Nomination Committee consists of one executive Director, being Mr. Tan Chee Beng (Committee Chairman), and two INEDs, being Mr. Wee Chorng Kien and Mr. Leung Kee Wai.

The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

The principal duties of the Nomination Committee include the following:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity representation) of the Board at least annually;
- making recommendations on any proposed changes to the Board to complement the corporate strategy of the Company;
- developing a list of desirable skills, perspectives and experience at the outset of the selection process for a new Director;
- identifying individuals suitably qualified to become Board members;
- selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and
- evaluating and assessing the optimal composition of the Board, taking into account the Company's agreed strategies and objectives.

During the nomination committee meeting held on 27 March 2020, the Nomination Committee performed the following work in respect of the Relevant Period:

- reviewed the structure, size and composition of the Board;
- assessed the independence of the INEDs of the Company; and
- made recommendations to the Board on the re-appointment of Directors who are subject to retirement from office by rotation at the first annual general meeting of the Company.

Nomination Policy

The nomination policy of the Group (the "**Nomination Policy**") has been adopted by the Board on 27 March 2020. The Nomination Policy sets out the key selection criteria, procedures and principles adopted by the Nomination Committee in nominating suitable candidates to the Board.

BOARD COMMITTEES (CONTINUED)

Procedure

- To fill a casual vacancy, the Nomination Committee shall propose candidates for the Board's consideration and approval, evaluating the balance of skills, knowledge, experience and characteristics of the Board and identifying any special requirements for the vacancy (i.e. independence status in the case of an independent non-executive Director);
- Prepare a description of the role and capabilities required for the particular vacancy;
- Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors;
- Arrange interview(s) with each candidate for the Nomination Committee to evaluate whether he or she meets the criteria adopted by the Nomination Committee for nomination of directors;
- Conduct verification on the information provided by the candidate;
- Convene a Nomination Committee meeting to discuss and vote on which candidate(s) to nominate to the Board;
- Make recommendations to the Board on the candidate(s) for directorship and/or for senior management; and
- Convene a Board Meeting to discuss and vote on which candidate(s) to appoint to the Board.

Criteria for Nomination of Directors

1 Common Criteria for all Directors

The factors which would be used as a reference by the Nomination Committee in assessing the suitability of a proposed candidate to be a Director include, inter alia:

- Character and integrity;
- Professional qualifications, skills and knowledge;
- Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;
- Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organisation, industry experience and familiarity with the products and processes used by the Company; and
- Significant business or public experience relevant and beneficial to the Board and the Company.

BOARD COMMITTEES (CONTINUED)

Criteria for Nomination of Directors (Continued)

2 Criteria applicable to non-executive Directors/INEDs

The factors which would be used as a reference by the Nomination Committee in assessing the suitability of a proposed candidate to be a non-executive Director or INED include, inter alia:

- Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in the Board and committee meetings;
- Accomplishments of the candidate in his/her field;
- Outstanding professional and personal reputation; and
- The candidate's ability to meet the independence criteria for a director established in the Listing Rules.

The nominated candidate(s) shall not assume that he/she has been proposed by the Board to stand for election at the general meeting of the Company until a circular to the Shareholders is issued.

In order to provide information of the candidate(s) nominated by the Board to stand for election at a general meeting of the Company, the Company will issue a circular to the Shareholders stating the candidate' s name, resume (including qualifications and relevant experience), proposed remuneration and other information required in accordance with the applicable laws, rules and regulations.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and sees increasing diversity at the Board level as an essential element in supporting its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

The following shall be lodged at the head office of the Company at 21 Tuas South Street 7, Singapore 637111 or at the registered office of the Company at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands:

- a notice in writing by the Shareholder(s) indicating the intention to propose a person for election as a Director; and
- a notice in writing by the person proposed by the Shareholder(s) for election as a Director indicating his/her willingness to be elected.

The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices may be given will be at least seven days.

BOARD COMMITTEES (CONTINUED)

Board Diversity Policy

The Company has adopted a board diversity policy, which sets out the approach to achieve sustainable and balanced development of the Company. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time. Selection of candidates will be based on the nomination policy of the Company. The ultimate decision is based on the merit and contribution that the selected candidates will bring to the Board, having due regard for the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

The Nomination Committee is delegated by the Board to review the Board Diversity Policy on a regular basis, make recommendations on measurable objectives for achieving diversity of the Board as appropriate and monitor the progress on achieving the objectives. The Nomination Committee has also adopted specific procedures for the nomination and appointment of a Director to the Board.

Remuneration Committee

The Remuneration Committee consists of two executive Directors, being Mr. Tan Chee Beng and Ms. Tang Ling Ling, and three independent non-executive Directors, being Mr. Leung Yau Wan John (Committee Chairman), Mr. Wee Chorng Kien and Mr. Leung Kee Wai.

The terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

The principal duties of the Remuneration Committee include the following:

(a) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management;

(b) assessing the performance of executive directors and approving the terms of executive directors' service contracts; and

(c) reviewing and approving the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time.

According to the terms of reference of the Remuneration Committee, the members of the Remuneration Committee should meet at least once a year. As the Company was listed on 8 November 2019, the Remuneration Committee did not hold any meeting during the Relevant Period.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

During the remuneration committee meeting held on 27 March 2020, the Remuneration Committee performed the following work:

- reviewed the 2019 performance/discretionary bonus to the executive Directors and/or senior management;
- determined the remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment and made recommendations to the Board on the remuneration of non-executive Directors; and
- reviewed the remuneration packages for the executive Directors, senior management and other employees of the Group for the year commencing from 1 January 2020 with reference to the time and efforts involved in discharging their duties and the prevailing market conditions.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for FY2019 was within the following band:

	Number of Individuals
HK$1,000,000 or below	2
HK$1,000,001–HK$1,500,000	2

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 9 respectively to the consolidated financial statements.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

Mr. Tan Chee Beng and Ms. Tang Ling Ling attended one Board Meeting during the Relevant Period.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group during FY2019 was analysed below:

Services Category	Fees paid/ payable S$'000
Audit Services	
— Statutory Audit	275
Non-Audit Services	
— Listing	313
— Other Non-Audit Service	6

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing, with support from the accounting department, the consolidated financial statements for FY2019, which give a true and fair view of the state of affairs of the Group. In preparing the consolidated financial statements for FY2019, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinance were complied with.

The consolidated financial statements were prepared on a going concern basis. The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis for preparing the consolidated financial statements. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of the Company's external auditor, PricewaterhouseCoopers, are set out in the Independent Auditor's Report on pages 50 to 54.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business at three levels.

Each division of the Group is required to set up appropriate risk management strategies based on the risks identified, propose risk mitigation plans and its implementation. Any material deficiencies or risks identified are reported by the manager of the relevant department to the internal audit department for further investigation, internal control review and enhancement and supervision.

The second level involves the active role of the internal audit department, which is responsible for overseeing the Group's risk management and internal control activities. The internal audit department supervises the individual divisions to ensure principal risks are properly managed and identify and document new or emerging risks. Any new or imminent risks identified are escalated by the internal audit department to the Audit Committee, who in turn makes recommendations to the Board.

Finally, the highest level involves decision-making by the Board, who is responsible for approving the risk mitigation procedures recommended and the effectiveness and adequacy of the Group's risk management and internal control systems. The relevant personnel at these three levels frequently communicate to ensure accurate information is shared between all parties.

In respect of FY2019, the internal audit department has examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee. The Board, as supported by the Audit Committee, as well as the individual divisions and internal audit department, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, during the Board meeting held on 27 March 2020, and considered that such systems are effective and adequate.

The review covered the documentation, testing and assessment of the effectiveness of the procedures, systems and controls established by the Group including various operational cycles of the Group such as the revenue and receipts, purchases and payments, project management, fixed assets and capital expenditure management, financial reporting and industrial safety and environmental protection, as well as the corporate governance practice of the Group. Based on the review and procedures conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the provisions of Part XIVA of SFO and the Listing Rules relating to the disclosure of inside information to the public.

The Company has adopted the Model Code to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited its Directors and employees from the unauthorized use of confidential or inside information for the advantage of oneself or others. Any inside information and any information, which may potentially constitute inside information is promptly identified, assessed and escalated to the Board for its determination on the need for disclosure. Inside information and other information which are required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange and the Company.

COMPANY SECRETARY

Ms. Lo was appointed as company secretary of the Company from 25 June 2018 to 1 January 2020. Ms. Lo has confirmed that she has taken no less than 15 hours of relevant professional training during FY2019 in compliance with rule 3.29 of the Listing Rules. The primary corporate contact person in the Company with whom Ms. Lo has been contacting in respect of company secretarial matters is Ms. Tang Ling Ling, the executive Director of the Company.

In replacement of Ms. Lo, the Board appointed Mr. Chan as the Company Secretary with effect from 1 January 2020. He has been a qualified solicitor in Hong Kong since 2003 and in England & Wales since 2008. Further biographical details of Mr. Chan are set out under the section headed "Biographical Details of Directors and Senior Management".

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Company. An annual general meeting of the Company is expected to be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**"). Shareholders are encouraged to participate in EGMs or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

The Company values communication with the Shareholders. Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times. To safeguard Shareholder interests and rights, a separate resolution should be proposed for each substantially separate issue at general meetings, including but not limited to the election of individual Director. In accordance with Listing Rules' requirement, all resolutions put forward at general meetings shall be voted on by poll and poll results shall be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

Pursuant to article 64 of the Articles, EGMs shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary by mail to Room 2603A, 26/F., Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition.

The requisition must clearly state the name of the requisitionist(s) concerned, his/her/their shareholding the Company, the reason(s) to convene an EGM and the agenda of the EGM, including the details of the business proposed to be transacted at the EGM. The requisition must be signed by the requisitionist(s) concerned together with a deposit of a sum of money reasonably sufficient to meet the Company's expenses for the said purposes.

Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders who propose new resolutions at the general meetings can also follow the above procedures.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company, contact details of which are provided below. The Company will not normally deal with verbal or anonymous enquiries. Shareholders and the investment community may at any time submit a request for information on the Company to the extent such information is publicly available.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 2603A, 26/F., Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong (marked for the attention of the Board of Directors or the Company Secretary
Email:	schan@seyfarth.com
Enquiry line:	+852 3956 0605

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH THE SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include the annual general meeting, general meeting, the annual report, interim report and quarterly reports (if any) , notices, announcements and circulars that are available on the Stock Exchanges website (www.hkex.com.hk) and the Company's website (http://www.bsm.com.sg/).

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees are available to answer questions at shareholder meetings.

The AGM of the Company will be held on 29 May 2020. The notice of AGM has been sent to the Shareholders on 28 April 2020.

CONSTITUTIONAL DOCUMENTS

Pursuant to written resolutions of the Shareholders passed on 15 October 2019, the Articles of the Company were adopted.

During the Relevant Period, the Company has not made any changes to its Articles. An up to date version of the Company's Articles is also available on the website of the Company at http://www.bsm.com.sg and the website of the Stock Exchange at www.hkex.com.hk.

羅兵咸永道

To the Shareholders of Beng Soon Machinery Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Beng Soon Machinery Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 118, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is related to revenue recognition of demolition service projects.

Key Audit Matter	How our audit addressed the Key Audit Matter

Revenue recognition of demolition services projects

Refer to notes 2.8 and 6 to the consolidated financial statements.

The recognition of revenue from the demolition service projects involves a high degree of management judgement in relation to the following:

(a) Transaction price of demolition service projects

Demolition service projects of the Group included variable considerations in the form of (i) expected proceeds from disposal of salvage materials removed from the demolition sites to third party salvage materials buyers and (ii) expected earth disposal proceeds from earth providers for depositing earth at demolition sites for landfilling purpose.

In connection with the two types of aforesaid variable considerations, management makes significant judgement when estimating the quantities of salvage materials to be disposed, the earth to be deposited at the sites and the expected price.

Our procedures performed in relation to management's judgement on recognition of revenue from demolition service projects included:

We understood, evaluated and tested the key controls, on a sample basis, around the revenue recognition process with particular focus on, but not limited to, controls over cost budgeting and periodic review of estimated total contract costs and contract sum.

We also selected a number of demolition service projects on a sample basis and performed the audit procedures below, including:

- Inspected the signed contracts and correspondence with the customers and subcontractors to obtain audit evidence on the contract sum and terms, claims with customers and sub-contractors;
- Tested the actual contract costs incurred during the reporting period by tracing to supporting documents;
- Assessed the effectiveness of management's estimation process on the total budgeted costs of demolition by comparing estimates of cost to be incurred with completed projects of similar nature, understanding with project teams the basis of allocation of budgeted costs;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

(b) Measurement on progress

Project progress is determined based on proportion of actual costs of work performed to date as compared to total budgeted costs of demolition, in which management makes significant judgement when estimating the costs to be incurred for the project, including depreciation of machinery and equipment, labour costs, sub-contractor charges and other consumables.

Due to the significant management judgement and estimates involved in revenue recognition and significant audit efforts spent to address them, we considered this as a key audit matter.

How our audit addressed the Key Audit Matter

- Assessed the progress against contractual timeline for delays and the need for provision for liquidated damages;
- Discussed with management and the respective project teams and conducted site visits for major sites in-progress to understand the progress of the projects;
- Assessed the effectiveness of management's estimation process on the estimated variable considerations by comparing estimates of prior period projects' variable considerations with actual sales transactions for both price and quantities of salvage materials and landfilling;
- Tested samples of subsequent sales from disposal of salvage materials and landfilling by tracing to invoices to salvage material buyers and earth providers to assess the reasonableness of management's estimation of the variable considerations; and
- Tested the project progress based on the actual costs of work performed to date and the total budgeted costs, and recalculated the revenue recognised based on the project progress and latest estimated total proceeds of the project.

We consider management's significant judgement and estimates involved in revenue recognition to be supportable by the evidence available.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

OTHER INFORMATION (CONTINUED)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- Conclude on the appropriateness of the directors' 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 Audit Committee 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 Audit Committee 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 Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Chu Ho Kwan Raphael.

PricewaterhouseCoopers
Certified Public Accountants

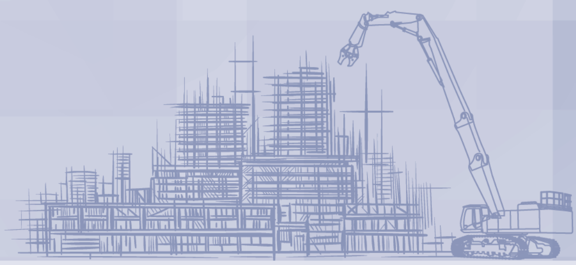
Hong Kong, 27 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 S$	2018 S$
Revenue	6	**34,044,790**	33,987,206
Cost of sales	8	**(21,386,005)**	(20,275,015)
Gross profit		**12,658,785**	13,712,191
Other income	7	**143,308**	197,724
Other gains — net	7	**109,339**	580,399
Selling and distribution expenses	8	**(243,227)**	(238,843)
Administrative expenses	8	**(8,112,619)**	(9,352,666)
Operating profit		**4,555,586**	4,898,805
Finance costs	10	**(513,207)**	(505,185)
Profit before income tax		**4,042,379**	4,393,620
Income tax expense	11	**(808,100)**	(1,315,768)
Profit after income tax		**3,234,279**	3,077,852
Profit and total comprehensive income for the year attributable to:			
Equity holders of the Company		**3,234,279**	3,077,852
Earnings per share (expressed in S$ cent)			
Basic and diluted	12	**0.41**	0.41

CONSOLIDATED BALANCE SHEET



As at 31 December 2019

	Note	2019 S$	2018 S$
Assets			
Non-current assets			
Property, plant and equipment	13	**22,028,240**	19,944,108
Right-of-use assets	22	**13,410,698**	16,502,749
Deposits and prepayment	18	**–**	285,000
Investment property	14	**2,097,600**	2,141,760
Financial asset at fair value through profit or loss	15	**161,809**	159,194
		37,698,347	39,032,811
Current assets			
Contract related assets and costs	6	**13,329,009**	7,904,241
Deposits paid to customers	6	**8,170**	1,158,493
Trade receivables	17	**6,002,270**	6,663,256
Deposits, prepayments and other receivables	18	**146,068**	1,076,481
Cash and cash equivalents	19	**14,137,800**	2,976,762
		33,623,317	19,779,233
Total assets		**71,321,664**	58,812,044
Equity attributable to equity holders of the Company			
Share capital	24	**1,742,159**	17
Other reserves		**21,853,646**	5,405,207
Retained earnings		**27,907,291**	24,673,012
Total equity		**51,503,096**	30,078,236
Liabilities			
Non-current liabilities			
Borrowings	21	**1,852,701**	2,437,765
Lease liabilities	22	**9,342,290**	9,846,344
Deferred income tax liabilities	23	**2,015,522**	1,886,831
		13,210,513	14,170,940
Current liabilities			
Trade and other payables	20	**3,123,615**	5,259,300
Borrowings	21	**585,064**	3,744,041
Lease liabilities	22	**2,193,166**	4,265,528
Current income tax liabilities	11	**706,210**	1,293,999
		6,608,055	14,562,868
Total liabilities		**19,818,568**	28,733,808
Total equity and liabilities		**71,321,664**	58,812,044

Approved by the Board of Directors on 27 March 2020 and signed on its behalf of:

Tan Chee Beng
Director

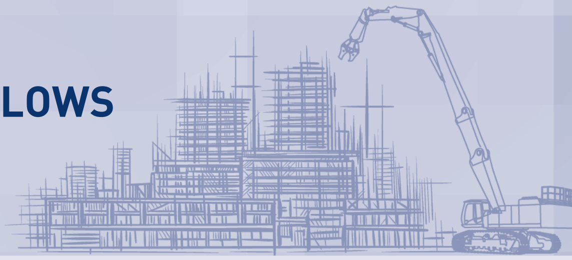
Tang Ling Ling
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Company				
	Share capital S$	Other reserves S$	Retained earnings S$	Non controlling interest	Total S$
At 1 January 2018	–	2,000,000	23,595,160	12,419	25,607,579
Comprehensive income:					
Profit and total comprehensive income for the year	–	–	3,077,852	–	3,077,852
Transactions with equity holders in their capacity as equity holders:					
Disposal of a subsidiary (Note 28)	–	–	–	(12,419)	(12,419)
Waiver of an amount due to a director as a deemed capital contribution (Note 25)	–	800,000	–	–	800,000
Dividends (Note 26)	–	–	(2,000,000)	–	(2,000,000)
Issuance of shares during the Reorganisation (Note 25)	17	2,605,207	–	–	2,605,224
At 31 December 2018	17	5,405,207	24,673,012	–	30,078,236
At 1 January 2019	**17**	**5,405,207**	**24,673,012**	**–**	**30,078,236**
Comprehensive income:					
Profit and total comprehensive income for the year	**–**	**–**	**3,234,279**	**–**	**3,234,279**
Transactions with equity holders in their capacity as equity holders:					
Issuance of shares pursuant to capitalisation (Note 24)	**1,306,602**	**–**	**–**	**–**	**1,306,602**
Issuance of shares by public offering, net of expenses (Note 24)	**435,540**	**16,448,439**	**–**	**–**	**16,883,979**
At 31 December 2019	**1,742,159**	**21,853,646**	**27,907,291**	**–**	**51,503,096**

CONSOLIDATED STATEMENT OF CASH FLOWS



For the year ended 31 December 2019

	Note	2019 S$	2018 S$
Cash generated from operations	29	**4,521,698**	3,422,996
Interest received		**9,405**	634
Income tax paid		**(1,267,198)**	(243,686)
Net cash generated from operating activities		**3,263,905**	3,179,944
Cash flows from investing activities			
Purchases of property, plant and equipment	29(c)	**(2,905,037)**	(1,862,284)
Proceeds from disposal of property, plant and equipment	29(b)	**148,500**	614,639
Disposal of subsidiary, net of cash disposed of subsidiary	28	**–**	(14,836)
Net cash used in investing activities		**(2,756,537)**	(1,262,481)
Cash flows from financing activities			
Proceeds from issuance of shares		**21,777,003**	2,605,224
Proceeds from borrowings	29(a)	**–**	3,000,000
Repayments of borrowings	29(a)	**(3,744,041)**	(585,064)
Principal elements of lease payments	29(a)	**(3,278,011)**	(3,492,978)
Advance from a director	29(a)	**–**	52,965
Repayment to a director	29(a)	**–**	(962,579)
Transaction costs attributable to the public offering debited to equity		**(3,586,422)**	(619,737)
Interest paid	29(a)	**(513,207)**	(502,502)
Dividends paid	26	**–**	(2,000,000)
Net cash generated from/(used in) financing activities		**10,655,322**	(2,504,671)
Net increase/(decrease) in cash and cash equivalents		**11,162,690**	(587,208)
Cash and cash equivalents at beginning of the year		**2,976,762**	3,561,363
Effects of currency translation on cash and cash equivalents		**(1,652)**	2,607
Cash and cash equivalents at end of the year	19	**14,137,800**	2,976,762

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Bang Soon Machining Holdings Limited (the "Company") was incorporated in the Cayman Islands on 6 April 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands and listed (the "Listing") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 November 2019 (the "Listing Date"). The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries comprising the group (together the "Group") are principally engaged in the provision of demolition services, sale of inventories and leasing of machinery in Singapore.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the Group's business was carried out by Beng Soon Machinery Services (Singapore) Pte Ltd, a company incorporated in Singapore (the "Operating Company" or "BSM"). Before the completion of the Reorganisation, BSM was controlled by Mr. Tan Chee Beng ("Mr. Tan") and Ms. Lee Peck Kim ("Ms. Lee") (collectively, the "Controlling Shareholders") who owned 75% and 25%, respectively, of the shareholdings of BSM.

Prior to the Listing, the Group underwent the Reorganisation which principally involved the following steps:

(a) On 2 January 2018, T&B Holding Limited ("T&B Holding") was incorporated in Hong Kong as a limited liability with an initial share capital of HK$100 divided into 100 shares to Mr. Tan. On 29 March 2018, T&B Holding allotted and issued 650 and 250 shares to Mr. Tan and Ms. Lee respectively, following which T&B Holding was owned by Mr. Tan and Ms. Lee as to 75% and 25%, respectively.

(b) On 6 April 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital of the Company was HK$380,000 equivalent to approximately S$65,995 consisting 38,000,000 shares with a par value of HK$0.01 each. 75 and 25 shares were allotted and issued to TCB Investment Holdings Limited ("TCB") and K Luxe Holdings Limited ("K Luxe"), companies held by Mr. Tan and Ms. Lee, respectively. As a result, the Company was directly owned by Mr. Tan and Ms. Lee through TCB and K Luxe as to 75% and 25%, respectively.

(c) On 10 April 2018, Five Elements Investment Holdings Limited ("Five Elements") was incorporated in the BVI as a wholly-owned subsidiary of the Company.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

1.2 Reorganisation (Continued)

(d) On 13 March 2018, Mr. Tan, Ms. Lee, T&B Holding and Prosperity Delight Limited (the "Pre-IPO Investor") entered into a subscription agreement, pursuant to which the Pre-IPO Investor agreed to subscribe interest in T&B Holding at the consideration of HK$15,000,000 equivalent to approximately S$2,605,209. After a series of shares transfer in April and June 2018, including Mr. Tan and Ms. Lee transferred their respective shareholdings in BSM to T&B Holding and T&B Holding became a direct wholly-owned subsidiary of Five Elements, the Company was directly owned by TCB, K Luxe and the Pre-IPO Investor as to 65.56%, 21.85% and 12.59%, respectively immediately after the Reorganisation. The following table shows the number of shares owned by each party in the Company:

	Company's share
TCB	6,556
K Luxe	2,185
Pre-IPO Investor	1,259
Total number of shares issued	10,000

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB"). The consolidated financial statements has been prepared under the historical cost convention, as modified by revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New standards, amendments and to existing standards and interpretation, which are effective in 2019 and adopted by the Group

All new standards, and amendments to existing standards and interpretations which are effective for the first time for the financial year beginning on or before 1 January 2019 have been consistently applied to the Group's financial information for the track record period from 1 January 2016 to 31 May 2019 as set out in the prospectus in connection with the initial public offering of the Company and for the years presented in these consolidated financial statements, unless otherwise stated.

(b) New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards have been published but are not yet effective for the year ended and have not been early adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 3 (Amendments) 2020	Definition of a Business	1 January 2020
IFRS 1 and IAS 8 (Amendments) 2020	Definition of Material	1 January 2020
IFRS 17	Insurance Contract	1 January 2023
IFRS 10 (Amendments) and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined

The Group has already commenced an assessment of the related impact to the Group of the above standards and amendments that are relevant to the Group upon initial application. According to the preliminary assessment made by the directors of the Company, management does not anticipate any significant impact on the Group's financial positions and results of operations.

2.2 Subsidiaries

2.2.1 Consolidation

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

2.3 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end-exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are recognised in the profit or loss, within finance costs. All other foreign exchange gains and losses are recognised in the profit or loss on a net basis within other gains/(losses).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight line method to allocate their costs less estimated residual values over its estimated useful lives, as follows:

	Useful lives
Building	20
Plant and machinery, tools and equipment	10 years
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss under "other gains — net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment property

Investment property which is property held to earn rentals and/or for capital appreciation is measured initially at cost including transaction costs, and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful life of 50 years. Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

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

An investment property is de-recognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected. Any gain or loss arising on the derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the investment property is de-recognised.

2.7 Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the asset.

2.8 Revenue recognition

(i) Demolition services

The Group provides demolition services to customers who are project owners. Demolition services include (i) demolition; (ii) site clearance of salvage materials resulting from demolition; and (iii) landfilling of demolition sites.

Revenue is recognised over time as the project owners simultaneously receives and consumes the benefits provided by the Group as the demolition services are performed. The measure of demolition progress is determined based on the proportion of costs incurred to-date to the estimated total costs for each service.

Costs incurred in providing demolition services include setup and mobilisation cost that are recognised as assets under "contract related assets and costs" in Note 6(b) when they are expected to be recovered and its amortisation within cost of sales. Otherwise, such costs are recognised as an expense immediately.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Revenue recognition (Continued)

(i) Demolition services (Continued)

Estimates of revenue from demolition services (arising from estimation of proceeds from disposal of salvage materials and proceeds from earth providers for depositing earth), costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Transaction price of a demolition services project includes net fixed amount received or receivable directly from the project owners and variable considerations in the form of proceeds from (i) disposal of salvage materials removed from the demolition sites to third party salvage materials buyers; and (ii) earth providers for depositing earth at demolition sites for landfilling purpose on behalf of project owners. Accumulated experience and recent market prices are used to estimate the variable consideration to the extent that it is highly probable that a significant reversal will not occur, using the expected value method, to be included in the transaction price.

Consideration payable to project owners are accounted for as reduction of transaction price above unless the payment is in exchange for a distinct good or service that the project owner transfers to the Group. Certain contracts require the Group to pay an upfront payment to the project owner at the inception of the contract and that is recognised under "deposits paid to customers".

If the value of the services rendered by the Group exceed the net payments received, a contract asset is recognised. If the payments exceed the value of the services rendered, a contract liability is recognised.

Trade receivables and retention are recognised for amounts billed to project owners for services and salvage materials buyers and earth providers. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(ii) Sale of inventories

The Group sells inventories of machinery and equipment. Sales are recognised when control of the products has transferred to the customers, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the product. Delivery occurs when the products have been shipped to the specific location, the risk of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

A trade receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Revenue recognition (Continued)

(iii) Leasing income from machineries

Leasing income from operating leases of machineries is recognised on a straight-line basis over the terms of the respective leases.

(iv) Interest income

Interest income is recognised in other gains/(losses) using the effective interest rate method.

(v) Service income

Revenue from providing services is recognised when the services are rendered.

2.9 Investments in subsidiaries

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends received from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets

2.11.1 Classification

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

- those to be measured subsequently at fair value either through other comprehensive income or through profit or loss, and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group currently only has a keyman insurance contract, a debt instrument which is classified as fair value through profit or loss.

2.11.2 Measurement

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

Debt instruments held at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Debt instruments are presented as "trade receivables", "deposits and other receivables" and "cash and cash equivalents" on the consolidated balance sheet.

Financial asset at fair value through profit or loss

The Group acquired a keyman insurance contract. The insurance contract is initially recognised at the amount of the premium paid and subsequently carried at fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

Changes in the fair value of financial asset at fair value through profit or loss are recognised in "other gains — net" as applicable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

2.11.3 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt investment at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and contract assets with similar credit risk characteristics and is adjusted for forward-looking estimates. At each reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11.4 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument and financial assets at fair value through profit or loss, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include deposits held at call, deposits held with banks with original maturities of three months or less and cash on hand.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.16 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at each balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by each balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) Pension obligations

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The expected costs of bonus payment are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

(c) Employee leave entitlements

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 each balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory is determined using the first-in, first-out method, after deducting rebates and discounts, and includes all costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.20 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.

2.21 Leases

(a) Lessor

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

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the underlying assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

(b) Lessee

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments, where applicable:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payment that are based on an index or a rate;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at costs comprising the following, where applicable:

(a) the amount of the initial measurement of lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct costs; and

(d) reinstatement costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

(b) Lessee (Continued)

Depreciation of right-of-use asset is calculated using straight line method as follow:

Land	Over the lease term
Office equipment	Over the lease term
Plant and machinery	Over the lease term
Motor vehicles	Over the lease term

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.22 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders or directors, where appropriate.

2.23 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.24 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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. Other borrowing costs are expensed in the period in which they are incurred.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, interest rate risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group operates in Singapore and most of its income and expenditures are denominated in S$, being the functional currency of the Company. The Group has exposure to foreign exchange risk as a result of cash and cash equivalents, trade receivables, deposits and other receivables, trade and other payables and premium financing loan denominated in the United States dollar ("US$") and Hong Kong dollar ("HK$").

As at 31 December 2019, should S$ be strengthened/weakened by 4% against those currencies, with all other variables held constant, the impact on the Group's post tax profit and the equity would have been approximately S$20,000 (2018: S$1,000) lower/higher for the year ended 31 December 2019 as a result of foreign exchange losses/gain.

The Group's exposure to other foreign exchange movements is not material.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, trade receivables, deposits and other receivables and contract assets, arises from potential default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

(i) Credit risk of cash and cash equivalents

To manage this risk arising from cash and cash equivalents, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables and contract assets

For trade receivables and contract assets, the debtors are primarily established corporations. Management considers the credit risk is generally not high. The Group maintains frequent communications with the counterparties. Management has closely monitored the credit qualities and the collectability of these receivables and consider that the expected credit risks of them are generally minimal in view of the history of cooperation with them.

During the year ended 31 December 2018, a customer was identified and assessed to have a characteristic of higher credit risk than the rest of the other debtors due to an ongoing financial restructuring. Based on the Group's assessment, the expected credit loss rate over the outstanding debt for this customer was approximately 50%. Therefore, a corresponding loss allowance amounting to S$110,000 was recognised in 2018. During the year ended 31 December 2019, due to no significant development for the customer's restructuring, the Group assessed the expected credit loss rate over the outstanding debt for this customer to be 100% and therefore, a further loss allowance amounting to S$103,049 was recognised in 2019.

In addition, during the year ended 31 December 2019, another customer was identified and assessed to have a characteristic of higher credit risk than the rest of the other debtors due to ongoing financial restructuring. Based on the Group's assessment, the expected credit loss rate over the outstanding debt for this customer was approximately 50%. Therefore, a corresponding loss allowance amounting to S$52,000 was recognised in 2019.

(iii) Credit risk of other receivables

Other receivables at the end of the financial year were mainly deposits. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party; and
- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk of other receivables (Continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 90 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Based on historical experience, majority of the other receivables were settled shortly upon maturity, hence the expected credit loss is immaterial.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

No significant changes to estimation techniques or assumptions are made during the financial year.

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings and cash and cash equivalents placed with creditworthy licensed banks and financial institutions at variable rates which exposes the Group to cash flow interest rate risk.

The Group manages its exposure to interest rate risk by maintaining borrowings at a suitable level.

As at 31 December 2019, if interest rates had been 100 basis points higher/lower with all other variables held constant, the impact on the Group's post tax profit and the equity for the year ended 31 December 2019 would have been approximately S$35,771 (2018: S$26,409) lower/higher.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the end of the financial year and had been applied to the exposure to interest rate risk for the Group's floating rate borrowings in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible changes in interest rates over the period until the end of the next annual reporting period.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group measures and monitors its liquidity through the maintenance of prudent ratios regarding the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. The Group also maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business.

During the year ended 31 December 2019, the Group complied with all externally imposed loan covenant requirements to which it was subjected to (2018: same).

The table below analyses the Group's contractual maturity for its financial liabilities. The amounts disclosed in the table have been drawn up with reference to the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On demand or within 1 year S$	Between 1 and 2 years S$	Between 2 and 5 years S$	Over 5 years S$	Total contractual undiscounted cash flows S$	Carrying amounts S$
As at 31 December 2019						
— Trade and other payables (excluding statutory liabilities)	**3,104,074**	**–**	**–**	**–**	**3,104,074**	**3,104,074**
— Borrowings	**642,906**	**627,308**	**1,305,658**	**–**	**2,575,872**	**2,437,765**
— Lease liabilities	**2,469,027**	**627,363**	**1,986,270**	**8,884,025**	**13,966,685**	**11,535,456**
	6,216,007	**1,254,671**	**3,291,928**	**8,884,025**	**19,646,631**	**17,077,295**
As at 31 December 2018						
— Trade and other payables (excluding statutory liabilities)	4,716,736	–	–	–	4,716,736	4,716,736
— Borrowings	3,811,239	622,728	1,904,966	–	6,338,933	6,181,806
— Lease liabilities	4,602,007	759,760	1,934,183	9,618,583	16,914,533	14,111,872
	13,129,982	1,382,488	3,839,149	9,618,583	27,970,202	25,010,414

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(e) Price risk

The Group's keyman insurance contract is exposed to price risk as it is classified as financial assets at fair value through profit or loss. As at 31 December 2019, if cash surrender value as defined in the keyman insurance contract had been 5% higher/lower, the impact on the Group's post tax and the equity for the year ended 31 December 2019 would have been approximately S$8,090 (2018: S$7,960) higher/lower.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as "Equity" as shown in the consolidated balance sheet plus net(cash)/debt, where applicable.

	2019 **S$**	2018 S$
Borrowings (Note 21)	**2,437,765**	6,181,806
Lease liabilities (Note 22)	**11,535,456**	14,111,872
Less: Cash and cash equivalents (Note 19)	**(14,137,800)**	(2,976,762)
Net (cash) / debt	**(164,579)**	17,316,916
Total equity	**51,503,096**	30,078,236
Total capital	**51,338,517**	47,395,152
Gearing ratio	**N/A**	37%

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3
	S$	S$	S$
At 31 December 2018			
Assets			
Financial asset at fair value through profit or loss			
— Keyman insurance contract	–	–	159,194
At 31 December 2019			
Assets			
Financial asset at fair value through profit or loss			
— Keyman insurance contract	**–**	**–**	**161,809**

There were no transfers among Levels 1, 2 and 3 during the years ended 31 December 2018 and 2019.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the changes in Level 3 instruments:

	2019 S$	2018 S$
Financial asset at fair value through profit or loss		
At 1 January	**159,194**	152,110
Currency exchange differences	**(1,948)**	2,802
Fair value gain recognised in profit or loss (Note 7)	**4,563**	4,282
At 31 December	**161,809**	159,194

The fair value of the keyman insurance contract purchased for a key management personnel of the Group is determined based on the cash surrender value in accordance with the keyman insurance contract which is not an observable input. Management estimates the fair value based on the latest policy quarterly statement of the keyman insurance contract provided by the insurance company.

The unobservable input is the cash surrender value quoted by the insurance company according to the keyman insurance contract. When the cash surrender value is higher, the fair value of the keyman insurance contract will be higher.

The carrying amounts of the Group's financial assets, including trade receivables, contract assets, deposits and other receivables, and cash and cash equivalents, and financial liabilities, including trade and other payables, borrowings and lease liabilities approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimation of transaction prices for demolition service projects

The Group's management estimates the transaction price of each demolition service project based on the management budgets prepared for the demolition service revenue. Transaction price included variable considerations in the form of expected proceeds from disposal of salvage materials removed from the demolition sites to third party salvage materials buyers; and expected proceeds from earth disposal from earth providers for depositing earth at demolition sites for landfilling purpose. Accumulated experience and recent market prices are used to estimate the variable consideration. Management conducts periodic review on the management budgets by reviewing the actual amounts earned. Items that are subjected to significant variances that will impact the estimated transaction price of the projects include the changes in estimations of actual salvage materials available for sale, actual price of salvage materials upon sale, and actual earth disposal handling quantity and price sold.

(b) Measure of progress demolition service projects

The Group measures its progress and recognises its revenue according to the proportion of actual cost of work performed to date as compared to total budgeted costs of demolition. Due to the nature of the activity undertaken in these projects, the date at which the project activity is entered into and the date when the activity is completed may fall into different accounting periods. Budgeted costs which mainly comprise depreciation of plant and machinery, labour costs, sub-contracting charges and consumables are estimated by management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred. Items that are subjected to significant variances that will impact the budgeted costs, and hence the measurement of progress, include the changes in estimations of costs to be incurred for depreciation of plant and machinery, labour costs, sub-contracting charges and consumables.

(c) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of financial year. Details are disclosed in the note 3.

5 SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Group who reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the provision of demolition services, sale of inventories and leasing of machinery in Singapore. Information reported to CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

All of the Group's activities are carried out in Singapore and majority of the Group's assets and liabilities are located in Singapore. Accordingly, there is no analysis by geographical basis.

Revenue are all derived from external project owners in Singapore. During the year ended 31 December 2019, there were 4 project owners (2018: 4 project owners), which individually contributed over 10% of the Group's total revenue. The revenue generated from the demolishing sites from each of these project owners during the financial year are summarised below:

	2019 **S$**	2018 S$
Customer 1	**6,301,971**	1,733,322
Customer 2	**4,862,319**	8,576,625
Customer 3	**4,500,808**	N/A
Customer 4	**4,041,293**	N/A
Customer 5	**N/A**	4,649,055
Customer 6	**N/A**	7,955,398

The above represents revenue generated from the demolition sites of relevant project owners in which proceeds are received from project owners as net contract sum, salvage materials buyers from disposal of salvage materials and earth providers from handling earth disposal to the demolition sites.

5 SEGMENT INFORMATION (CONTINUED)

In terms of proceeds from salvage materials buyers, proceeds from 1 salvage materials buyer (2018: 1 salvage materials buyer) contributed over 10% of the Group's revenue during the year ended 31 December 2019. The proceeds received/receivable from the salvage material buyer are summarised below:

	2019 S$	2018 S$
Salvage material buyer 1	**7,061,817**	7,358,940

6 REVENUE

	2019 S$	2018 S$
Provision of demolition services	**33,068,536**	33,908,510
Others	**976,254**	78,696
Total revenue	**34,044,790**	33,987,206

6 REVENUE (CONTINUED)

(a) Disaggregation of revenue from contracts with customers

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following.

	Provision of demolition services (Note (i)) S$	Others (Note (ii)) S$	Total S$
Year ended 31 December 2019:			
Timing of revenue recognition			
At a point in time	**–**	**534,515**	**534,515**
Over time	**33,068,536**	**–**	**33,068,536**
Total	**33,068,536**	**534,515**	**33,603,051**
Year ended 31 December 2018:			
Timing of revenue recognition			
At a point in time	–	2,390	2,390
Over time	33,906,120	–	33,906,120
Total	33,906,120	2,390	33,908,510

Note:

(i) Provision of demolition services were derived from undertaking demolition projects which include (i) the net payment directly from the project owners; (ii) the proceeds from disposal of salvage materials removed from the demolition sites to third party salvage materials buyers; and (iii) earth disposal proceeds from earth providers for depositing earth at demolition sites for landfilling purpose.

(ii) Other revenue mainly comprise of other service income for services rendered for site operation management and sales of inventories .

6 REVENUE (CONTINUED)

(b) Contract related assets and costs

The Group has recognised the following revenue-related contract related assets:

	2019 S$	2018 S$
Contract assets — demolition projects (Note (i))	**13,329,009**	7,904,241

(i) Significant changes in contract assets

The increase in the balance was mainly due to the timing difference between work performed and the milestone for progress billing as well as a significant portion of salvage materials removed were yet to be disposed as at 31 December 2019.

(ii) Revenue recognised in relation to contract liabilities

No revenue was recognised in relation to the contract liabilities at the beginning of the year and performance obligations satisfied in previous year (2018: nil).

(iii) Unsatisfied long-term contracts

As at 31 December 2019 and 2018, as permitted by IFRS 15, transaction price allocated to unsatisfied contracts with original expected duration of one year or less is not disclosed.

(c) Deposits paid to customers

	2019 S$	2018 S$
Deposits paid to customers for secured contracts	**8,170**	1,158,493

This asset is amortised to profit and loss as reduction of revenue simultaneously with the transfer to the customer of the demolition service to which the deposit relates.

7 OTHER INCOME AND OTHER GAINS — NET

	2019 S$	2018 S$
Other income:		
Interest income	**9,405**	634
Government grants	**118,273**	196,368
Rental income from investment property	**15,400**	–
Miscellaneous income	**230**	722
Total other income	**143,308**	197,724
Other gains:		
Gain on disposals of property and equipment	**65,449**	584,475
Gain on disposal of a subsidiary (Note 28)	**–**	18,070
Currency exchange gain/(loss) — net	**39,327**	(26,428)
Fair value gain on financial asset at fair value through profit or loss	**4,563**	4,282
Total other gains — net	**109,339**	580,399
Total other income and other gains — net	**252,647**	778,123

8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	2019 S$	2018 S$
Sub-contractor charges	**6,546,754**	4,555,787
Transportation expenses	**1,391,918**	1,277,392
Maintenance expenses	**925,893**	1,217,012
Insurance expenses	**154,214**	167,602
Raw materials, consumables and other overheads	**5,166,913**	4,911,627
Employee benefits expenses, including directors' emoluments (Note (a))	**7,254,300**	7,284,650
Depreciation (Notes 13, 14 and 22)	**4,860,660**	4,657,058
Listing expenses	**1,399,524**	3,296,453
Legal and professional fees	**70,410**	216,600
Provision for doubtful debt	**155,049**	110,000
Auditors' remuneration		
— Audit services	**274,790**	29,330
— Non-audit services (including listing expenses)	**318,710**	–
Expenses relating to short-term leases	**115,170**	1,057,193
Motor vehicle expenses	**121,309**	133,211
Utility expenses	**158,657**	111,852
Others	**827,580**	840,757
Total cost of sales, selling and distributions expenses and administrative expenses	**29,741,851**	29,866,524
Represented by:		
Cost of sales	**21,386,005**	20,275,015
Selling and distribution expenses	**243,227**	238,843
Administrative expenses	**8,112,619**	9,352,666
	29,741,851	29,866,524

8 EXPENSES BY NATURE (CONTINUED)

Notes:

(a)

	2019 S$	2018 S$
Wages, salaries, bonuses and other benefits	**6,866,815**	6,906,060
Pension costs — defined contribution plans	**387,485**	378,590
	7,254,300	7,284,650

	2019 S$	2018 S$
Amount included in:		
Cost of sales	**3,081,935**	3,270,993
Administrative expenses	**4,172,365**	4,013,657
	7,254,300	7,284,650

(b) **Five highest paid individuals**

The five individuals whose remuneration were the highest in the Group include 3 directors (2018: 3 directors) for the year ended 31 December 2019, whose remuneration are reflected in the analysis presented in Note 9(a) below.

The remuneration paid to the remaining 2 (2018: 2) individuals for the year ended 31 December 2019 is as follows:

	2019 S$	2018 S$
Wages, salaries, bonuses and other benefits	**409,600**	403,600
Pension costs — defined contribution plans	**28,200**	30,600
	437,800	434,200

The emoluments of non-director highest paid employees for the financial year, fell within the following bands:

	2019	2018
Emoluments band (in HK$)		
HK$1,000,001–HK$1,500,000	**2**	2

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any for the five highest paid individuals during the year ended 31 December 2019 (2018: nil).

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors of the Group paid and payable by the Group for the financial year is set out below:

For the year ended 31 December 2019:

Name	Fee S$	Salaries S$	Discretionary bonuses S$	Allowances and benefits in kind S$	Employer's contribution to pension scheme S$	Total S$
Executive directors:						
Mr. Tan	5,200	240,000	50,000	–	9,180	304,380
Ms. Tang Ling Ling ("Ms. Tang")	5,200	168,000	100,000	–	17,340	290,540
Mr. Tan Wei Leong ("Mr. Alvin Tan")	5,200	63,600	80,000	–	17,340	166,140
Non-executive director:						
Mr. Cheung Kam Fai	5,255	–	–	–	–	5,255
Independent non-executive directors:						
Mr. Leung Yau Wan John	6,969	–	–	–	–	6,969
Mr. Leung Kee Wai	5,255	–	–	–	–	5,255
Mr. Wee Chorng Kien	5,255	–	–	–	–	5,255
	38,334	471,600	230,000	–	43,860	783,794

For the year ended 31 December 2018:

Name	Fee S$	Salaries S$	Discretionary bonuses S$	Allowances and benefits in kind S$	Employer's contribution to pension scheme S$	Total S$
Executive directors:						
Mr. Tan	100,000	230,000	50,000	–	9,180	389,180
Ms. Tang	–	158,000	120,000	–	17,340	295,340
Mr. Alvin Tan	–	58,100	80,000	–	18,445	156,545
	100,000	446,100	250,000	–	44,965	841,065

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as directors (fee portion) and employees (other portion) to the Group and no directors waived any emolument during the year ended 31 December 2019 (2018: none).

For the year ended 31 December 2018, S$100,000 was paid respectively to Mr. Tan in his capacity of director of the a subsidiary of the Group. No emoluments were paid by the Company or the Operating Company to the directors as an inducement to join the Company, or as compensation for loss of office during the year ended 31 December 2019 (2018: nil).

Mr. Tan, Ms. Tang and Mr. Alvin Tan were appointed as the Company's executive directors on 25 June 2018. Mr. Cheung Kam Fai was appointed as the Company's non-executive director on 25 June 2018. Mr. Wee Chorng Kien, Mr. Leung Yau Wan John and Mr. Leung Kee Wai were appointed as the Company's independent non-executive directors on 15 October 2019.

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company during the year ended 31 December 2019 (2018: nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2019 (2018: none).

(d) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the year ended 31 December 2019 (2018: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2019 (2018: none).

(f) Directors' material interests in transactions, arrangements or contracts

During the year ended 31 December 2018, a director waived an amount of S$800,000 payable by the Operating Company. The payable amount waived was a deemed capital contribution to the Group and was recognised as part of other reserves in the equity of the Group. No other significant arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly to indirectly, subsisted at the end of the financial year.

10 FINANCE COSTS

	2019 S$	2018 S$
Interest expenses on:		
— Bank borrowings	**164,827**	133,436
— Lease liabilities	**348,380**	371,749
	513,207	505,185

11 INCOME TAXES

Singapore income tax has been provided for at the rate of 17% (2018: 17%) on the estimated assessable profit.

(a) Income tax expense

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	2019 S$	2018 S$
Current income tax		
— Singapore	**679,409**	1,222,817
Deferred income tax (Note 23)		
— Singapore	**128,691**	92,951
Income tax expenses	**808,100**	1,315,768

11 INCOME TAXES (CONTINUED)

(a) Income tax expense (Continued)

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

	2019 S$	2018 S$
Profit before income tax	**4,042,379**	4,393,620
Tax calculated at a tax rate of 17%	**687,204**	746,915
Expenses not deductible for tax purposes	**506,219**	667,803
Income not subject to tax	**(34,309)**	(729)
Tax incentives (Note (i))	**(242,250)**	(62,296)
Statutory stepped income exemption and tax rebate (Note (ii))	**(32,425)**	(35,925)
Overprovision in prior year	**(76,339)**	–
Income tax expense	**808,100**	1,315,768

Notes:

(i) Tax incentives are mainly enhanced deductions and allowances claimed under the Investment Allowances Scheme ("IAS") administered by Building & Construction Authority of Singapore . Under the IAS Scheme, the Group is entitled to claim an additional 50% tax allowances for qualifying construction, productive equipment and machinery.

(ii) Singapore statutory stepped income exemption relates to partial tax exemption of S$17,425 (2018 :S$25,925) and corporate income tax rebate of S$15,000 (2018: S$10,000) granted by the Inland Revenue Authority of Singapore ("IRAS") for the year ended 31 December 2019.

(b) Movements in current income tax liabilities

	2019 S$	2018 S$
At 1 January	**1,293,999**	314,868
Tax paid	**(1,267,198)**	(243,686)
Charge to profit or loss	**679,409**	1,222,817
At 31 December	**706,210**	1,293,999

12 EARNINGS PER SHARE

The basic earnings per share is calculated on the profit attributable to equity holders of the Company by the weighted average number of shares in issue.

	2019	2018
	S$	S$
Profit attributable to equity holders of the Company (S$)	**3,234,279**	3,077,852
Weighted average number of shares in issue (Note (i))	**786,986,301**	749,997,106
Basic earnings per share (S$ cent)	**0.41**	0.41

For the year ended 31 December 2019, diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding (2018: same).

Note (i)

The weighted average of 786,986,301 ordinary shares used in the calculation of basic earnings per share for the year ended 31 December 2019 comprising: (i) 9,900 ordinary shares of the Company in issue as at 31 December 2018; and (ii) 749,990,000 ordinary shares of the Company issued at par value by way of capitalisation pursuant to the shareholders' resolution dated 15 October 2019 as if these shares had been issued at 1 January 2018, the beginning of the earliest period reported; and (iii) 250,000,000 ordinary shares offered to the public were issued on 8 November 2019.

The weighted average of 749,997,106 ordinary shares used in the calculation of basic earnings per share for the year ended 31 December 2018 comprising: (i) 100 ordinary share of the Company issued and allotted at the date of incorporation on 6 April 2018; (ii) 9,800 ordinary share of the Company issued and allotted during the Reorganisation and (iii) 749,990,000 ordinary shares of the Company issued at par value by way of capitalisation pursuant to the shareholders' resolution dated 15 October 2019 as if these shares had been issued at 1 January 2018, the beginning of the earliest period reported.

13 PROPERTY, PLANT AND EQUIPMENT

	Building S$	Plant and machinery S$	Motor vehicles S$	Office equipment, furniture and fittings S$	Total S$
At 1 January 2018					
Cost	8,418,077	29,260,047	1,620,100	163,356	39,461,580
Accumulated depreciation	(1,227,636)	(19,117,134)	(1,237,565)	(113,369)	(21,695,704)
Net book amount	7,190,441	10,142,913	382,535	49,987	17,765,876
Year ended 31 December 2018					
Opening net book amount	7,190,441	10,142,913	382,535	49,987	17,765,876
Additions	–	1,316,639	–	25,583	1,342,222
Transfer from right-of-use assets	–	3,529,871	431,651	–	3,961,522
Disposals (Note 29 (b))	–	(30,164)	–	–	(30,164)
Depreciation	(420,904)	(2,389,580)	(257,181)	(27,683)	(3,095,348)
Closing net book amount	6,769,537	12,569,679	557,005	47,887	19,944,108
At 31 December 2018					
Cost	8,418,077	33,345,597	2,313,801	147,543	44,225,018
Accumulated depreciation	(1,648,540)	(20,775,918)	(1,756,796)	(99,656)	(24,280,910)
Net book amount	6,769,537	12,569,679	557,005	47,887	19,944,108
At 1 January 2019					
Cost	**8,418,077**	**33,345,597**	**2,313,801**	**147,543**	**44,225,018**
Accumulated depreciation	**(1,648,540)**	**(20,775,918)**	**(1,756,796)**	**(99,656)**	**(24,280,910)**
Net book amount	**6,769,537**	**12,569,679**	**557,005**	**47,887**	**19,944,108**
Year ended 31 December 2019					
Opening net book amount	**6,769,537**	**12,569,679**	**557,005**	**47,887**	**19,944,108**
Additions	**–**	**3,160,035**	**24,960**	**5,041**	**3,190,036**
Transfer from right-of-use assets	**–**	**1,745,928**	**493,200**	**–**	**2,239,128**
Disposals (Note 29 (b))	**–**	**(83,051)**	**–**	**–**	**(83,051)**
Depreciation	**(420,904)**	**(2,546,538)**	**(271,830)**	**(22,709)**	**(3,261,981)**
Closing net book amount	**6,348,633**	**14,846,053**	**803,335**	**30,219**	**22,028,240**
At 31 December 2019					
Cost	**8,418,077**	**38,459,672**	**3,138,218**	**152,584**	**50,168,551**
Accumulated depreciation	**(2,069,444)**	**(23,613,619)**	**(2,334,883)**	**(122,365)**	**(28,140,311)**
Net book amount	**6,348,633**	**14,846,053**	**803,335**	**30,219**	**22,028,240**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense is presented in the consolidated statement of comprehensive income as follows:

	2019 S$	2018 S$
Cost of sales	**2,502,379**	2,345,420
Administrative expenses	**759,601**	749,928
	3,261,980	3,095,348

Building with a carrying amount of S$6,348,633 (2018: S$6,769,537) was mortgaged to the bank borrowing (Note 21(a)) for the year ended 31 December 2019.

Leasing income amounting to S$441,739 (2018: S$78,696) relating to lease out the idle plant and machinery, for the year ended 31 December 2019, was included in revenue.

14 INVESTMENT PROPERTY

	2019 S$	2018 S$
Cost		
Beginning and end of financial year	**2,208,000**	2,208,000
Accumulated depreciation		
Beginning of financial year	**66,240**	22,080
Depreciation charge	**44,160**	44,160
End of financial year	**110,400**	66,240
Net book amount	**2,097,600**	2,141,760
Fair value	**2,250,000**	2,250,000

Investment property relates to a medical facility unit located in Singapore with a lease term of over 50 years. It is intended for rental or capital appreciation.

Depreciation expense of S$44,160 (2018: S$44,160) for the year ended 31 December 2019 has been recorded in administrative expenses.

14 INVESTMENT PROPERTY (CONTINUED)

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the investment property have been derived using the sales comparison approach. Sale prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square meter.

Valuation process of the Group

The Group has engaged an independent professional valuer to determine the fair value of the investment property at the end of the financial year using the sales comparison approach (2018: same). As at 31 December 2019, the fair value of the investment property was S$2,250,000 (2018: S$2,250,000). No impairment loss was recognised in 2019 (2018: nil).

Income and expenses charged to profit or loss during the year are as follow:

	2019 **S$**	2018 S$
Rental income (Note 7)	**15,400**	–
Direct operating expenses arising from investment property	**(16,464)**	(17,540)

15 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **S$**	2018 S$
Unlisted investment — Keyman insurance contract	**161,809**	159,194

The keyman insurance contract relates to an insurance policy insured for Mr. Alvin Tan, a director of the Company. The keyman insurance contract is denominated in US$.

The change in fair value during the year was recorded in "other gains-net" in the consolidated statement of comprehensive income (Note 7).

As at 31 December 2019, the fair value of the keyman insurance contract was estimated by making reference to the cash surrender value set out in the keyman insurance contract (2018: same).

As at 31 December 2018, the carrying amount of financial asset at fair value through profit or loss pledged as security for the Group's outstanding borrowing amounted to S$159,154. The Group's outstanding borrowing was fully paid in 2019.

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include the following:

	2019 S$	2018 S$
Financial assets:		
Financial asset at fair value through profit or loss	**161,809**	159,194
Financial assets at amortised cost:		
— Trade receivables	**6,002,270**	6,663,256
— Contract related assets and costs	**13,329,009**	7,904,241
— Deposits and other receivables	**91,748**	182,582
— Cash and cash equivalents	**14,137,800**	2,976,762
	33,722,636	17,886,035
Financial liabilities:		
Financial liabilities at amortised cost:		
— Trade and other payables (excluding statutory liabilities)	**3,104,074**	4,716,736
— Borrowings	**2,437,765**	6,181,806
— Lease liabilities	**11,535,456**	14,111,872
	17,077,295	25,010,414

17 TRADE RECEIVABLES

	2019 S$	2018 S$
Trade receivables from third parties	**5,952,601**	6,509,053
Less: Allowance for impairment of trade receivables	**(265,049)**	(110,000)
	5,687,552	6,399,053
Retentions	**314,718**	264,203
	6,002,270	6,663,256

The Group normally grants credit terms of 30 days. The Group does not hold any collateral as security.

17 TRADE RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables, based on invoice date, are as follows:

	2019 S$	2018 S$
Below 30 days	**3,680,017**	4,740,961
31–60 days	**379,709**	1,017,086
61–90 days	**81,502**	498,461
91–120 days	**551,382**	22,139
Over 120 days	**1,309,660**	384,609
	6,002,270	6,663,256

The carrying amounts of trade receivables approximate their fair values.

Movements in the provision for impairment of the trade receivables are as follows:

	2019 S$	2018 S$
At 1 January	**110,000**	–
Provision for impairment of receivables recognised during the year	**155,049**	110,000
At 31 December	**265,049**	110,000

During the year ended 31 December 2018, a customer was identified and assessed to have a characteristic of higher credit risk than the rest of the other debtors due to an ongoing financial restructuring. Based on the Group's assessment, the expected credit loss rate over the outstanding debt for this customer was approximately 50%. Therefore, a corresponding loss allowance amounting to S$110,000 was recognised in 2018. During the year ended 31 December 2019, due to no significant development for the customer's restructuring, the Group assessed the expected credit loss rate over the outstanding debt for this customer to be approximately 100% and therefore, a further loss allowance amounting to S$103,049 was recognised in 2019.

In addition, during the year ended 31 December 2019, another customer was identified and assessed to have a characteristic of higher credit risk than the rest of the other debtors due to ongoing financial restructuring. Based on the Group's assessment, the expected credit loss rate over the outstanding debt for this customer was approximately 50%. Therefore, a corresponding loss allowance amounting to S$52,000 was recognised in 2019.

17 TRADE RECEIVABLES (CONTINUED)

The remaining debtors are primarily established corporations and with long history of business relationship. Management considers the credit risk is not high. The Group maintains frequent communications with the counterparties. Management has closely monitored the credit qualities and the collectability of these receivables and consider that the expected credit risks of them are minimal in view of the history of cooperation with them, taking into account the current and forward looking information. The expected credit loss rate of other trade receivables is close to zero as at 31 December 2019 (2018: same).

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2019 S$	2018 S$
S$	**5,946,360**	6,606,673
US$	**55,910**	56,583
	6,002,270	6,663,256

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 S$	2018 S$
Other receivables	**32,958**	60,394
Deposits paid to third parties	**28,730**	112,380
Deposits paid for plant and equipment	**–**	285,000
Staff loans	**30,060**	9,808
Prepayments	**54,320**	61,012
Prepaid listing expenses	**–**	832,887
	146,068	1,361,481
Less: non-current portion		
Deposits paid for plant and equipment	**–**	(285,000)
Current portion	**146,068**	1,076,481

The carrying amounts of deposits and other receivables approximate their fair values.

The carrying amounts of the Group's deposits, prepayments and other receivables are denominated in the following currencies:

	2019 S$	2018 S$
S$	**113,744**	291,584
HK$	**32,324**	771,213
US$	**–**	13,684
	146,068	1,076,481

19 CASH AND CASH EQUIVALENTS

	2019 S$	2018 S$
Cash at banks	**14,132,800**	2,971,762
Cash on hand	**5,000**	5,000
	14,137,800	2,976,762

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2019 S$	2018 S$
S$	**13,506,264**	2,790,923
US$	**115,525**	133,448
HK$	**516,011**	52,391
	14,137,800	2,976,762

20 TRADE AND OTHER PAYABLES

	2019 S$	2018 S$
Trade payables	**2,188,582**	2,524,250
Accrued expenses	**855,373**	1,638,691
Other payables	**79,660**	1,096,359
	3,123,615	5,259,300

Trade payables comprise amounts outstanding to suppliers. The ageing analysis of the trade payables, based on invoice date, is as follows:

	2019 S$	2018 S$
Up to 30 days	**1,474,655**	1,093,297
31–60 days	**605,302**	1,088,087
61–90 days	**102,524**	283,868
91–120 days	**1,682**	44,016
Over 120 days	**4,419**	14,982
	2,188,582	2,524,250

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2019 S$	2018 S$
S$	**2,994,963**	4,430,131
HK$	**128,652**	817,118
US$	**–**	12,051
	3,123,615	5,259,300

21 BORROWINGS

	2019 S$	2018 S$
Non-current		
Bank borrowings (secured) (Note (a))	**1,852,701**	2,437,765
Current		
Bank borrowings (secured) (Note (a))	**585,064**	3,585,064
Premium financing loan (secured) (Note (b))	**–**	158,977
	585,064	3,744,041
Total borrowings	**2,437,765**	6,181,806

(a) (i) **Term loan**

The term loan is denominated in S$, bears interest at 2.58% (2018: 2.28% plus prevailing 1-month SIBOR per annum). The bank borrowings of S$2,437,765 (2018: S$3,022,829) is secured by a first legal mortgage on the leasehold building (Note 13) and personal guarantees from a director and spouse of the said director, as at 31 December 2019 (2018: same). Such personal guarantees was replaced by the corporate guarantee from the Company after year end.

(ii) **Fixed advance facility**

The fixed advance facility was denominated in S$, bore interest between 3.02% to 3.23% (2018: 3.02% to 3.02%) during the year ended 31 December 2019. The bank borrowing of S$3,000,000 was secured by a first legal mortgage on the leasehold building (Note 13) and personal guarantees from a director and spouse of the said director, as at 31 December 2018. This fixed advance facility was fully paid in 2019.

The fair value of non-current bank borrowings approximated the carrying value of the non-current borrowings as at 31 December 2019 as the borrowing bears interest at rates which approximate the current incremental borrowing rate for similar types of lending and borrowing arrangements, which management expects to be available to the Group (2018: same).

	2019 S$	2018 S$
Within 1 year	**585,064**	3,585,064
Between 1 and 2 years	**585,064**	585,064
Between 2 and 5 years	**1,267,637**	1,852,701
	2,437,765	6,022,829

21 BORROWINGS (CONTINUED)

(b) Premium financing loan

This premium financing loan was denominated in US$ and relates to a loan obtained to finance the life insurance policy taken up by the Group for a key management staff as disclosed in Note 15. The loan was secured by the underlying life insurance policy and bore interest between 2.6% to 3.4% (2018: 2.6% to 3.3%) during the year ended 31 December 2019. The premium financing loan was fully paid in 2019.

	2019 S$	2018 S$
Within 1 year	**–**	158,977

22 LEASES

(a) Amounts recognised in the consolidated balance sheet

	2019 S$	2018 S$
Right-of-use assets		
Land	**7,989,602**	8,491,566
Office equipment	**16,908**	27,033
Plant and machinery	**5,346,731**	7,300,584
Motor vehicles	**57,457**	683,566
	13,410,698	16,502,749
Lease liabilities		
Current	**2,193,166**	4,265,528
Non-current	**9,342,290**	9,846,344
	11,535,456	14,111,872

Additions to the right-of-use assets for the year ended 31 December 2019 were S$701,596 (2018: S$4,549,433).

22 LEASES (CONTINUED)

(b) Amounts recognised in the consolidated statement of comprehensive income

	2019 S$	2018 S$
Depreciation charge of right-of-use assets:		
Land	**501,964**	501,964
Office equipment	**10,125**	12,187
Plant and machinery	**841,925**	749,701
Motor vehicles	**200,505**	253,698
	1,554,519	1,517,550
Interest expense (included in finance costs)	**348,380**	371,749
Expenses relating to short-term leases	**115,170**	1,057,193
	463,550	1,428,942

The total cash outflow for leases in 2019 was S$3,741,561 (2018: S$4,921,920).

The Group leases land, various office equipment, plant and machinery and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

23 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movements on the deferred income tax assets and liabilities are as follows:

	Accelerated tax depreciation S$	Provisions S$	Decelerated tax depreciation S$	Total S$
At 1 January 2018	2,033,354	(17,082)	(222,392)	1,793,880
Charged/(credited) to profit or loss	131,422	(3,743)	(34,728)	92,951
At 31 December 2018	2,164,776	(20,825)	(257,120)	1,886,831
Charged/(credited) to profit or loss	196,074	(37,025)	(30,358)	128,691
At 31 December 2019	**2,360,850**	**(57,850)**	**(287,478)**	**2,015,522**

24 SHARE CAPITAL

The movements of the share capital are as follow:

	Number of shares	Share capital HK$
Authorised:		
Ordinary shares of HK$0.01 each		
At 6 April 2018 (date of incorporation)	38,000,000	380,000
Increase in authorised shares	9,962,000,000	99,620,000
At 31 December 2018 and 2019	10,000,000,000	100,000,000

	Number of shares	Share capital S$
Issued and fully paid:		
At 6 April 2018 (date of incorporation) (Note 1.2)	100	–
Issue of shares by Reorganisation (Note 1.2)	9,900	17
At 31 December 2018	10,000	17
Issuance of shares pursuant to capitalisation	749,990,000	1,306,602
Issuance of shares by public offering (Note (a))	250,000,000	435,540
At 31 December 2019	1,000,000,000	1,742,159

(a) On 8 November 2019, the Company issued 250,000,000 ordinary shares of HK$0.01 each at a price of HK$0.50 per share pursuant to the initial public offering and listing of the Company's shares on the Main Board.

25 RESERVES

	Other reserve attributable to equity holders of the Company		
	Share premium S$	Other S$	Total S$
At 1 January 2018	–	2,000,000	2,000,000
Transactions with equity holders in their capacity as equity holders:			
Waiver of an amount due to a director as a deemed capital contribution	800,000	–	800,000
Issuance of shares during the Reorganisation (Note 1.2)	2,605,207	–	2,605,207
At 31 December 2018	3,405,207	2,000,000	5,405,207
At 1 January 2019	**3,405,207**	**2,000,000**	**5,405,207**
Transactions with equity holders in their capacity as equity holders:			
Issuance of shares by public offering, net of expenses (Note 24)	**16,448,439**	**–**	**16,448,439**
At 31 December 2019	**19,853,646**	**2,000,000**	**21,853,646**

Other reserves in the consolidated balance sheet represent the aggregate paid-in capital of the subsidiaries acquired, offset by investment costs in subsidiaries of the Company during the Reorganisation, waiver of an amount due to a director as a deemed capital contribution and the issued shares of 1,259 shares to Pre-IPO Investor in March 2018.

26 DIVIDENDS

	2019 S$	2018 S$
Dividends	**–**	2,000,000

During the year ended 31 December 2018, dividends of $2,000,000 was approved by a subsidiary of the Company to its then shareholders, Mr. Tan and Ms. Lee.

No dividends had been paid or declared by the Company for the year ended 31 December 2019 (2018: nil).

27 RELATED PARTIES TRANSACTIONS

For the purposes of the consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals, aside from those related parties mentioned elsewhere, were related parties that had transactions or balances with the Group.

Name	Relationship with the Group
Ms. Tan Ling Ting	Daughter of one of the Executive Director
Ms. Tan Ling Ling	Daughter of one of the Executive Director
Ms. Lee	Spouse of one of the Executive Director

(a) Personal guarantees

For the year ended 31 December 2019, a director and spouse of the said director provided personal guarantees for bank borrowings disclosed in Note 21 (2018: same). Such personal guarantees was replaced by the corporate guarantee from the Company after year end.

(b) Key management compensation

Key management includes executive and non-executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	2019 **S$**	2018 S$
Salaries, allowances, bonuses and benefits in kind	**1,426,455**	1,357,570
Pension costs — defined contribution plans	**104,395**	84,389
	1,530,850	1,442,959

(c) Transactions with other related parties

	2019 **S$**	2018 S$
Salaries, allowances, bonuses and benefits in kind	**442,800**	495,800
Pension costs — defined contribution plans	**45,540**	48,416
	488,340	544,216

28 DISPOSAL OF A SUBSIDIARY

On 25 April 2018, BSM entered into an agreement with a third party, to dispose its entire 75% interest in BSM Myanmar Co. Ltd, a then non-wholly owned subsidiary of BSM for a cash consideration of S$55,329. The effects of the disposal on the cash flows of the Group were:

	S$
Consideration received	55,329
Less: 75% of net assets disposed of	(37,259)
Gain on disposal	18,070

The assets and liabilities disposed of and the net cash outflow from the disposal were as below:

	S$
Deposits, prepayment and other receivables	6,726
Cash and cash equivalents	70,165
Total assets disposed of	76,891
Trade and other payables	(27,213)
Net assets disposed of	49,678
Less: Non-controlling interest	(12,419)
	37,259

	S$
Cash received	55,329
Less: Cash and cash equivalents in the subsidiary disposed of	(70,165)
Net cash outflow from the disposal	(14,836)

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 S$	2018 S$
Cash flows from operating activities		
Profit before income tax	**4,042,379**	4,393,620
Adjustments for		
— Depreciation of property, plant and equipment, right-of-use assets and investment property	**4,860,660**	4,657,058
— Gain on disposals of property and equipment (Note (b))	**(65,449)**	(584,475)
— Gain on disposal of a subsidiary (Note 28)	**–**	(18,070)
— Fair value gain on financial asset at fair value through profit or loss	**(4,563)**	(4,282)
— Interest income	**(9,405)**	(634)
— Interest expense	**513,207**	502,502
— Unrealised loss/(gain) on foreign exchange	**3,600**	(2,616)
Operating cash flow before working capital changes	**9,340,429**	8,943,103
Changes in working capital:		
— Contract related assets and costs	**(5,424,768)**	(4,994,630)
— Deposits paid to customers	**1,150,323**	(425,494)
— Trade receivables	**660,986**	(1,440,479)
— Deposits, prepayments and other receivables	**930,413**	(160,331)
— Trade and other payables	**(2,135,685)**	1,500,827
Cash generated from operations	**4,521,698**	3,422,996

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Reconciliation of liabilities arising from financing activities:

	1 January 2018 S$	Principal and interest cash flow S$	Interest expense S$	Non-cash changes: Acquisition of plant and machinery S$	Acquisition of motor vehicle S$	Acquisition of office equipment S$	Foreign exchange movement S$	Waiver given by the director S$	31 December 2018 S$
Year ended 31 December 2018									
Bank borrowings (Note 21(a))	3,607,893	2,286,014	128,922	–	–	–	–	–	6,022,829
Lease liabilities (Note 22)	13,559,479	(3,864,727)	371,749	4,019,317	–	26,054	–	–	14,111,872
Premium financing loan (Note 21 (b))	156,184	(4,514)	4,514	–	–	–	2,793	–	158,977
Amount due to a director	1,709,614	(909,614)	–	–	–	–	–	(800,000)	–

	1 January 2019 S$	Principal and interest cash flow S$	Interest expense S$	Non-cash changes: Acquisition of plant and machinery S$	Acquisition of motor vehicle S$	Acquisition of office equipment S$	Foreign exchange movement S$	Waiver given by the director S$	31 December 2019 S$
Year ended 31 December 2019									
Bank borrowings (Note 21(a))	**6,022,829**	**(3,749,891)**	**164,827**	**-**	**-**	**-**	**-**	**-**	**2,437,765**
Lease liabilities (Note 22)	**14,111,872**	**(3,626,391)**	**348,380**	**701,595**	**-**	**-**	**-**	**-**	**11,535,456**
Premium financing loan (Note 21 (b))	**158,977**	**(158,977)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) In the consolidated statement of cash flows, proceeds from disposals of property and equipment comprise:

	2019 S$	2018 S$
Net book amounts of disposed property and equipment (Note 13)	**83,051**	30,164
Gain on disposals of property and equipment (Note 7)	**65,449**	584,475
Consideration from sale of property and equipment	**148,500**	614,639
Total cash proceeds from disposals of property and equipment	**148,500**	614,639

(c) In the consolidated statement of cash flows, purchases of property and equipment comprise:

	2019 S$	2018 S$
Additions of property and equipment and right-of-use assets (Notes 13 and 22)	**3,891,632**	5,891,655
Less: Additions under leases	**(701,595)**	(4,045,371)
Less: Deposit paid for plant and equipment in prior year (Note 18)	**(285,000)**	(82,000)
Less: Settlement of payables for property and equipment	**–**	98,000
Total cash used to purchase property and equipment	**2,905,037**	1,862,284

30 COMMITMENTS

Capital commitments

The Group had capital commitments for purchase of property, plant and equipment as follow:

	2019 S$	2018 S$
Contracted but not provided for	**–**	3,199,000

31 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

	2019 S$	2018 S$
Assets		
Non-current assets		
Investments in subsidiaries	**30,195,455**	30,195,455
Current assets		
Prepayments	**32,324**	832,887
Cash and cash equivalents	**508,978**	–
Amounts due from subsidiaries	**15,260,152**	–
	15,801,454	832,887
Total assets	**45,996,909**	31,028,342
Equity attributable to equity holders of the Company		
Share capital	**1,742,159**	17
Other reserves	**46,643,741**	30,195,302
Accumulated losses	**(5,183,006)**	(3,296,453)
Total equity	**43,202,894**	26,898,866
Liabilities		
Current liabilities		
Amounts due to subsidiaries	**2,603,310**	3,280,917
Other payables	**190,705**	848,559
Total liabilities	**2,794,015**	4,129,476
Total equity and liabilities	**45,996,909**	31,028,342

Approved by the Board of Director on 27 March 2020 and signed on its behalf of:

Tan Chee Beng
Director

Tang Ling Ling
Director

31 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

	Share premium S$	Other reserves S$	Accumulated losses S$	Total S$
At 1 January 2018	–	–	–	–
Comprehensive income				
Loss and total comprehensive loss for the year	–	–	(3,296,453)	(3,296,453)
Transaction with equity holders in their capacity as equity holders:				
Acquisition of subsidiaries pursuant to Reorganisation	–	30,195,302	–	30,195,302
At 31 December 2018	–	30,195,302	(3,296,453)	26,898,849
At 1 January 2019	–	30,195,302	(3,296,453)	26,898,849
Comprehensive income:				
Loss and total comprehensive loss for the year	–	–	(1,886,553)	(1,886,553)
Transaction with equity holders in their capacity as equity holders:				
Issuance of shares by public offering, net of expenses	16,448,439	–	–	16,448,439
At 31 December 2019	16,448,439	30,195,302	(5,183,006)	41,460,735

32 SUBSIDIARIES

The Company has direct or indirect interests in the following subsidiaries:

Name of companies	Principal activities	Country of operation/ incorporation	Date of incorporation	Issued and paid registered capital	2019 %	2018 %	Note
Directly held							
Five Elements Investment Holdings Limited	Investment holding	British Virgin Islands	10 April 2018	US$100	**100**	100	(b)
Beyond Elite Investment Limited	Dormant	British Virgin Islands	5 July 2019	US$10,000	**100**	N/A	(b), (e)
Indirectly held							
T&B Holding Limited	Investment holding	Hong Kong	2 January 2018	HK$15,001,000	**100**	100	(b)
Beng Soon Machinery Services (Singapore) Pte Ltd	Provision of demolition services, sale of inventories and leasing of machinery	Singapore	8 January 1993	S$2,000,000	**100**	100	(c)
BSM (Myanmar) Company Limited	Dormant	Myanmar	30 July 2015	US$50,000	**–**	–	(d)
Sky Express Asia Limited	Dormant	Hong Kong	1 November 2019	HK$1	**100**	N/A	(b), (e)

Notes:

(a) All companies comprising the Group have adopted 31 December as their financial year end date.

(b) No audited financial statements were issued for these companies as they are newly incorporated or not required to issue audited financial statements under the statutory requirements of their places of incorporation.

(c) The statutory financial statements for the year ended 31 December 2018 was audited by Unity Advance LLP.

(d) On 25 April 2018, BSM disposed its 75% interest of BSM (Myanmar) Company Limited at a consideration of US$37,500 equivalent to approximately S$55,329.

(e) On 16 December 2019, the Company acquired 100% of the issued share capital of Beyond Elite Investments Limited ("Beyond Elite"), a company incorporated in the British Virgin Islands with limited liability at a consideration of US$10,000 equivalent to approximately S$14,754. On 27 December 2019, Beyond Elite acquired 100% of the issued share capital of Sky Express Asia Limited, a company incorporated in Hong Kong with limited liability, at a consideration of HK$1.

33 PERFORMANCE AND SECURITY BONDS

The Group had performance bonds for guarantees for completion of projects issued by banks and insurance companies amounting to S$1,456,200 (2018: S$5,642,000) as at 31 December 2019.

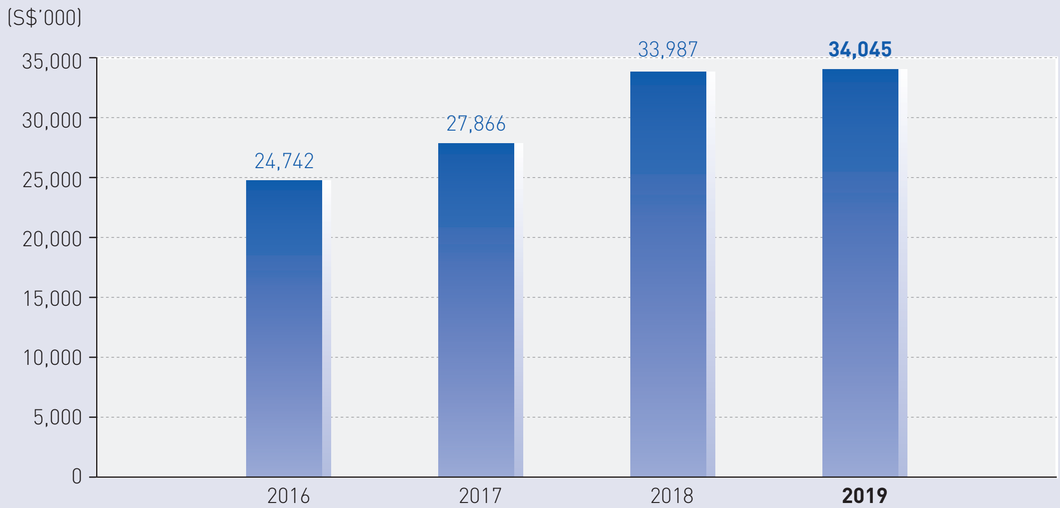
The Group had security bonds made under section 12 of Employment of Foreign Manpower (Work Passes) Regulations amounting to S$315,000 (2018: S$310,000) as at 31 December 2019.

34 SUBSEQUENT EVENTS

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented in different countries and regions. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this report, the Group was not aware of any material adverse effects on the consolidated financial statements for the year ended 31 December 2019 as a result of the COVID-19 outbreak.

FINANCIAL SUMMARY

REVENUE



The table below sets out the breakdown of the Group's total revenue by source for the periods indicated:

	2019		2018		2017		2016	
	Revenue S$000	**% of Total Revenue %**	Revenue S$000	% of Total Revenue %	Revenue S$000	% of Total Revenue %	Revenue S$000	% of Total Revenue %
Contract Revenue	**33,069**	**97.1%**	33,906	99.8	26,054	93.5	23,646	95 .6
— Net Contract Sum	**15,972**	**46.9%**	8,462	24.9	5,204	18.7	3,268	13.2
— Proceeds from disposal of salvage materials	**15,697**	**46.1%**	20,423	60.1	18,178	65.2	19,054	77.0
— Earth depositing proceeds	**1,400**	**4.1%**	5,021	14.8	2,672	9.6	1,324	5.4
Total	**34,045**	**100**	33,987	100	27,866	100	24,742	100

Note: Other revenue are principally income derived from leasing and sale of machinery to third parties

A summary of the results, and of the assets and liabilities of the Group for the last four financial years, as extracted from the published audited consolidated financial statements or the Prospectus is set out below:

	Year ended 31 December			
	2019	2018	2017	2016
	S$000	S$000	S$000	S$000
Revenue	**34,045**	33,987	27,866	24,742
Cost of sales	**(21,386)**	(20,275)	(16,416)	(13,073)
Gross profit	**12,659**	13,712	11,449	11,669
Other income	**143**	198	44	147
Other gains — net	**109**	580	491	916
Administrative expenses	**(6,713)**	(6,057)	(5,827)	(5,602)
Selling and distribution expenses	**(243)**	(239)	(243)	(185)
Finance costs	**(513)**	(505)	(487)	(493)
Listing expenses	**(1,400)**	(3,296)	–	–
Income tax expense	**(808)**	(1,316)	(888)	(826)
Profit and total comprehensive income for the year	**3,234**	3,078	4,539	5,626
Equity attributable to equity holders of the Company	**51,503**	30,078	25,608	27,069
Total assets	**71,322**	58,812	50,535	54,975
Total liabilities	**19,819**	28,724	24,927	27,906
Total equity	**51,503**	30,078	25,608	27,069