HOCK LIAN SENG HOLDINGS LIMITED

ANNUAL REPORT

2017

Our business
is built around
our customers,
ensuring we deliver

engineering

excellence,

reliability &

commitment

to support
their success.

ABOUT US

HOCK LIAN SENG HOLDINGS LIMITED ("HOCK LIAN SENG" OR "THE GROUP") IS ONE OF THE LEADING CIVIL ENGINEERING GROUP IN SINGAPORE, WITH AN ESTABLISHED TRACK RECORD OF MORE THAN 45 YEARS. THE GROUP WAS LISTED ON THE MAINBOARD OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") IN DECEMBER 2009.

Established in 1969, Hock Lian Seng has undertaken and completed a wide range of civil engineering projects for both the public and private sectors in Singapore. We carry out civil engineering works for bridges, expressways, tunnels, Mass Rapid Transit ("MRT"), port facilities, water and sewage facilities and other infrastructure works. The Group has successfully completed Kim Chuan Depot, one of the world's largest underground depots with housing capacity for up to 77 trains, for the Circle Line in 2007.

Major customers include government and government-related bodies of Singapore, such as the Land Transport Authority, Housing Development Board, PSA Singapore Terminals, Public Utility Board and Civil Aviation Authority of Singapore.

The Group is also involved in property development and property investment businesses. The property development projects include industrial and residential developments such as Ark@Gambas, Ark@kb and The Skywoods.

CONTENTS

PROJECT HIGHLIGHTS

Shine@TuasSouth


Aerial View
Artist's Impression

This is a 6-storey multi-user ramp-up B2 industrial building with 179 units located at Tuas South Avenue 7. The land area is approximately 25,700m^2 and expected to be completed in 2Q2018.

Commencement Date - Expected Completion

August 2015 – June 2018

PROPERTY DEVELOPMENT

PROJECT HIGHLIGHTS

Stabling Yard at Gali Batu Depot

View from South
Artist's Impression

This is a Design and Build contract for a stabling yard comprising a Stabling Building, Bus Terminal and general tracks area for connecting to existing network in the Gali Batu Depot. The proposed Stabling Building comprises thirteen (13) stabling tracks at-grade and a Bus Terminal on the structural roof deck.

Commencement Date - Expected Completion

January 2015 – November 2019

Aerial View
Artist's Impression

Approximate Contract Value

$137.4 million

CIVIL
ENGINEERING

LETTER TO SHAREHOLDERS

Dear Shareholders,

As economic and geopolitical uncertainties lingered on, 2017 remained a challenging year for the construction industry, which shrunk by 8.4% for the whole of last year due to weakness in private sector construction activities. The total construction demand for 2017 was lower than expected as there was a rescheduling of a few major public sector infrastructure projects, such as North-South Corridor, to 2018. The property market is showing incipient signs of recovery, however, prices and rental for industrial space continued to moderate. Manpower shortage and rising operation costs were a consistent feature in the intensely competitive construction sector. We focused on building up our fundamentals and delivering on existing projects to maintain a stable performance amidst headwinds in FY2017.

PERFORMANCE REVIEW

In FY2017, the Group's total revenue increased by 28% to $151.1 million mainly due to contribution from the Civil Engineering segment which rose 27% to $149.6 million. This was attributed to the higher contribution from Changi Airport joint venture project, which has progressed to a more active phase in 2017, while revenue from the Property Development segment was related to our sales of Ark@gambas project. Meanwhile, revenue from Investment Property segment remained insignificant.

Separately, the share of profits from the joint venture was $490,000 as profits arising from the joint venture residential project, The Skywoods has been fully recognised in the previous year. Current year profit was related to the finalisation of project cost.

As a result, net profit for the year decreased by 45% to $19.8 million, while cash and cash equivalents remained positive at $132.1 million as at 31 December 2017. Shareholders' equity decreased 17.8% to $201.4 million. Despite this, the Group maintained a strong balance sheet with minimal gearing as at 31 December 2017.

DIVIDENDS

As a form of appreciation to our shareholders who have continued to support us over the years, we are proposing a first and final cash dividend of 1.8 cents per ordinary share, subject to approval at the Annual General Meeting (AGM) to be held on 25 April 2018. If approved, the dividend will be paid out on 22 May 2018.

BUSINESS DEVELOPMENT IN FY2017

During the year, there were no new civil engineering projects added to our pipeline, hence we focused on developing our existing projects. Our current project includes Shine@tuassouth, a Tuas industrial building, which we have commenced development and is expected to be completed in 2Q2018.

In view of the languishing demand for industrial property, we will continue in our promotional efforts to market the units at Shine@tuassouth and the remaining 13 units at Ark@gambas. The take up rate for Shine@tuassouth is very slow due to the sluggish market demand, in spite of this, the project did not pose any financial burden for the Group as we have financed the development cost mainly with internal funding and the current borrowing for the project stood at only $15.0 million.

As at 31 December 2017, the Group's order book for ongoing projects of the Civil Engineering segment was about $775.0 million for the Maxwell MRT station, the 2 Changi Airport projects and the Stabling Yard at Gali Batu Depot.

Where our Property Development and Investment Properties segments were concerned, profits had been fully recognised in previous years, hence contribution from both segments for FY2017 was not significant.

FUTURE PROSPECTS

In light of the languishing demand in the building sector, the government has indicated that they will support the local construction industry with more public sector projects, though the impact is likely to be limited as firms continue to struggle with slower demand and labour shortages.

Building and Construction Authority (BCA) projected the total value of construction contracts to be awarded in 2018 to reach between $26.0 billion and $31.0 billion, with 60% of the projects coming from the public sector. Such public projects will include infrastructure projects like the North-South Corridor, new MRT works and the remaining package for Runway 3 by Changi Airport Group.

In view of this, we will continue to tender for infrastructure projects competitively whilst we exercise prudent cost control and strengthen our civil engineering foundation. We will also explore viable property development projects with experienced business partners.

Our own central workshop at Tampines is nearing completion in 2H2018, we will target to consolidate all our plant and equipment in one location to improve our resource planning function.

As the outlook of civil engineering and property development look set to improve, we believe that we will be able to sell more industrial units in time to come. At the same time, our Civil Engineering segment will uplift the Group's revenue through the delivery of the Changi Airport joint venture project as it advance forward positively.

IN APPRECIATION

We would like to take this opportunity to thank our directors, management and staff for their contribution and dedication towards moving the Group forward. We would also like to thank our customers, business associates and shareholders for their support and faith over the years as we continue to move forward together to strengthen the Group's fundamentals.

Total Revenue

$151.1 million

> 28% increase <

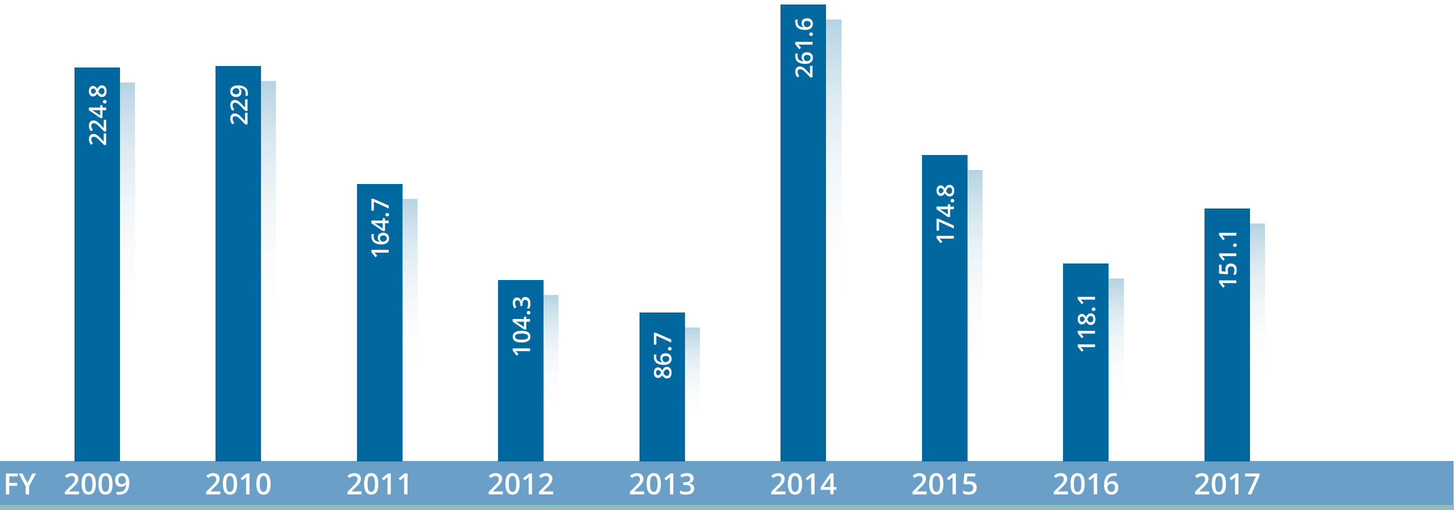
Order Book

$775.0 million

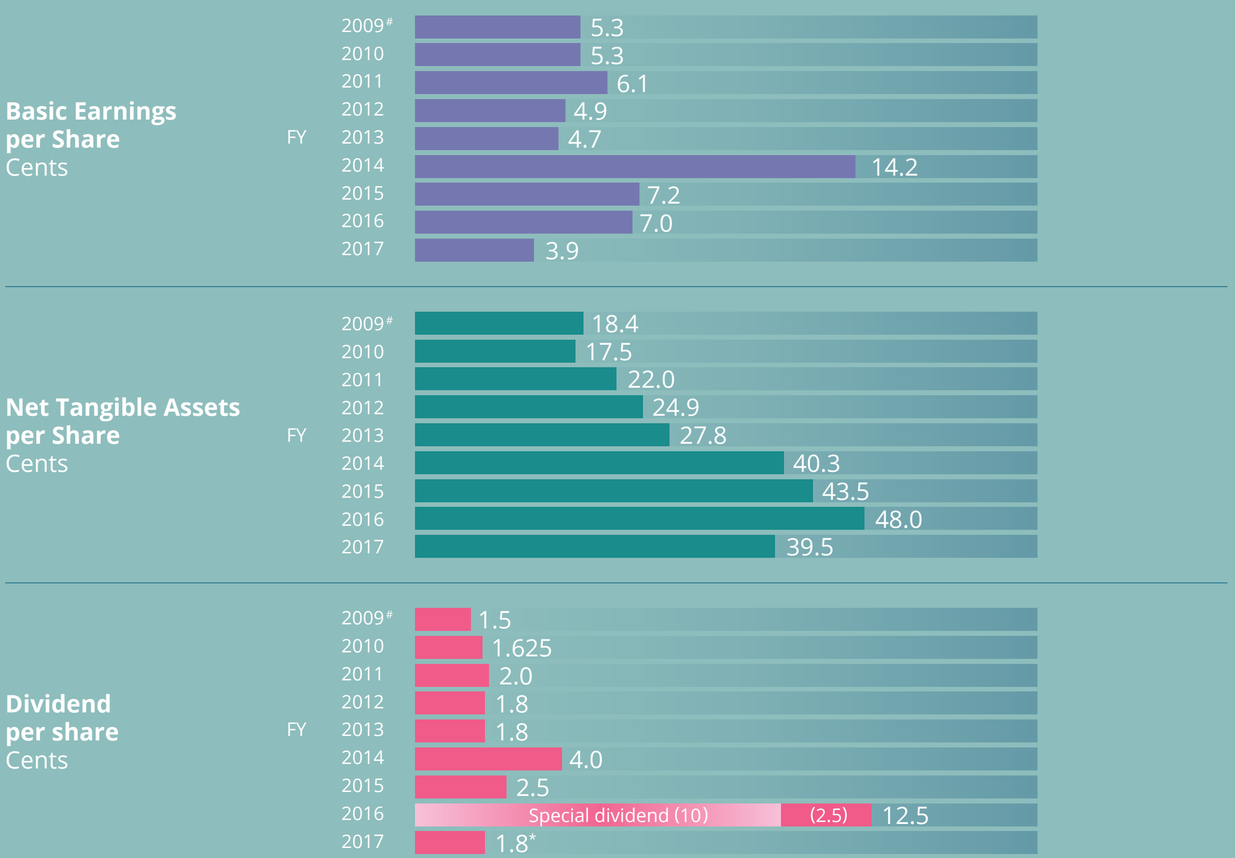
FINANCIAL HIGHLIGHTS

REVENUE & NET PROFIT

Revenue
S$ Million

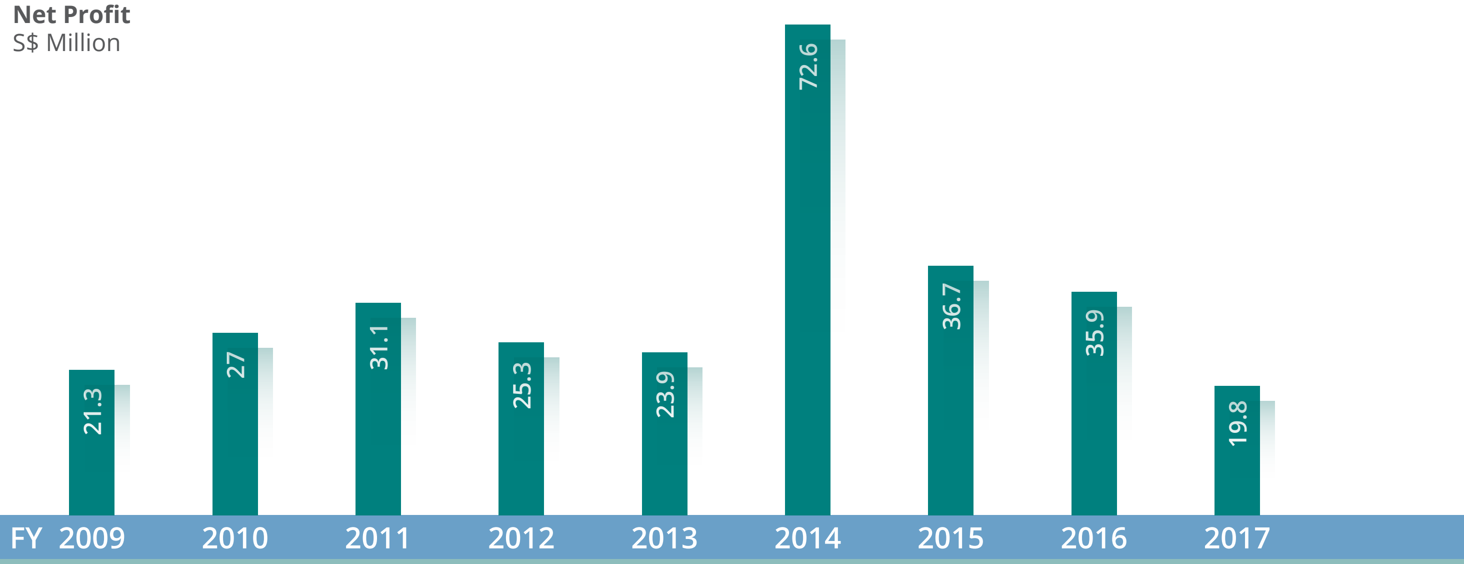


PER SHARE DATA



The Group was listed in December 2009, the weighted average number of ordinary shares for year 2009 was 404,294,000 shares
* Proposed dividend for FY 2017

Net Profit
S$ Million



FINANCIAL POSITIONS

$ In million	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Current Assets	186.7	195.1	243.2	399.9	344.3	354.7	292.6	306.9	282.2
Non-current Assets	12.0	21.8	32.0	38.2	33.8	44.3	48.9	64.3	63.2
Current Liabilities	124.5	126.8	163.0	172.2	198.6	192.4	104.4	110.7	128.9
Non-current Liabilities	-	0.7	0.0	138.7	37.6	1.2	15.5	15.5	15.1
Equity Attributable to Shareholders	74.2	89.4	112.2	127.2	141.9	205.4	221.6	245.0	201.4

CASH FLOW STATEMENT

$ In million	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Net cash generated from / (used in) operating activities	76.8	34.6	31.8	-186.9	29.0	110.7	13.6	5.6	-0.9
Net cash used in investing activities	-9.1	-5.0	-10.7	-8.9	-12.1	-6.9	-12.3	56.3	-8.6
Net cash (used in) / generated from financing activities	24.7	-7.6	-8.4	128.6	-25.7	-41.1	-9.9	-12.8	-64.2
Net increase/(decrease) in cash and cash equivalent	92.4	22.0	12.7	-67.2	-8.8	62.7	-8.6	49.1	-73.9
Cash and cash equivalents at beginning of year	51.1	143.5	165.5	178.2	111.6	102.8	165.5	156.9	206.0
Cash and cash equivalents at end of year	143.5	165.5	178.2	111.8	102.8	165.5	156.9	206.0	132.1

OPERATIONS AND FINANCIAL REVIEW

FY 2017 COMPARED WITH FY 2016 PERFORMANCE AND SEGMENTAL REVIEW

Revenue

In $' million	FY 2017	%	FY 2016	%
Civil Engineering	149.6	99.0	117.5	99.5
Property Development	1.3	0.8	0.4	0.3
Investment Properties	0.2	0.2	0.2	0.2
	151.1	**100.0**	**118.1**	**100.0**

Total revenue increased by $33.0 million (+28%) mainly contributed from the Civil Engineering segment which recorded a 27% rise in revenue to $149.6 million. This was attributable to the much higher contribution from Changi Airport JV project which has progressed to a more active phase in 2017. Revenue for Property Development segment was related to sales of unit at Ark@Gambas. Revenue from Investment property segment remained insignificant.

Gross Profit

In $' million	FY 2017	FY 2016
Civil Engineering	26.4	30.6
Property Development	0.6	0.1
Investment Properties	0.1	0.1
	27.1	**30.3**

Gross profit decreased by $3.2 million (-11%) to $27.1 million for the current financial year, mainly due to the drop in gross profit from the Civil Engineering segment as reversal of maintenance provision was lower than FY2016 and the lower gross margin for the ongoing projects. The contribution from Property Development and Investment properties is not significant.

Administrative expenses were $5.3 million, marginally lower than FY2016 mainly due to lower performance bonus provision offset by the higher staff costs and share of administration costs of the Changi Airport JV project.

Other income was $0.8 million lower mainly due to the reduction in interest income.

Other operating costs increased by $1.5 million mainly due to the higher provision for impairment loss of held-to-maturity investment securities of $0.8 million and exchange loss of $0.7 million which arose from the revaluation of USD holdings for USD committed material purchases.

The share of profits from the joint venture was only $490,000 as the profits of the joint venture residential project, The Skywoods, has been fully recognized in previous years. Current year profit was relating to the write back of the project cost.

Profit before taxation decreased by $16.3 million to $24.0 million, resulting mainly from $11.0 million lower profit from Joint Venture and lower gross profit of about $3.7 million from the civil engineering projects, higher provision of impairment of loss for investment securities.

FINANCIAL POSITION AND CASH FLOW REVIEW

Property, plant and equipment increased by $19.4 million mainly due to the acquisition of $6.5 million office units for own use, $2.7 million construction cost for warehouse and about $14 million of various plant and equipment to meet the requirement of ongoing projects.

Investment in Joint Venture was $14.0 million lower due to the dividend received from the Skywoods JV project .

Cash and short term deposits reduced by $73.9 million to $132.1 million as at 31 December 2017. The decrease was mainly due to the cash outflow for dividend payment of $63.7 million, acquisition of property and equipment of $21.2 million, net cash outflows for operations of $0.4 million offset by the $14.5 million dividend income from the Joint Venture.

BOARD OF DIRECTORS

ONG SEH HONG

Ong Seh Hong is our independent Non-Executive Chairman. Dr Ong was appointed as Director on 23 September 2011 and as Non-executive Chairman on 1 June 2013.

Dr Ong is currently a practising psychiatrist. Prior to this, Dr Ong was the clinical director and chief operating officer of the Ren Ci Hospital & Medicare Centre, and Ren Ci Community Hospital. He held the position of vice president (corporate services) of GIC Special Investments Private Limited, a unit of the Government of Singapore Investment Corporation. He was a Member of Parliament from 2001 to 2011.

Dr Ong holds a Bachelor of Medicine and Bachelor of Surgery (MBBS) and a Master of Science in Applied Finance from the National University of Singapore. He is a member of the Royal College of Psychiatrists in the United Kingdom and a fellow of The Academy of Medicine, Singapore.

Dr Ong is currently serving as an Independent Director of Dyna-Mac Holdings Ltd and Zhongmin Baihui Retail Group Holdings Ltd, which are listed on the Singapore Exchange.

CHUA LEONG HAI PBM

Chua Leong Hai PBM, is our Executive Director and CEO. Mr Chua is the founder of our Group and is instrumental in growing the company from a small construction outfit to one listed on Singapore's main board. He has more than 40 years of experience in civil engineering works in Singapore and has led the Group in undertaking infrastructure projects in Taipei and Shanghai in the 90's. He was also involved in real estate investments and developments in China, Malaysia and Indonesia. Mr Chua is responsible for the overall management, formulation of business plans, strategic positioning and business expansion of our Group.

KEE GUAN CHUA

Kee Guan Chua was appointed on the board on 26 March 2012 as Executive Director. Mr Kee heads our Contracts and Tenders Department. He has been with our Group since 1983 and his current responsibilities include estimating project cost, project tenders, sourcing for building materials, evaluation and procurement of contracts for supply and sub-contracting works and variations. Prior to joining our Group, Mr Kee had worked as a technician with the Ministry of the Environment, Singapore (now known as Ministry of the Environment and Water Resources) and PSA and as an assistant quantity surveyor with QS Partnership for approximately 10 years. He has vast experience in site investigations and surveys, preparation of drawings and tender documents. He obtained a Technician Diploma in Building from the Singapore Polytechnic in 1978.

CHEW TUAN DONG

Chew Tuan Dong is our Deputy Chief Executive Officer and was appointed on the Board on 8 August 2014. He joined the Group in December 2013. He is responsible to identify and develop new opportunities for the Group and for the overall management of the development and construction projects. Mr Chew has more than 30 years of experience in the civil engineering and building industry, having worked in Singapore, Malaysia, Taiwan and India. He graduated with a Bachelor of Science in Civil Engineering degree (first class honour) from University of Strathclyde, Master of Science in Civil Engineering from the National University of Singapore, and Graduate Diploma in Financial Management from the Singapore Institute of Management. He is also a registered Professional Engineer in Singapore, a registered Founding Member of Certified Project Manager (CPM), and a Senior Member of the Institution of Engineers Singapore.

CHUA SIOK PENG

Chua Siok Peng joined the Group in November 2012 was appointed on the board on 15 December 2015. She is the Head of the Property Development division and is also in charge of business development. Her responsibilities extend from reviewing opportunities and studying feasibilities in property development, to the day-to-day project management and marketing of projects. Siok Peng is a UK registered professional architect with extensive work experience in both UK and Singapore. She holds a Bachelor of Arts (Architecture) from National University of Singapore and a Graduate Diploma in Architecture from The Bartlett School, University College London (2000). She was also conferred Master of Business Administration by the in National University of Singapore in 2016.

BOARD OF DIRECTORS

KOH LIAN HUAT

Koh Lian Huat is our Independent Director and was appointed to the Board on 30 November 2009. He was a partner in charge of statutory audit in Huat Associates from 2007 to 2010. From June 2004 to November 2007, he was a sole proprietor in Huat Associates. From January 2004 to December 2004, Mr Koh was a consultant in Ng, Lee & Associates-DFK, a leading accounting firm which was established in 1948 and a partner in charge of statutory audit in the same firm from January 2000 to December 2003. From September 1982 to December 1999, Mr Koh was a sole proprietor in Koh Lian Huat & Co.

He has extensive experience in the building industry and the real-estate development industry. From 1976 to 1998, Mr Koh was a director of Lian Seng Construction Pte. Ltd., a civil engineering company. From 1969 to 1984, he was a director of Lee Realty (Pte) Limited, a real-estate developer. From 1983 to 1984, Mr Koh was also a secretary in Lee Kim Tah Holdings Ltd., a company which was admitted to the Official List of the SGX-ST in 1984 and privatized in 2017 and which is involved in property businesses, including property development and investments, construction and project management, as well as retail management. In addition, from 1972 to 1984, Mr Koh was a director and secretary of Lee Development (Private) Limited, a company which was engaged in property development and investment, construction and project management.

Mr Koh is a Justice of the Peace appointed by the President of Singapore. He was also conferred Singapore's National Day Awards: PBM, BBM and BBM (L) in 1985, 1993 and 2007 respectively. He is an appointed mediator assisting the State and Family Justice Courts in dealing with cases of Magistrate's complaints and maintenance disputes. Mr Koh graduated with a Bachelor of Commerce (Accountancy) from the then Nanyang University, Singapore in 1965. He is also a fellow member of the Association of Chartered Certified Accountants since 2006, a fellow member of CPA Australia since 2004, a fellow member of the Institute of Singapore Chartered Accountants since 2004, an honorary advisor of the Chartered Management Institute, UK (Singapore Branch).

Mr Koh is currently also an independent director of Zhongmin Baihui Retail Group Holdings Ltd, a listed company on the Singapore Exchange.

KHOR POH HWA

Khor Poh Hwa is our Independent Director and was appointed to the Board on 30 November 2009. Mr Khor has extensive experience in infrastructure development projects in transportation, civil engineering and buildings. Mr Khor joined the former Singapore Public Works Department (now CPG Corporation Pte. Ltd.) in 1975 after graduating from the National University of Singapore.

Mr Khor led the corporatisation of Singapore Public Works Department in 1999 and became the Chief Executive Officer of the new entity, CPG Corporation Pte. Ltd. He retired from CPG Corporation Pte Ltd in 2005 and served as its senior adviser until 2008. From 1995 to 1997, he was seconded to the China- Singapore Suzhou Industrial Park Development Co. Ltd. as the Deputy Chief Executive Officer to take charge of the physical development of 70 square kilometres of the park, a flagship project between the governments of Singapore and China.

Mr Khor was previously a member of the Asia Pacific Economic Co-operation (APEC) Business Advisory Council, the Singapore-British Business Council, the Singapore-Shandong Business Council and the Network China Steering Committee. He was also the past President of the Society of Project Managers, Singapore and the Singapore-China Suzhou Club. Mr Khor graduated in 1975 from the then Singapore University with a Bachelor of Engineering (Civil) and subsequently obtained a Master of Science (Civil Engineering) and Professional Engineering (Civil) from the National University of Singapore in 1980.

Mr Khor is currently a Non-Executive Director of Keppel Telecommunications & Transportation Ltd.

EXECUTIVE OFFICERS

CHUA SEY KOK

Chua Sey Kok joined the Group as Technical Director in July 2014. Mr Chua plays a strategic role in planning/development of the infrastructure business and provide guidance and leadership to the construction and tendering team. Mr Chua is currently the Senior Project Director for the Changi JV Project.

He has more than 33 years of experience in the civil engineering and building industry, of which, he has over 17 years of experience in managing engineering teams in large scale infrastructure projects. He had worked in Singapore, China, Indonesia and Vietnam.

He holds a bachelor degree in Civil Engineering (Honours) and Master Degree in Science (Civil Engineering from the National University of Singapore. He is also a registered professional engineer in civil engineering of the Singapore Professional Engineers Board.

FONG KAM WAI

Fong Kam Wai is one of our Heads of our Construction and Engineering Department, and a Project Manager. He was appointed as a Director for Hock Lian Seng Infrastructure Pte Ltd on 1 November 2012. He joined our Group in October 1985. He is responsible for the overall planning and coordination of projects, ensuring the projects completion within allocated budget and is in charge of schedule and quality standards. Since joining our Group, he has been involved in the Sungei Serangoon Bridge Project and Marina Coastal Expressway Project. He is currently the Project Director for the Changi JV Project. He has extensive experience in the field of engineering and construction works. Mr Fong holds a Bachelor of Engineering from the National University of Singapore in 1985.

ONG HONG KIAT

Ong Hong Kiat joined our Group in April 2008 as a Construction Manager for LTA Contract 901-Construction and completion of Marina Bay Station including associated tunnels. He was responsible for the planning and construction of the station. He was one of the core team members that played a part in completing the project on time. He then moved on to work as Deputy Project Manager for LTA Contract 911- Design & Construction of Depot for Downtown Line for a 6 month period and help to expedite the main building works which had fallen behind schedule so that the project could achieve Basic Structure Completion on time. Thereafter, he took on the role as Project Manager for Ark@Gambas- 9th storey industrial building project, Project Manager for LTA Contract T223 -Construction of Maxwell Station and Project Manager for Shine@Tuas South- 6th storey industrial factory development. He is currently the Project Director for the LTA Contract C9061, Design and Construction of Stabling Yard at Gali Batu Depot. He graduated from University of Malaya with a Degree of Bachelor of Civil Engineering (Honours Class 2 Upper Division) in 1986.

THOMAS KHONG TIONG GHEE

Thomas Khong Tiong Ghee is our Senior Contracts Manager. He is responsible for Contract administration which involves reviewing of contract documents, preparing contract and joint venture agreements, drafting correspondences to Clients and contractual parties on contractual issues, contractual claims submission to Clients, management and resolution of disputes with Clients and contractual parties and providing general contractual advice to our project managers. In addition, he reviews documents for sale of property and land biddings. With more than 30 years' experience and equipped with legal training, he has been able to provide contractual frameworks and legal supports for our Contracts Department. He is a Fellow of Chartered Institute of Building (FCIOB) and holds a Diploma in Building from the Singapore Polytechnic and Bachelor of Law (Hons) from the University of Wolverhampton.

ANG KWEE HONG

Ang Kwee Hong is our Contracts Manager. She joined our Group as a quantity surveyor from 1991 to 2005 and was primarily responsible for tender works, negotiating pre-contracts and post-contracts and the administration of HLS Infrastructure. She was appointed as the Contracts Manager of our Group in 2006. Ms Ang obtained a Technician Diploma in Building from the Singapore Polytechnic in 1982.

CHONG LEE YIN

Chong Lee Yin is our Chief Financial Officer ("CFO"). She joined our Group in March 2008. She is responsible for the accounting, financial and tax related matters of our Group. She has about 20 years of financial and accounting experience working for companies in the chemical and construction industries. She graduated from the National University of Singapore with a Bachelor of Accountancy and is a member of the Institute of Singapore Chartered Accountants.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ong Seh Hong (Chairman)
Chua Leong Hai
Chew Tuan Dong
Chua Siok Peng
Kee Guan Chua
Khor Poh Hwa
Koh Lian Huat

AUDIT AND RISK MANAGEMENT COMMITTEE

Koh Lian Huat (Chairman)
Khor Poh Hwa
Ong Seh Hong

NOMINATING COMMITTEE

Khor Poh Hwa (Chairman)
Koh Lian Huat
Ong Seh Hong
Chua Leong Hai

REMUNERATION COMMITTEE

Ong Seh Hong (Chairman)
Khor Poh Hwa
Koh Lian Huat

BOARD SAFETY COMMITTEE

Khor Poh Hwa (Chairman)
Koh Lian Huat
Ong Seh Hong

COMPANY SECRETARY

Chew Kok Liang

REGISTERED OFFICE

80 Marine Parade Road
#16-08 Parkway Parade
Singapore 449269
Website: www.hlsgroup.com.sg
Email: info@hlsgroup.com.sg

SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

INDEPENDENT AUDITOR

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
(Partner-in-charge: Lim Tze Yuen
appointed since financial year ended 31 December 2015)

PRINCIPAL BANKERS

United Overseas Bank Limited
Oversea-Chinese Banking Corporation Limited
Malayan Banking Berhad
Hong Kong Shanghai Banking Corporation Limited
Bank of Singapore Limited

COMPANY REGISTRATION NUMBER

200908903E

CORPORATE GOVERNANCE REPORT

The Board of Directors ("**Board**") and the management ("**Management**") of Hock Lian Seng Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") are committed to achieve good standard of corporate governance and business conduct in order to protect the interest of shareholders.

This report sets out the Company's corporate governance practices and activities in respect of the financial year ended 31 December 2017 ("**FY2017**") in relation to each of the principles of the Singapore Code of Corporate Governance 2012 (the "**Code**") , and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Company seeks to comply with the best practices as outlined in the Code where applicable, feasible and practical to the Group any deviations are explained in this report.

Board of Directors

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

As the date of this report, the Board comprises four executive Directors and three non-executive independent Directors. They are:-

Name of Director	Appointment	Date of appointment / Date of last re-election	Current Directorships in other listed companies and other major appointments	Past Directorships in other listed companies and major appointments over the preceding 3 years
Ong Seh Hong	Independent Non-Executive Chairman (since 1 June 2013) Chairman - Remuneration Committee ("**RC**") Member - Audit and Risk Management Committee ("**ARMC**"), Nominating Committee ("**NC**") & Board Safety Committee ("**BSC**")	23 Sep 2011 / 26 Apr 2016	Director - (1) Dyna- Mac Holdings Ltd (2) Zhongming Baihui Retail Group Holdings Ltd Senior Consultant Psychiatrist - Alexandra Healthgroup	Member of Parliament (2001-2011) Money Max Financial Services Ltd (resigned in 2016)
Chua Leong Hai	Executive Director and Chief Executive Officer ("**CEO**")	20 May 2009 / 26 Apr 2016	Nil	Nil
Chew Tuan Dong	Executive Director and Deputy CEO	8 Aug 2014 / 28 Apr 2015	Nil	Nil
Chua Siok Peng	Executive Director	15 Dec 2015 / 26 Apr 2016	Nil	Nil
Koh Lian Huat	Independent Director Chairman - ARMC Member - NC, RC and BSC	30 Nov 2009 / 26 Apr 2016	Director - Zhongming Baihui Retail Group Holdings Ltd	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Appointment	Date of appointment / Date of last re-election	Current Directorships in other listed companies and other major appointments	Past Directorships in other listed companies and major appointments over the preceding 3 years
Khor Poh Hwa	Independent Director Chairman - NC and BSC Member - ARMC and RC	30 Nov 2009 / 25 Apr 2017	Non-Executive Director- Keppel Telecommunications & Transportation Ltd	Non-Executive Chairman and Director of Keppel Infrastructure Fund Management Pte Ltd (resigned in 2015) Director-Keppel Land Limited (resigned in 2012)
Kee Guan Chua	Executive Director	26 Mar 2012 / 25 Apr 2017	Nil	Nil

Role of the Board

The Board's primary role is to protect and enhance long-term shareholder value by establishing a framework of prudent and effective controls in managing risks. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for the Management and monitoring the achievement of these goals. As part of its responsibility in discharging its duty, the Board also performs the following roles:-

(a) reviewing the performance of Management by establishing Management's goals and monitoring the achievement of those goals;

(b) setting the Company's values and standards (including ethical standards) to uphold good corporate governance; and

(c) ensuring that obligations to shareholders and other stakeholders are understood and met in order to achieve sustainability.

All Directors discharge their duties and responsibilities objectively at all times as fiduciaries in the interest of the Company.

The Board will prepare and publish its Sustainability Report as required under Rule 711A of the Listing Manual of SGX-ST within the prescribed timeline.

Matters Requiring Board Approval

The Board's approval is required for decisions involving areas such as strategic plans, key operational initiatives, material acquisition and disposal of assets, capital-related matters including financial re-structure, market fund-raising, share issuances, interim dividends and any investment or expenditures exceeding set material limit.

While matters relating in particular to the Company's objectives, strategies and policies require Board's direction and approval, the Management is responsible for the day to day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

Director Orientation and Training

All Directors have many years of corporate experience and are familiar with their duties and responsibilities as Directors. Upon appointment, each Director will receive a letter of appointment explaining his duties and obligations as a member of the Board. In addition, orientation briefings are arranged for newly appointed Directors to familiarize them on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors. Our Directors are provided with extensive background information about our Group's history, mission, values and business operations. The Board is also kept abreast regularly on new laws, regulations and commercial developments by the Management and its appointed professionals. The Chairman will make the necessary arrangements for the briefings, informal discussions or explanations required.

CORPORATE GOVERNANCE REPORT

In addition, the Directors of the Company are encouraged to attend appropriate or relevant courses, conferences and seminars conducted by professional organisations. The Company may funds the appropriate training and development programmes for the Directors. Changes to regulations and accounting standards are monitored closely by the Management. The Board has received updates on changes in listing rules, regulatory requirements, corporate governance guidelines and best practices on regular basis.

Board Processes

To assist the Board in the discharge of its responsibilities, the Board has established four Committees namely, the Audit and Risk Management Committee ("**ARMC**"), the Remuneration Committee ("**RC**"), the Nominating Committee ("**NC**") and the Board Safety Committee ("**BSC**"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The schedule of all Board and Board Committee meetings for a calendar year is usually given to all Directors well in advance. Besides the scheduled quarterly Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Board meetings will be convened when they are deemed necessary, to review the Group's operations, conduct strategic review of the business affairs and address other specific significant matters that arise. The Company's Constitution provides for meetings of the Directors to be held by means of telephone conference or other methods of simultaneous communication be electronic or telegraphic means. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information to the proposed transaction.

The agenda for meetings is prepared in consultation with the Non-Executive Chairman and the CEO. The agenda and documents are circulated in advance of the scheduled meetings. The Board and Board Committee meetings held during the financial year and the attendance of Directors at the meetings are set out as follows:

	Board	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Number of Meetings Held	**4**	**4**	**1**	**1**
	Attendances			
Ong Seh Hong	4	4	1	1
Chua Leong Hai	4	-	1	-
Chew Tuan Dong	4	-	-	-
Chua Siok Peng	4	-	-	-
Kee Guan Chua	4	-	-	-
Koh Lian Huat	4	4	1	1
Khor Poh Hwa	4	4	1	1

Board Composition and Guidance

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

As at the date of this report, the Board currently comprises 7 Directors of whom 3 are independent Directors. There is a fairly strong independent element on the Board, with independent Directors constituting approximately one-third of the Board. No individual or group of individuals dominates the Board's decision making. In addition, the roles of a Chairman and the CEO are assumed by different persons and the Chairman is an Independent Director.

The Board's composition, size and balance and independence of each non-executive Director will be reviewed by the NC annually and periodically where the changes in the operations warrant.

CORPORATE GOVERNANCE REPORT

Assessment of Independence of Individual Director

Directors	Date of Appointment	Independence status under the code	Less than 10% interest (direct/ deemed)	[1]Independent relationship	Served on the Board for less than 9 years	[2]Immediate family relationship
Ong Seh Hong	23 Sep 2011	Yes	Nil	Yes	Yes	No
Chua Leong Hai	20 May 2009	No	No	No	Yes	Yes
Chew Tuan Dong	8 Aug 2014	No	Nil	No	Yes	No
Chua Siok Peng	15 Dec 2015	No	Yes	No	Yes	Yes
Kee Guan Chua	26 Mar 2012	No	Yes	No	Yes	No
Khor Poh Hwa	30 Nov 2009	Yes	Nil	Yes	Yes	No
Koh Lian Huat	30 Nov 2009	Yes	Nil	Yes	Yes	No

1. Relationship with the Company, its related corporations, its 10% shareholders or its officers
2. Immediate family relationship between the candidate and the directors, the Company or its 10% shareholders

The Board comprises of Directors who possess the core competencies, experience and knowledge in business, finance and management skills critical to the Group's business and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The Directors, having reviewed the composition of the Board, are satisfied that the present size and composition of the Board is effective for decision making.

Non-Executive and independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Group, the role of the non-executive and independent directors are particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the communities in which the Group conducts business. The Independent Directors help to develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting performance. When necessary, the Independent Non-Executive Director will meet and discuss on the Group's affairs without the presence of the Management.

The profiles of the Board are set out on and the "Board of Directors" section of the Annual Report.

To-date, none of the independent Directors of the Company has been appointed as Director of the Company's principal subsidiary, which is based in Singapore.

Chairman and CEO

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

There is clear separation of responsibilities between the Chairman and CEO, which ensures that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. The role of the Chairman is assumed by Ong Seh Hong.

The Independent Non-Executive Chairman, amongst his other duties, schedules and chairs Board meetings and, with the assistance of the Company Secretary and Executive Directors, prepares Board agenda as well as controls the quality, quantity and timeliness flow of information between Management to the Board, promoting effective communication with the Company's shareholders. The Chairman is also responsible for the workings of the Board and ensures the integrity and promoting his standard of corporate governance with full support of the Directors and management.

CORPORATE GOVERNANCE REPORT

Chua Leong Hai is the CEO of the Company. He is the founder of the Group and has played an instrumental role in developing the business since its establishment. He has considerable industry experience and business network and has also provided the Group with strong leadership and vision. The CEO and Executive Directors, assisted by the various functional Directors and senior management, manage and are responsible for the Group's day-to-day operations and business.

Board Membership and Performance

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The NC comprises the following members, the majority of whom are independent and non-executive:-

Khor Poh Hwa	Chairman and Independent Director
Koh Lian Huat	Member and Independent Director
Ong Seh Hong	Member and Independent Director
Chua Leong Hai	Member and CEO

The principal functions of the NC include:-

- determining the process for search, nomination, selection and appointment of new board members and being responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;

- determining, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company will disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. The NC may at its discretion determine a Director as non-independent even if he has no business or, other relationships with the Company, its related companies or its officers;

- recommending Directors who are retiring by rotation to be put forward for re-election, having regard to the Director's contribution and performance;

- reviewing and deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations and having regard to the competing time commitments that are faced by the Director when serving on multiple boards;

- assessing the effectiveness of the Board as a whole, its Board committees and assessing the effective contribution and commitment of each individual Director to the effectiveness of the Board. The results of the performance evaluation will be reviewed by the Chairman and the assessment shall be carried out annually;

- deciding how the Board's performance may be evaluated and propose objective performance criteria, subject to the approval of the Board, which allow for comparison with industry peers and which address how the Board has enhanced long-term shareholders' value; and

- reviewing and approving any new employment of related persons and the proposed terms of their employment.

The NC meets at least once a year and at other times as required. The Regulation 97 of the Constitution provides that at least one-third of the Directors shall retire from office and are subject to re-election at every Annual General Meeting ("**AGM**"). All Directors are required to retire from office at least once every three years. A newly appointed Director must also subject himself for retirement and re-election at the next AGM immediately following his appointment in accordance to the Regulation 101 of the Constitution. The shareholders approve the election of Board members at the AGM.

Currently, the Company does not have any alternate Director.

When selecting new Directors, the NC takes into consideration the skills and experience required and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of independent Directors as well as Directors with the right profile of expertise, skills, attributes and experience.

CORPORATE GOVERNANCE REPORT

Despite some of the Directors having multiple Board representations, the NC is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and other principal commitments of these Directors. Currently, the NC did not determine the maximum number of listed Board representation which any Director may hold. The Board believes that each individual Director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director of the Company, bearing in mind his other commitments. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deems fit.

Board performance

For FY2017, the NC evaluated the Board as a whole and its Board committees. The areas for the Board and Board committees' performance evaluation cover from Board Structure, Conduct of Meetings, Corporate Strategy and Planning and Risk Management to Internal Control. Although the Directors are not evaluated individually, the factors taken into consideration for the re-nomination of the Directors for the current year are based on the Directors' attendance at meetings held during the year and the contribution made by the Directors at the meetings.

The NC has reviewed and recommended the re-election of Ong Seh Hong, Chua Siok Peng and Chew Tuan Dong who are retiring under Regulation 97 of the Constitution.

The NC in considering the re-nomination of any Director, had considered factors including their performance in the Board as a whole, its Board Committees and individual performance including his attendance, preparedness, participation and contributions in the proceedings of the meetings.

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of his re-nomination as Director.

The key information regarding Directors such as academic and professional qualifications, board committees served, Directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive can be found under Principle 1 and the "Board of Directors" section of the Annual Report.

Access to Information

Principle 6: In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Directors are provided with Board papers and related materials, background or explanatory information in advance of each Board Meeting to enable them to be properly informed of matters to be discussed and/or approved, as well as ongoing reports relating to operational and financial performance of the Group. Directors are also informed of any significant developments or events relating to the Group. In addition, the Directors are entitled to request from Management such additional information as needed to make informed decisions. Management ensures that any additional information requested for is provided to the Directors in a timely manner.

Board members have separate and independent access to the Company's senior management and the Company Secretary at all times. The Company Secretary or his representative will attend all meetings of the Board and Board Committees and assists in ensuring that relevant procedures are followed and reviewed such that the Board and Board Committees operate effectively. The decision to appoint or remove the Company Secretary is made by the Board as a whole.

Should Directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company, subject to the approval of the Board, will appoint a professional advisor to render advice at the cost of the Company.

CORPORATE GOVERNANCE REPORT

Remuneration Matters

Procedures For Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC comprises the following members, all of whom are independent non-executive Directors:-

Ong Seh Hong	Chairman and Independent Director
Khor Poh Hwa	Member and Independent Director
Koh Lian Huat	Member and Lead Independent Director

The principal responsibilities of the RC are set out in the terms of reference and its key functions include:-

- reviewing and recommending to the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for Directors, the CEO, senior management of the Group and employees related to Directors or controlling shareholders of the Group;

- reviewing the service contracts of the executive Directors; and

- administering the Hock Lian Seng ("**HLS**") Employee Share Option Scheme and HLS Performance Share Plan.

The RC meets at least once a year and at other times as required. No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, share option scheme, share based incentives and awards and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board.

The RC members are knowledgeable in the field of executive compensation and also have access to expert advice from external consultants, where necessary. No external expert advice was engaged by the Company in FY2017.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of the individual Directors and key management personnel.

The Directors' fees to be paid for any one (1) year are submitted for shareholders' approval at the AGM.

In reviewing the service agreements of the executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and the structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The objective of the Group's remuneration policy is to ensure that the level and structure of the remuneration are aligned with the long-term interests and risk policies of the Company, and that the remuneration is able to attract, retain and motivate the Board to provide good stewardship for the Company and Senior Management to successfully manage the Company and the Group as a whole.

CORPORATE GOVERNANCE REPORT

Non-executive Directors are paid a fixed fee, taking into account the effort, time spent and responsibilities of each Non-Executive Director. The fees of Non-Executive Directors are subject to shareholders' approval at the AGM. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his own remuneration.

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors and the key management personnel comprise primarily a basic salary component and a variable component which is the bonuses and other benefits. Having reviewed and considered the variable components of remuneration of the Executive Directors and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

Disclosure of Remuneration

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

Remuneration paid or accrued to directors for the financial year ended 31 December 2017

Directors of Company	Fixed component[1]	Variable component[2]	Directors' Fees	Total Compensation
	%	%	%	%
$ 750,000 to $1,000,000				
Chua Leong Hai	40	60	-	100
$250,000 to $500,000				
Chew Tuan Dong	70	30	-	100
Chua Siok Peng	73	27	-	100
Kee Guan Chua	55	45	-	100
Below $250,000				
Khor Phor Hwa	-	-	100	100
Koh Lian Huat	-	-	100	100
Ong Seh Hong	-	-	100	100

Notes:

1. Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF.
2. Variable component refers to variable bonus, performance bonus and employer CPF.

In view of confidentiality of remuneration matters, the Board believes that it is in the best interests of the Company and the Group not to disclose the exact remuneration of the Directors in the annual report and the disclosure based on the above remuneration bands is appropriate.

CORPORATE GOVERNANCE REPORT

Remuneration of the Key Management Personnel

Remuneration paid or accrued to the top five key executives (who are not Directors nor the CEO) for FY2017 is as follows:-

Key Executives of Company	Fixed component[1]	Variable component[2]	Total Compensation
	%	%	%
$250,000 to $500,000			
First Executive	78	22	100
Second Executive	60	40	100
Third Executive	74	26	100
Below $250,000			
Fourth Executive	69	31	100
Fifth Executive	80	20	100

Notes:

1. Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF.
2. Variable component refers to variable bonus, performance bonus and employer CPF.

Due to the highly competitive industry conditions coupled with the confidentiality and sensitivity of remuneration matters, the names of the top five key management personnel are not disclosed.

The aggregate of the total remuneration paid to the above key management personnel for FY2017 was $1,503,000.

Remuneration of Employees related to Directors or the CEO

Employees who are immediate family members of Directors or CEO and remuneration exceeding S$50,000 are listed below:-

Remuneration Bands	Relationship to Directors or the CEO
S$100,001 to S$150,000	
Chua Hua Hong	Brother of Chua Leong Hai and uncle of Chua Siok Peng
S$50,001 to S$100,000	
Chua See	Brother of Chua Leong Hai and uncle of Chua Siok Peng

Save as disclosed above, no employee of the Group, whose remuneration exceeded S$50,000 during FY2017, was an immediate family member of a Director or the CEO.

For FY2017, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and the top key management personnel (who are not Directors or the CEO).

HLS Share-based Incentives

The Company has adopted a share option scheme known as the “HLS Employee Share Option Scheme” (“**Scheme**”) and a performance share plan known as the “HLS Performance Share Plan” (“**Plan**”), both of which were approved at an Extraordinary General Meeting (“**EGM**”) of the Company’s then Shareholders held on 1 December 2009. The RC is responsible for the administration of the share-based remuneration plans.

Both the Scheme and the Plan will provide employees of the Group with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

CORPORATE GOVERNANCE REPORT

The Plan and the Scheme are designed to complement each other in the Company's efforts to reward, retain and motivate employees to achieve better performance. The aim of implementing more than one incentive plan is to grant the Company the flexibility in tailoring reward and incentive packages suitable for each group of the Participants by providing an additional tool to motivate, reward and retain employees so that the Company can offer compensation packages that are competitive.

Each of the Scheme and the Plan shall continue in force at the discretion of the RC subject to a maximum period of 10 years commencing on the date it is adopted by the Company in general meeting, provided always that it may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Company has not granted any Options or Awards since the date of approval of the Scheme and Plan. Accordingly, the disclosure requirements under Rule 852(1)(b), (c) and (d) of the SGX-ST Listing Manual are not applicable.

Accountability and Audit

Accountability

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

The Management will provide the members of the Board with management reports regularly. Such reports will keep the Board updated as well as enable the members to have a balanced and objective assessment of the Group's performance, position and prospects. The Management will also assist the Board to provide the Shareholders with a balanced and understandable assessment of the Group's performance, financial position and prospects via the issuance of the Company's annual reports and quarterly announcements of its financial results and disclosure of other relevant information of the Group.

All the Directors and executive officers of the Company have signed the undertaking letters pursuant to the amended Rule 720(1) of the Listing Manual of SGX-ST.

Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET, press release and/or posted on the Company's website. The Company's Annual Report is sent to all shareholders and accessible on the Company's website.

The Board is updated with significant events that have occurred or material to the Group during the year. The Management provides the Board with financial updates on the performance and position of the Group to keep Board members informed and updated on a monthly basis in order that it may effectively discharge their duties.

Risk Management and Internal Controls

Audit Committee

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The ARMC (Audit Committee was renamed to Audit and Risk Management Committee in 2012) comprise the following members, all of whom are independent non-executive Directors:-

Koh Lian Huat	Chairman and Lead Independent Director
Khor Poh Hwa	Member and Independent Director
Ong Seh Hong	Member and Independent Director

CORPORATE GOVERNANCE REPORT

The Board has reviewed and is satisfied that the members of the ARMC are appropriately qualified to discharge their responsibilities, with Koh Lian Huat having the requisite accounting or related financial management expertise or experience. The members of the ARMC are scheduled to meet to review the quarterly results before announcement and may meet at other times as when required. The functions of the ARMC include the following:-

- review with the external auditors the audit plan, audit report, management letter and the Management's corresponding response;

- review with independent internal auditors the internal audit plan and their evaluation of the adequacy of the internal controls of the Company;

- review the internal controls (including financial controls, operational and compliance controls and risk management policies and systems established by the Management) and procedures and ensure co-ordination between the external auditors and the Management, reviewing the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of our Management where necessary);

- consider and recommend the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors, review the independence and objectivity of the external auditors annually;

- review transactions falling within the scope of Chapter 9 and Chapter 10 of the SGX-ST (if any);

- review arrangements by which the employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangement are in place for the independent investigations of such matter and for appropriate follow-up;

- commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and

- determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.

In July 2010, the SGX-ST and Accounting and Corporate Regulatory Authority ("ACRA") launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of the audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

In addition, in October 2015, with the support from SGX-ST and Singapore Institute of Directors, ACRA had introduced the Audit Quality Indicators ("AQIs") Disclosure Framework to assist the AC in evaluating the re-appointment of external auditors based on eight (8) quality markers that correlate closely with audit quality. Accordingly, the AC had evaluated the external auditors based on the eight (8) AQIs at engagement and/or firm-level.

Annually, the ARMC meets with the external auditors, and with the internal auditors, without the presence of the Company's Management. ARMC members keep abreast of changes to accounting standards and important accounting issues with continuing education. In addition, the external auditors update the ARMC on the changes to accounting standards and issues which have a direct impact on financial statements to the Company.

The ARMC and the Board confirmed that in appointing the auditing firms for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the Listing Manual issued by SGX-ST in relation to its auditors.

The ARMC has undertaken a review of all non-audit services provided by the external auditors during the financial year, and in the ARMC's opinion, the provision of these services does not impair the independence of the external auditors. The ARMC had recommended to the Board the re-appointment of Messrs Ernst & Young LLP as the external auditors of the Company at the forthcoming AGM.

The fees payable to auditors is separately disclosed in the audited financial statements in this Annual Report.

CORPORATE GOVERNANCE REPORT

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconducts in the Group and at the same time assure them that they will be protected from victimization for whistle blowing in good faith. The ARMC will review any cases for significance and ensure adequacy and independence of investigation actions and resolutions.

Financial matters

In the review of the financial statements, ARMC has discussed with management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial matters impacting the financial statements were discussed with management and the external auditor and were reviewed by the ARMC:

Significant matters	How the ARMC reviewed these matters and what decisions were made
Accounting of contract work-in-progress for civil engineering construction projects	The ARMC considered the approach and methodology applied to the accounting of contract-in-progress for civil engineering construction projects. The ARMC reviewed the progress of the project, regular update by the management on the development of the projects to assess the reasonableness of the accounting of contract work-in-progress for civil engineering construction projects.
Provision for maintenance and warranties for civil engineering construction projects	The ARMC considered the approach and methodology applied to the provision for maintenance and warranties for civil engineering construction projects. The ARMC reviewed the reasonableness of the management assessment for provision based on the estimated rectification costs to be incurred for the projects during the defect liability and warranty periods.
Carrying value of held-to-maturity investment	The ARMC considered the approach and methodology applied to the accounting of carrying value of held-to-maturity investment The ARMC reviewed the management assessment on whether objective evidence exist that calls for any impairment loss for the held-to-maturity investment, and assessed reasonableness of management's estimation of forecasted future cash flows used to determine the amount of impairment loss to be made, when such objective evidence exist.

Risk Management

The Management regularly reviews its Group's business and operational activities and to identify areas of significant business risk as well as take appropriate measures to manage and mitigate these risks.

The ARMC reviews and guides Management in the formulation of risk policies and processes to identify, evaluate and manage significant risks. The Management reports to the ARMC on control policies and procedures and highlights all significant matters to the ARMC on regular basis. Risks arising from the Group's financial operations are separately disclosed in the audited financial statements of this Annual Report.

The BSC was established in 2012 to oversee and monitor the establishment and maintenance of the safety practices and policies of the Group.

The BSC comprises the following members, all of whom are independent non-executive Directors:-

Khor Poh Hwa	Chairman and Independent Director
Koh Lian Huat	Member and Lead Independent Director
Ong Seh Hong	Member and Independent Director

CORPORATE GOVERNANCE REPORT

Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The ARMC is responsible for ensuring that a review of the adequacy of the Company's internal financial controls, operational and compliance controls, as well as risk management policies and systems established by the Management is conducted at least annually.

The Board has received assurance from the CEO and CFO that:-

a. The financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
b. The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, ARMC and the Board, the Board with the concurrence of the ARMC is of the opinion that the systems of the internal controls is adequate and effectivess in addressing the financial, operational, compliance risks, information technology controls and risk management system for FY2017.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognizes the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls within the Group to safeguard shareholders' investments and the Company's assets. The ARMC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure co-ordination between internal auditors, external auditors and Management, and ensure that the internal auditors meets or exceeds the standards set by nationally or internationally recognized professional bodies. The ARMC also reviews and approves the hiring, removal and evaluates its outsourced internal auditors.

The Group has outsourced its internal audit function to RSM Risk Advisory Pte. Ltd. The Internal Auditor has adopted the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Internal Auditors primary reported to the ARMC Chairman.

The Internal Auditor plans its audit schedules in consultation with the Management and its plans are submitted to the ARMC for approval. The ARMC reviews and approves the internal audit plans and resources annually. Based on their review, the ARMC believes that the Internal Auditor is independent and has the appropriate standing to perform its functions effectively. Based on the information provided to the ARMC, nothing has come to the ARMC's attention to cause the ARMC to believe that the internal control system is inadequate.

CORPORATE GOVERNANCE REPORT

Shareholder Rights and Responsibilities

Shareholder Rights, Communications with Shareholders and Conduct of Shareholder Meetings

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

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

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

The Company recognises the need to communicate with shareholders on all material matters affecting the Group and does not practice selective disclosure. Financial results and other material information are communicated to shareholders on equal and timely basis through SGXNET.

The Company also communicates through its corporate website at http://www.hlsgroup.com.sg which provides shareholders with corporate announcements, press releases, annual reports and profile of the Group.

All the shareholders are entitled to receive the Annual Report together with the notice of AGM by post, published in a newspaper and via SGXNET within the mandatory period. Besides that, all the shareholders also will receive the relevant circular together with the notice of EGM by post, published in a newspaper and via SGXNET.

The AGM of the Company provides a principal forum for dialogue and interaction with shareholders. Members of the Board, including the chairman of the ARMC, NC and RC, and the Company's external auditors are present to address questions raised by shareholders at AGM.

Issues or matters requiring shareholders' approval are tabled in the form of separate and distinct resolutions for each substantially separate issue. Where the resolutions are interdependent and linked so as to form one significant proposal, the resolutions may be "bundled" but with an explanation from the Company of the reasons and material implications.

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

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary[1] may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy.

Resolutions are put to vote by poll and the detailed results of each resolution are announced via SGXNet after the general meetings.

[1] A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE GOVERNANCE REPORT

Dividend Policy

The Company is committed to enhancing value for its shareholders and strives to achieve an efficient capital structure that balances the returns to shareholders with the Company's capital needs for investment and growth.

The dividend that the Board may recommend in respect of each financial year is subject to various factors such as the level of available cash, financial performance and projected capital expenditures and investment plans. Over the past five years, annual dividends paid out by the Group (excluding special dividends) was about 30% of the Group's total net profit after tax.

Dealings in Securities

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors and the employees of the Group. This internal code is made in compliance with Rule 1207(19) of the Listing Manual of the SGX-ST relating to dealings in securities and has been disseminated to the Directors and the employees of the Group informing them of the implications on insider trading.

The internal code prohibits the dealing in securities of the Company by Directors and employees while in possession of price-sensitive information, and during the period commencing two weeks before the announcement of the quarterly results or the period of one month in the case of the announcement of the full year results, and ending on the date of the announcement. Directors are required to report securities dealings to the Company and the necessary announcements are made as required. In addition, Directors and employees are reminded to observe insider trading rules at all times and not to deal with the Company's securities on short-term considerations.

Material Contracts

Except as disclosed in the financial statements, there was no material contracts entered into by the Company or its subsidiary companies, involving the interests of any Director or controlling shareholder subsisting at the end of the FY2017.

Interested Person Transactions
The Company has established procedures to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arm's length basis.

The Company will seek a general mandate from its shareholders if necessary for those recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations.

The aggregate value of the interested person transactions entered into during FY2017 is as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Lian Seng Investment Pte. Ltd. -	$'000	$'000
Office lease expenses received /receivable from the Group	109	Nil
Total	109	

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Hock Lian Seng Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

2. Directors

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

Chua Leong Hai @ Chua Leang Hai
Kee Guan Chua
Koh Lian Huat
Khor Poh Hwa
Ong Seh Hong
Chew Tuan Dong
Chua Siok Peng

3. Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

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

	Direct interest		**Deemed interest**	
Name of Director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Hock Lian Seng Holdings Limited				
Ordinary shares				
Chua Leong Hai @ Chua Leang Hai	193,871,547	193,871,547	42,118,037	42,118,037
Chua Siok Peng	8,319,265	8,319,265	–	–
Kee Guan Chua	450,000	450,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Chua Leong Hai @ Chua Leang Hai is deemed to have interests in the shares held by the Company in its subsidiaries.

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

5. Share options

No share options have been granted by the Company since its incorporation.

DIRECTORS' STATEMENT

6. Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") comprises the following three Independent Directors:

Koh Lian Huat (Chairman)
Khor Poh Hwa
Ong Seh Hong

The ARMC performs the functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

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

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

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

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

DIRECTORS' STATEMENT

7. Auditor

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

On behalf of the board of directors,

Chua Leong Hai @ Chua Leang Hai
Director

Chew Tuan Dong
Director

Singapore
29 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOCK LIAN SENG HOLDINGS LIMITED

Report on the Financial Statements

Opinion

We have audited the financial statements of Hock Lian Seng Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Accounting of contract work-in-progress for civil engineering construction projects

The Group recognised contract revenue and contract costs from contract work-in-progress for civil engineering construction projects by reference to the stage of completion of the contract activity at the end of each reporting period. The stage of completion is measured by reference to professional surveys of work performed. The accounting for such civil engineering construction projects is complex due to high level of estimation uncertainty in determining the costs to complete. This uncertainty is due to the nature of the operations, which may be impacted by the technological complexity of projects, the precision of cost estimation during the budgeting process and the actual progress of each project during the financial year. The uncertainty and subjectivity involved will affect the determination of contract costs, and hence may have a significant impact on the results of the Group. Accordingly, the accounting of contract work-in-progress for civil engineering construction projects is identified as a key audit matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOCK LIAN SENG HOLDINGS LIMITED

Key Audit Matters (cont'd)

Accounting of contract work-in-progress for civil engineering construction projects (cont'd)

As part of our audit, we:

- Reviewed contract terms and conditions and the contractual sums and substantiated project revenues and costs incurred against underlying supporting documents.
- Conducted site visits, perused customers and subcontractor correspondences and discussed the progress of the projects with project managers for any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated contractual costs.
- Analysed changes in estimates of costs from prior periods and assessed the consistency of these changes with progress of the projects during the year.
- Assessed the adequacy of the Group's disclosures relating to contract work-in-progress and progress billings in excess of work-in-progress included in Note 15 to the financial statements.

Provision for maintenance and warranties for civil engineering construction projects

The Group assessed for provision for maintenance and warranties for civil engineering construction projects based on the estimated rectification costs to be incurred for the projects during the defect liability and warranty periods. The costs are estimated based on historical claim experiences and take into consideration factors specific to each project such as the duration of the repair work, extent of the affected areas to be repaired, and expected costs to be incurred. Given its magnitude and the significant judgement involved in management's assessment, the provision for maintenance and warranties is identified as a key audit matter in our audit.

During our audit, among other procedures, we:

- Assessed the reasonableness of the provision for maintenance and warranties by comparing with the average historical claim rates of the respective projects, where available, or of other similar projects, and discussing the bases of the provisions with the project teams in respect of anticipated rectification works.
- Tested the key estimates against contracts with subcontractors and suppliers' invoices, as well as materials and labour costs estimates prepared by the project teams and re-computed management's calculation of the provision for warranty costs.
- Tested contract's maintenance and warranty terms to management's provision computation on a sample basis, perused customers and subcontractor correspondences, reviewed project files and reviewed Board's minutes for significant contracts entered into during the year for completeness assessment purposes.
- Assessed the adequacy of the Group's disclosures relating to provision for maintenance and warranties which is included in Note 24 to the financial statements.

Carrying value of held-to-maturity investments

Held-to-maturity investments in quoted corporate bonds are carried at amortised cost and represented 13% of the net assets of the consolidated balance sheet. The impairment assessment of the quoted bonds requires significant management judgment as these quoted bonds are issued by corporations operating in various industries and countries, and management's impairment assessment requires consideration of the specific local market risks to which the corporations are subject. The impairment assessment of these quoted bonds and the determination of impairment losses requires significant management's judgment and involved estimation uncertainty. As such, we determined this to be a key audit matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOCK LIAN SENG HOLDINGS LIMITED

Key Audit Matters (cont'd)

Carrying value of held-to-maturity investments (cont'd)

As part of our audit, we:

- Assessed the Group's processes and controls relating to the impairment review of the held-to-maturity quoted bonds.
- Reviewed management's assessment on whether there is objective evidence that an impairment loss on these quoted bonds has been incurred by considering factors such as default or significant delay in payments of the quoted bond's principal and coupon, significant financial difficulty of the issuer or when the quoted price of the bond is significantly below its carrying amount.
- Assessed reasonableness of management's estimation of forecasted future cash flows used to determine the amount of impairment loss to be made, when such objective evidence exist.
- Assessed the adequacy of the Group's disclosures on the held-to-maturity investments and the related risk disclosures such as credit risk and liquidity risk in Notes 35(b) and 35(d) to the financial statements.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOCK LIAN SENG HOLDINGS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOCK LIAN SENG HOLDINGS LIMITED

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lim Tze Yuen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
29 March 2018

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(Amounts in Singapore dollars)

	Note	Group 2017	Group 2016
		S$'000	S$'000
Revenue	4	151,083	118,138
Cost of sales		(123,975)	(87,873)
Gross profit		27,108	30,265
Other income	5	4,050	4,847
Distribution and selling costs		(12)	(88)
Administrative costs		(5,333)	(5,361)
Other operating costs		(2,348)	(880)
Share of results of joint venture		490	11,548
Profit before taxation	6	23,955	40,331
Income tax expense	7	(4,178)	(4,399)
Profit for the year		19,777	35,932
Profit attributable to:			
Owners of the Company		19,777	35,932
Earnings per share (cents)			
Basic	8	3.9	7.0
Diluted	8	3.9	7.0

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(Amounts in Singapore dollars)

	Group	
	2017	**2016**
	S$'000	S$'000
Profit for the year	19,777	35,932
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net gain on fair value changes of available-for-sale financial assets	363	218
Other comprehensive income for the year, net of tax	363	218
Total comprehensive income for the year	20,140	36,150
Total comprehensive income attributable to:		
Owners of the Company	20,140	36,150

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

BALANCE SHEETS

AS AT 31 DECEMBER 2017
(Amounts in Singapore dollars)

	Note	Group 2017	Group 2016	Company 2017	Company 2016
		S$'000	S$'000	S$'000	S$'000
Non-current assets					
Property, plant and equipment	9	35,049	15,629	–	–
Investment properties	10	2,900	3,100	–	–
Investment in a joint venture	13	1,303	15,313	–	–
Investments in subsidiaries	11	–	–	37,814	37,814
Investment securities	14	23,013	26,765	–	–
Deferred tax assets	26	967	3,520	–	–
		63,232	64,327	37,814	37,814
Current assets					
Contract work-in-progress	15	9,989	7,708	–	–
Development properties	16	99,725	71,904	–	–
Trade receivables	17	19,457	13,661	–	–
Other receivables	18	1,432	429	49,258	56,469
Amounts due from joint ventures	23	7,512	1,357	–	–
Prepayments and deposits	19	2,718	1,427	–	–
Investment securities	14	9,330	4,460	–	–
Cash and short term deposits	20	132,081	205,984	5,245	42,285
		282,244	306,930	54,503	98,754
Current liabilities					
Trade and other payables	21	62,860	50,322	474	508
Amounts due to joint venture partners	22	7,509	1,209	–	–
Amounts due to a joint venture	23	2	–	–	–
Progress billings in excess of work-in-progress	15	36,507	30,385	–	–
Progress billings to customers		1,566	455	–	–
Advance received from customer		5,277	–	–	–
Provisions	24	13,058	26,797	–	–
Loans and borrowings	25	–	13	–	–
Provision for taxation		2,190	1,562	138	130
		128,969	110,743	612	638
Net current assets		153,275	196,187	53,891	98,116

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

BALANCE SHEETS

AS AT 31 DECEMBER 2017
(Amounts in Singapore dollars)

		Group		Company	
	Note	**2017**	**2016**	**2017**	**2016**
		S$'000	S$'000	S$'000	S$'000
Non-current liabilities					
Loans and borrowings	25	15,090	15,490	–	–
		15,090	15,490	–	–
Net assets		201,417	245,024	91,705	135,930
Equity attributable to owners of the Company					
Share capital	27	58,956	58,956	58,956	58,956
Capital reserve	28	1,000	1,000	–	–
Fair value adjustment reserve	29	540	177	–	–
Accumulated profits		157,160	201,130	32,749	76,974
Merger deficit	30	(16,239)	(16,239)	–	–
Total equity		201,417	245,024	91,705	135,930

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(Amounts in Singapore dollars)

	Attributable to owners of the Company						
2017 Group	**Share capital (Note 27)**	**Capital reserve (Note 28)**	**Fair value adjustment reserve (Note 29)**	**Accumulated profits**	**Merger deficit (Note 30)**	**Total reserves**	**Total equity**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Opening balance at 1 January 2017	58,956	1,000	177	201,130	(16,239)	186,068	245,024
Profit for the year	–	–	–	19,777	–	19,777	19,777
Other comprehensive income							
Net gain on fair value changes of available-for-sale financial assets	–	–	363	–	–	363	363
Total comprehensive income for the year	–	–	363	19,777	–	20,140	20,140
Contributions and distributions to owners							
Dividends on ordinary shares (Note 32)	–	–	–	(63,747)	–	(63,747)	(63,747)
Total transactions with owners in their capacity as owners	–	–	–	(63,747)	–	(63,747)	(63,747)
At 31 December 2017	58,956	1,000	540	157,160	(16,239)	142,461	201,417

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)
(Amounts in Singapore dollars)

	Attributable to owners of the Company						
2016 Group	**Share capital (Note 27)**	**Capital reserve (Note 28)**	**Fair value adjustment reserve (Note 29)**	**Accumulated profits**	**Merger deficit (Note 30)**	**Total reserves**	**Total equity**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Opening balance at 1 January 2016	58,956	1,000	(41)	177,948	(16,239)	162,668	221,624
Profit for the year	–	–	–	35,932	–	35,932	35,932
Other comprehensive income							
Net gain on fair value changes of available-for-sale financial assets	–	–	218	–	–	218	218
Total comprehensive income for the year	–	–	218	35,932	–	36,150	36,150
Contributions and distributions to owners							
Dividends on ordinary shares (Note 32)	–	–	–	(12,750)	–	(12,750)	(12,750)
Total transactions with owners in their capacity as owners	–	–	–	(12,750)	–	(12,750)	(12,750)
At 31 December 2016	58,956	1,000	177	201,130	(16,239)	186,068	245,024

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)
(Amounts in Singapore dollars)

2017 Company	**Share capital (Note 27)**	**Accumulated profits**	**Total equity**
	S$'000	S$'000	S$'000
At 1 January 2017	58,956	76,974	135,930
Profit, representing total comprehensive income, for the year	–	19,522	19,522
Contributions by and distributions to owners			
Dividends on ordinary shares (Note 32)	–	(63,747)	(63,747)
Total transactions with owners in their capacity as owners	–	(63,747)	(63,747)
At 31 December 2017	58,956	32,749	91,705

2016 Company	**Share capital (Note 27)**	**Accumulated profits**	**Total equity**
	S$'000	S$'000	S$'000
At 1 January 2016	58,956	46,123	105,079
Profit, representing total comprehensive income, for the year	–	43,601	43,601
Contributions by and distributions to owners			
Dividends on ordinary shares (Note 32)	–	(12,750)	(12,750)
Total transactions with owners in their capacity as owners	–	(12,750)	(12,750)
At 31 December 2016	58,956	76,974	135,930

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(Amounts in Singapore dollars)

	2017	2016
	S$'000	S$'000
Cash flows from operating activities		
Profit before taxation	23,955	40,331
Adjustments for:		
Allowance for doubtful trade receivables	–	40
Depreciation of property, plant and equipment	3,975	2,355
Dividend income from investment securities (Fair value through profit or loss and available-for-sale)	(101)	(130)
(Gain)/loss on disposal of property, plant and equipment	(190)	6
Gain on sale of investment securities (Fair value through profit or loss)	–	(45)
Fair value loss on investment properties (net)	200	250
Fair value (gain)/loss on investment securities (Fair value through profit or loss)	(125)	131
Impairment loss on investment securities (held-to-maturity)	1,132	250
Interest expense	–	2
Interest income	(3,315)	(4,319)
Share of results of joint venture	(490)	(11,548)
Unrealised loss on foreign exchange	182	–
Operating cash flows before changes in working capital	25,223	27,323
(Increase)/decrease in:		
Contract work-in-progress	(2,281)	4,395
Trade receivables	(5,796)	(7,266)
Development properties	(27,821)	(25,194)
Other receivables	(1,008)	(281)
Prepayments and deposits	(1,291)	(995)
(Decrease)/increase in:		
Trade and other payables and provisions	(1,201)	(18,484)
Progress billings in excess of work-in-progress	6,122	28,557
Progress billings to customers for development projects	1,111	455
Advance payment received for construction project	5,277	–
Cash flows (used in)/generated from operations	(1,665)	8,510
Interest received – loans and receivables	1,717	2,807
Income tax paid	(997)	(5,695)
Cash flows (used in)/generated from operating activities	(945)	5,622

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)
(Amounts in Singapore dollars)

	2017	2016
	S$'000	S$'000
Cash flows from investing activities		
Dividend income from investment securities	101	130
(Increase)/decrease in amounts due from joint ventures	(6,153)	59,094
Decrease in amounts due from joint venture partners	6,300	1,220
Proceeds from disposal of property, plant and equipment	345	20
Proceeds from sale of investment securities		
(Fair value through profit or loss)	–	1,950
Proceeds from maturity of investment securities (held-to-maturity)	6,031	5,750
Purchases of property, plant and equipment	(23,550)	(9,108)
Purchases of investment securities (held-to-maturity)	(7,656)	(5,815)
Dividend received from a joint venture	14,500	1,500
Interest received – investment securities (held-to-maturity)	1,466	1,517
Net cash flows (used in)/generated from investing activities	(8,616)	56,258
Cash flows from financing activities		
Dividends paid on ordinary shares	(63,747)	(12,750)
Repayment of bank loans	(400)	–
Repayment of obligation under finance lease	(13)	(53)
Net cash flows used in financing activities	(64,160)	(12,803)
Net (decrease)/increase in cash and cash equivalents	(73,721)	49,077
Effect of exchange rate changes on cash and cash equivalents	(182)	–
Cash and cash equivalents at the beginning of year	205,984	156,907
Cash and cash equivalents at the end of year (Note 20)	132,081	205,984

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. Corporate information

Hock Lian Seng Holdings Limited (the "Company") is a limited liability company, which is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and the principal place of business of the Company is located at 80 Marine Parade Road, #16-08 Parkway Parade, Singapore 449269.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries, joint operations and joint venture are disclosed in Notes 11, 12 and 13 respectively.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

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

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the impact on adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 Disclosure initiative. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016)	
- Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to FRSs (March 2018)	
- Amendments to FRS 103 *Business Combinations*	1 January 2019
- Amendments to FRS 111 *Joint Arrangements*	1 January 2019
- Amendments to FRS 12 *Income Taxes*	1 January 2019
- Amendments to FRS 23 *Borrowing Costs*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

<u>SFRS(I) 9 *Financial Instruments*</u>

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 9 in 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

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

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

(a) Classification and measurement

For debt securities, the Group currently measures its held-to-maturity debt instruments assets at amortised cost using the effective interest method, less impairment. As the Group's debt instruments are expected to give rise to cash flows representing solely payments of principal and interest, the Group will continue to measure its currently held-to-maturity debt instruments assets at amortised cost. The Group does not expect any significant impact arising from these changes.

For quoted equity securities, the Group will continue to measure its currently held-for-trading equity securities at fair value though profit or loss ("FVTPL"). The Group does not expect any significant impact arising from these changes.

The Group currently measures its available-for-sale quoted equity securities through other comprehensive income ("FVOCI"). Under SFRS(I) 9, the Group will irrevocably elect to measure its currently held available-for-sale unquoted equity securities through FVOCI. In addition, gains and losses in OCI are not recycled on disposal and there will be no impairment accounting.

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a significant impact on its equity due to nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

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

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary assessment of adopting SFRS(I) 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 in 2018. The Group is in the businesses of civil engineering, properties development and properties investment. The Group expects the following impact upon adoption of SFRS(I) 15:

a) Civil engineering

The Group currently records revenue using percentage-of-completion method by reference to the professional surveys of performance completed to-date. On the adoption of SFRS(I) 15, the Group will recognise revenue using percentage-of-completion method by reference to the proportion of contract cost incurred to-date to the estimated total contract costs method. Accordingly, the Group expects to record an adjustment to reduce profits before tax by S$2,252,000 with a corresponding increase in contract liabilities for the financial year ended 31 December 2017, and a decrease in opening accumulated profits of S$1,832,000.

b) Properties development

The Group expects that the adoption of SFRS(I) 15 will have no material impact on the properties development segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

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

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

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for leases – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

2.4 Functional and foreign currency

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

Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.5 Subsidiaries

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

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

2.6 Basis of consolidation and business combinations

a) Basis of consolidation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.6 Basis of consolidation and business combinations (cont'd)

a) Basis of consolidation (cont'd)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or accumulated profits, as appropriate.

b) Business combinations

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

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

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger deficit.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.7 Joint arrangements

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

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

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

a) Joint operations

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

(i) its assets, including its share of any asset held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its share of the revenue of the joint operation; and
(iv) its expenses, including its share of any expenses incurred jointly.

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

b) Joint ventures

The Group accounts for its investments in joint ventures using the equity method from the date on which it becomes a joint venture.

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

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

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery and equipment	-	10 years
Motor vehicles	-	5 years
Office equipment	-	3 years
Furniture and fittings	-	10 years

Capital work-in-progress included in plant and equipment are not depreciated as these assets are not yet available for use.

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

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

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

2.9 Investment properties

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

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

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

Investment properties are de-recognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.10 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.11 Financial assets

Initial recognition and measurement

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss exclude exchange differences, interest and dividend income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

Subsequent measurement (cont'd)

(a) Financial assets at fair value through profit or loss (cont'd)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise equity securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(d) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are de-recognised or impaired, and through the amortisation process.

De-recognition

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

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.14 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when:

i) Total contract revenue can be measured reliably;
ii) It is probable that the economic benefits associated with the contract will flow to the entity;
iii) The costs to complete the contract and the stage of completion can be measured reliably; and
iv) The contract costs attributable to the contract can be clearly identified and measured reliably so that actual costs incurred can be compared with prior estimates.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that related directly to a specific contract comprise: site labour costs (including site supervision); cost of materials used in construction; depreciation of equipment used on the contract; cost of designs and technical assistance that is directly related to the contract.

The stage of completion is measured by reference to professional surveys of work performed. In evaluating the stage of completion, the Group relies on past experience and the work of specialists.

2.15 Development properties

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

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

The costs of development properties include:

- Leasehold rights for land;

- Amounts paid to contractors for construction, and

- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sales of real estate units are capitalised when incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.15 Development properties (cont'd)

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

Development properties for which revenue is recognised using the percentage of completion method is stated at cost plus estimated profits to-date less progress billings. For other development properties for which revenue is recognised using the completed contract method, these are stated at cost while progress billings are presented separately as "progress billings to customers" in the balance sheet.

2.16 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.17 Provisions (cont'd)

Provisions for maintenance and warranties

The Group provides for maintenance and warranty claims on contractual items with customers after the substantial completion of projects.

The provisions for maintenance and warranties represent the best estimate of the Group's legal or constructive obligations at the balance sheet date. The majority of the costs is expected to be incurred over the applicable warranty periods. The assumptions used to estimate maintenance and warranties provisions are reviewed periodically in light of actual experience.

2.18 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in the profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.19 Borrowing costs

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

2.20 Employee benefits

(i) Defined contribution plans

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

(iii) Equity-settled share-based payment transactions

Selected employees of the Group received remuneration in the form of shares as consideration for services rendered.

The cost of equity-settled share-based payment transactions is measured by reference to the fair value of the shares at the grant date and is recognised in profit or loss with recognition of a corresponding equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.21 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

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

(ii) As lessor

Leases in which the Group does not transfer substantially all the risk and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.22(iii). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(i) Contract revenue

Revenue from contract services is recognised by reference to the stage of completion when it can be measured reliably. The stage of completion is determined based on professional surveys of work performed.

Where the outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.22 Revenue (cont'd)

(ii) Sales of completed development properties and development properties under construction

Revenue from sales of completed development properties and development properties under construction is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer (i.e. revenue is recognised using the completed contract method). If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses.

In Singapore context, INT FRS 115 *Agreements for the Construction of Real Estate* includes an accompanying note on application of INT FRS 115 in Singapore which requires the percentage of completion method of revenue recognition to be applied to the sale of private residential properties in Singapore prior to completion of the properties that are regulated under the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and uses the standard form of sale and purchase agreements (SPAs) prescribed in the Housing Developers Rules. The accompanying note to INT FRS 115 does not address the accounting treatment for other SPAs, including SPAs with a Deferred Payment Scheme feature in Singapore.

In the case whereby the percentage of completion method is used, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. The costs incurred will be based on surveys/certifications of work performed as construction progresses.

(iii) Rental income

Rental income arising from the investment properties are recognised on a straight-line basis over the period of the lease.

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Dividend income

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

(vi) Supply of labour and services provided

Revenue from supply of labour and services provided is recognised upon service rendered.

2.23 Taxes

(a) Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(b) Deferred tax

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.24 Share capital and share issuance expenses

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

2.25 Contingencies

A contingent liability is:

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

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

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

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

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

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

3. Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period.

3.1 Key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. Significant accounting estimates and judgments (cont'd)

3.1 Key sources of estimation uncertainty (cont'd)

- ***Construction contracts***

  The Group recognises contract revenue based on the stage of completion method. The stage of completion is determined based on surveys of work performed.

  Significant estimate is required in determining the stage of completion, as well as the estimated total contract costs. In making the estimate, the Group evaluates the stage of completion and the estimated total costs by relying on past experience and the work of the project engineers.

  The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 15. If the estimated total contract cost had been 1% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been S$551,000 (2016: S$31,000) lower and S$2,680,000 (2016: S$1,851,000) higher respectively.

- ***Provision for maintenance and warranties***

  The Group provides for maintenance and warranties based on the estimated rectification costs to be incurred for construction projects during the defect liability and warranty periods.

  Significant estimate is required in determining the expected cost to be incurred for the maintenance and warranties. In making the estimate, the Group rely on actual claim experiences and its best estimates of the expenditures expected to be incurred over the remaining warranty periods.

  The carrying amount of the provision for maintenance and warranties for construction contracts at the end of each reporting period is disclosed in Note 24. If the estimated total maintenance and warranty costs had been 5% higher than management estimate, the carrying amount of the provision for maintenance and warranties arising from construction contracts would have been S$653,000 (2016: S$1,340,000) higher.

- ***Carrying value of held-to-maturity investments***

  Held-to-maturity investments in quoted corporate bonds are carried at amortised cost. The impairment assessment of the quoted bonds requires significant management estimate as these quoted bonds are issued by corporations operating in various industries and countries, and management's impairment assessment requires consideration of the specific local market risks to which the corporations are subject to.

  The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the bond issuer and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the bond issuer's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the bond issuer operates in. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated.

  The carrying value of the Group's held-to-maturity investments as at 31 December 2017 is S$ 25,617,000 (2016: S$25,775,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. Revenue

	Group	
	2017	**2016**
	S$'000	S$'000
Contract revenue	148,917	117,361
Revenue from sale of development properties (on completed contract basis)	1,230	–
Rental income from investment properties	265	186
Supply of labour and services provided	671	591
	151,083	118,138

5. Other income

	Group	
	2017	**2016**
	S$'000	S$'000
Gain on disposal of property, plant and equipment	190	–
Gain on sale of investment securities (Fair value through profit or loss)	–	45
Fair value gain on investment securities	125	–
Dividend income from investment securities (Fair value through profit or loss and available-for-sale)	101	130
Interest income from:		
- Loans and receivables	1,717	2,807
- Investment securities (Held-to-maturity)	1,598	1,512
Sundry income	319	353
	4,050	4,847

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. Profit before taxation

The following items have been included in arriving at profit before taxation:

	Group 2017	Group 2016
	S$'000	S$'000
Allowance for doubtful trade receivables	–	40
Depreciation of property, plant and equipment	3,975	2,355
Fair value loss on investment securities (Fair value through profit or loss)	–	131
Impairment loss on investment securities (held-to-maturity)	1,132	250
Fair value loss on investment properties (net)	200	250
Loss on disposal of property, plant and equipment	–	6
Unrealised loss on foreign exchange	182	–
Net fair value loss on derivatives	530	–
Interest expense – finance lease	–	2
Operating lease expenses	279	267
Employee benefits expense (Note A)	30,679	21,163
Audit fees paid to:		
- Auditor of the Company	183	182
Non-audit fees paid to:		
- Auditor of the Company	33	30

Note A: Employee benefits expense

	Group 2017	Group 2016
Employee benefit expense (including directors):		
Salaries, bonus and other benefits	26,711	18,639
Defined contribution plans	3,968	2,524
	30,679	21,163

7. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group 2017	Group 2016
	S$'000	S$'000
Consolidated income statement:		
Current income tax:		
- current income taxation	1,665	1,214
- over provision in respect of previous years	(40)	(192)
Deferred income tax:		
- origination and reversal of temporary differences	2,553	3,377
Income tax expense recognised in profit or loss	4,178	4,399

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. Income tax expense (cont'd)

Relationship between income tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group	
	2017	2016
	S$'000	S$'000
Profit before taxation	23,955	40,331
Tax at Singapore statutory tax rate of 17% (2016: 17%)	4,072	6,856
Adjustments:		
Non-deductible expenses	777	652
Income not subject to taxation	(68)	(252)
Effect of partial tax exemption	(96)	(104)
Effect of tax at concessionary rate of 10%	(95)	(79)
Over provision in respect of previous years	(40)	(192)
Share of results of joint ventures	(83)	(1,962)
Tax incentive under Productivity and Innovation credit	(247)	(442)
Corporate income tax rebates	(30)	(78)
Benefits from previously unrecognised tax losses	(12)	–
Income tax expense recognised in profit or loss	4,178	4,399

8. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing the profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no potential dilutive ordinary shares existing during the respective financial years.

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

	Group	
	2017	2016
	S$'000	S$'000
Profit for the year, attributable to owners of the Company for basic and diluted earnings per share (S$'000)	19,777	35,932
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share ('000)	509,979	509,979

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. Property, plant and equipment

Group	Capital work-in-progress	Building	Office premises	Machinery and equipment	Motor vehicles	Office equipment	Furniture and fittings	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Cost								
At 1 January 2016	–	–	–	14,791	4,430	490	176	19,887
Additions	3,935	–	–	2,944	2,006	223	–	9,108
Disposals	–	–	–	(42)	(369)	(66)	–	(477)
At 31 December 2016 and 1 January 2017	3,935	–	–	17,693	6,067	647	176	28,518
Additions	2,742	4,847	6,751	3,658	5,229	134	189	23,550
Reclassification	–	–	–	(6)	6	–	–	–
Disposals				(1,828)	(153)	(11)	(156)	(2,148)
At 31 December 2017	6,677	4,847	6,751	19,517	11,149	770	209	49,920
Accumulated depreciation								
At 1 January 2016	–	–	–	8,441	2,084	333	127	10,985
Charge for the year	–	–	–	1,471	748	119	17	2,355
Disposals	–	–	–	(28)	(357)	(66)	–	(451)
At 31 December 2016 and 1 January 2017	–	–	–	9,884	2,475	386	144	12,889
Charge for the year	–	156	110	1,774	1,759	158	18	3,975
Disposals	–	–	–	(1,697)	(152)	(11)	(133)	(1,993)
At 31 December 2017	–	156	110	9,961	4,082	533	29	14,871
Net carrying amount								
At 31 December 2017	6,677	4,691	6,641	9,556	7,067	237	180	35,049
At 31 December 2016	3,935	–	–	7,809	3,592	261	32	15,629

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. Investment properties

	Group	
	2017	**2016**
	S$'000	S$'000
Balance sheet:		
At 1 January	3,100	3,350
Net loss from fair value adjustments recognised in profit or loss	(200)	(250)
At 31 December	2,900	3,100
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	265	186
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	(97)	(55)

The investment properties held by the Group as at 31 December 2017 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
Office premises, 80 Marine Parade Road, #09-07, Singapore (99 years lease)	Office	Leasehold	61 years
Light industry workshop, #60 Kaki Bukit Avenue 6, Singapore (30 years lease)	Workshop	Leasehold	25 years

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

The leasehold office premises and light industry workshop in Singapore are stated at fair value, which has been determined based on valuation performed in December 2017. The valuations were performed by Colliers International Consultancy & Valuation (S) Pte Ltd, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The valuations are based on the Direct Comparison Method that makes reference to market evidence of transaction prices for similar properties in the open market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. Investments in subsidiaries

	Company	
	2017	**2016**
	S$'000	S$'000
Shares, at cost	37,814	37,814

Details of subsidiaries as at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest 2017	Proportion (%) of ownership interest 2016
Hock Lian Seng Infrastructure Pte Ltd	Singapore	Provision of civil engineering works and rental of workers' dormitory	100	100
Hock Lian Seng Properties Pte Ltd	Singapore	Rental of property, property development and property related activities	100	100
HLS Development Pte Ltd	Singapore	Property development and property related activities	100	100
First Shine Properties Pte Ltd	Singapore	Investment holding and property related activities	100	100
First Shine Management Services Pte Ltd	Singapore	Lodging and accommodation related activities	100	100
Beacon Properties Pte Ltd	Singapore	Property development and property related activities	100	100

All subsidiaries are audited by Ernst & Young LLP, Singapore.

NOTES TO THE FINANCIAL STATEMENTS

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12. Investments in joint operations

The Group has interests in two unincorporated joint arrangements. The Group has classified the joint arrangements as joint operations and recognised in relation to its interests in the joint operations, its share of assets held jointly and liabilities incurred jointly. The details of the joint operations as at 31 December 2017 and 2016 are as follows:

Name of partnership	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest 2017	2016
GS Engineering & Construction – Hock Lian Seng Infrastructure Joint Venture	Singapore	Provision of civil engineering and infrastructure works	50	50
Hock Lian Seng Infrastructure – Sembcorp Design and Construction JV	Singapore	Provision of civil engineering works	60	60

All joint operations are audited by Ernst & Young LLP, Singapore.

13. Investment in joint venture

The Group's investment in joint venture is summarised below:

	Group 2017	2016
	S$'000	S$'000
Bukit Timah Green Development Pte Ltd	1,303	15,313

The Group has 50% (2016: 50%) interest in the ownership and voting rights in the joint venture. The Group jointly controls the venture with other partners under contractual agreements which require unanimous consent for all major decisions over the relevant activities. The details of the joint venture as at 31 December are as follows:

Name of partnership	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest 2017	2016
Bukit Timah Green Development Pte Ltd	Singapore	Property development and property related activities	50	50

The joint venture is audited by Ernst & Young LLP, Singapore.

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13. Investment in joint venture (cont'd)

Summarised financial information in respect of Bukit Timah Green Development Pte Ltd based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	Bukit Timah Green Development Pte Ltd	
	2017	**2016**
	S$'000	S$'000
Cash and cash equivalents	10,040	11,735
Trade receivables	117	34,611
Other receivables	29	29
Current assets	10,186	46,375
Trade and other payables	(7,467)	(9,099)
Provision for tax	(114)	(6,650)
Current liabilities	(7,581)	(15,749)
Net assets	2,605	30,626
Proportion of the Group's ownership	50%	50%
Group's share of net assets	1,303	15,313
Carrying amount of the investment	1,303	15,313

Summarised statement of comprehensive income

	Bukit Timah Green Development Pte Ltd	
	2017	**2016**
	S$'000	S$'000
Revenue	–	91,452
Cost of sales	553	(64,392)
Gross profit	553	27,060
Other income	–	24
Operating expenses	(9)	(830)
Profit before tax	544	26,254
Tax expense	(54)	(4,425)
Profit after tax and total comprehensive income	490	21,829

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14. Investment securities

	Group	
	2017	2016
	S$'000	S$'000
Non-current		
Held-to-maturity investments (quoted)	17,621	22,524
Available-for-sale financial assets		
Equity instruments (quoted)	5,392	4,241
	23,013	26,765
Current		
Held-to-maturity investments (quoted)	7,996	3,251
Financial assets at fair value through profit or loss		
Equity instruments (quoted)	1,334	1,209
	9,330	4,460

Held-to-maturity investment in quoted corporate bonds were made for varying coupon rates ranging from 3.0% to 7.5% (2016: 3.15% to 7.0%) per annum, with maturity dates ranging from 2018 to 2027.

15. Contract work-in-progress/(progress billings in excess of work-in-progress)

	Group	
	2017	2016
	S$'000	S$'000
Aggregate amount of costs incurred and recognised profits to date	862,072	1,052,721
Less: Progress billings	(888,590)	(1,075,398)
	(26,518)	(22,677)
Presented as:		
Contract work-in-progress	9,989	7,708
Progress billings in excess of work-in-progress	(36,507)	(30,385)
	(26,518)	(22,677)

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16. Development properties

	Group	
	2017	2016
	S$'000	S$'000
Completed properties, at cost	8,461	9,113
Properties under construction:		
Leasehold land	31,136	31,136
Development costs	60,128	31,655
	99,725	71,904
At 1 January	71,904	46,710
Construction costs incurred	28,096	24,765
Interest capitalised	414	429
Disposals (recognised in cost of sales)	(689)	–
At 31 December	99,725	71,904

During the financial year, borrowing costs of S$414,000 (2016: S$429,000), arising from borrowings obtained specifically for the development properties were capitalised under "Development costs" for properties under construction. The rates used to determine the amount of borrowing costs eligible for capitalisation range from 2.61% to 2.72% (2016: 1.37% to 2.98%) per annum, which are the effective interest rates of the specific borrowings.

The cost of the properties under construction amounting to S$91,264,000 (2016: S$62,791,000) is expected to be recovered more than twelve months after the reporting period.

The carrying amount of the development properties under construction has been pledged as security for a bank loan (Note 25).

List of development properties

Description and location	% owned	Site area (square metre)	Approximate saleable floor area (square metre)	Stage of completion as at date of annual report (expected year of completion)
Industrial property at Tuas South Avenue 7	100	25,700	49,489	97% (2018)
Industrial property at Gambas Avenue	100	21,427	49,046	100% (2014*)

* The construction of the industrial property was completed in 2014.

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17. Trade receivables

	Group 2017	Group 2016
	S$'000	S$'000
Trade receivables	19,531	13,735
Allowance for impairment	(74)	(74)
	19,457	13,661

Trade receivables

Trade receivables are non-interest bearing and are generally on 14-56 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group has trade receivables amounting to S$Nil (2016: S$2,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group 2017	Group 2016
	S$'000	**S$'000**
Trade receivables past due but not impaired:		
More than 90 days	–	2
	–	2

Receivables that are impaired

The Group's trade receivables that are impaired at the end of reporting period and the movement of the allowance account used to record the impairment is as follows:

	Group Individually impaired 2017	Group Individually impaired 2016
	S$'000	S$'000
Trade debtors - nominal amounts	74	74
Less: Allowance for impairment	(74)	(74)
	–	–
Movement in allowance account:		
At 1 January	74	34
Charge for the year	–	40
At 31 December	74	74

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

At end of the reporting period, the Group has provided an allowance of S$74,000 (2016: S$74,000) for impairment of an amount due from an external trade debtor relating to a back-charge as the debtor has defaulted on payments.

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18. Other receivables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	S$'000	S$'000	S$'000
Other debtors	1,432	429	–	–
Dividend receivable from a subsidiary	–	–	–	36,220
Amounts due from subsidiaries	–	–	1,294	1,162
Loans due from subsidiaries	–	–	47,964	19,087
	1,432	429	49,258	56,469

Amounts due from subsidiaries are non-trade related, non-interest bearing, unsecured, repayable on demand and is to be settled in cash. The amounts relate to management fee and payroll costs of seconded staff charged to subsidiaries.

Loans due from subsidiaries are unsecured, bear interest at 1.43% (2016: 1.37%) per annum, repayable on demand and are to be settled in cash.

19. Prepayments and deposits

	Group	
	2017	**2016**
	S$'000	S$'000
Prepayments	2,175	1,014
Deposits	543	413
	2,718	1,427

20. Cash and short term deposits

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	S$'000	S$'000	S$'000
Cash at banks and on hand	26,250	28,362	260	465
Short term deposits	105,831	177,622	4,985	41,820
Cash and short term deposits	132,081	205,984	5,245	42,285

Short term deposits are made for varying periods of between 1 month to 3 months depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The average effective interest rates as at 31 December 2017 for the Group and the Company were 0.88% (2016: 1.06%) per annum and 0.97% (2016: 1.39%) per annum respectively.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group	
	2017	**2016**
	S$'000	S$'000
United States Dollar	14,091	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. Cash and short term deposits (cont'd)

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2017	2016
	S$'000	S$'000
Cash at banks and on hand	26,250	28,362
Short term deposits	105,831	177,622
Cash and cash equivalents	132,081	205,984

21. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Current				
Trade payables	8,414	7,305	4	1
Accrued operating expenses	53,165	42,554	428	431
Deposits received	172	47	–	–
GST payables	988	413	40	75
Other payables	121	3	2	1
	62,860	50,322	474	508

Trade payables

Trade payables are non-interest bearing and are normally settled on 30-60 days' terms.

Other payables

Other payables are non-interest bearing and have an average term of 2 months.

22. Amounts due to joint venture partners

Amounts due to joint venture partners are trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. Amounts due from/(to) a joint venture

	Group	
	2017	**2016**
	S$'000	S$'000
Amounts due from a joint venture – non trade	7,440	1,200
Amounts due from joint ventures – trade	72	157
	7,512	1,357
Amounts due to a joint venture	2	–

Amounts due from joint ventures are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. The non-trade amounts relate to advances and payroll costs of seconded staff to the joint venture during the year.

24. Provision for maintenance and warranties

	Group	
	2017	**2016**
	S$'000	S$'000
At 1 January	26,797	45,388
Utilised	(2,478)	(3,742)
Write-back	(11,261)	(14,849)
At 31 December	13,058	26,797

Maintenance and warranties

The Group provides for maintenance and warranties claims on contracted items with customers after the substantial completion of projects. The amount of the provisions for maintenance and warranties are based on past experience of the level of maintenance and rectification work. The estimation basis is reviewed on an ongoing basis and revised when appropriate.

During the financial year, based on the warranty claims experience, management concluded that the provision for maintenance and warranties exceeded the amount necessary to cover maintenance and warranty claims on contract works. Accordingly, S$11,261,000 (2016: S$14,849,000) of the maintenance and warranty provisions have been reversed.

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25. Loans and borrowings

		Group	
	Maturity	2017	2016
		S$'000	S$'000
Non-current:			
Bank loan	2019	15,090	15,490
		15,090	15,490
Current:			
Obligation under finance lease (Note 31(b))	2016	–	13
		15,090	15,503

Bank loan

The bank loan is arranged at floating interest rate and is reset at intervals of 6 months based on changes to the bank's cost of funds. The interest rates range from 2.61% to 2.72% (2016: 2.71% to 2.97%) per annum. The bank loan is repayable in full by February 2019.

The bank loan is secured by:

(i) a first legal mortgage over a subsidiary's leasehold land and the proposed development with a total carrying amount of S$91,264,000 (2016: S$62,791,000) at the end of the reporting period (Note 16); and

(ii) corporate guarantees executed by the Company.

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

	2016	Cash flows	2017
	S$'000	S$'000	S$'000
Loans and borrowings			
- current	13	(13)	–
- non-current	15,490	(400)	15,090
Total	15,503	(413)	15,090

NOTES TO THE FINANCIAL STATEMENTS

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26. Deferred taxation

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Gross deferred tax assets				
Provisions	2,254	4,545	2,291	3,167
Unutilised tax losses	–	–	–	235
Others	292	166	(126)	(166)
	2,546	4,711		
Gross deferred tax liabilities				
Excess of net carrying value of property, plant and equipment over tax written down value	(1,579)	(1,191)	388	141
	(1,579)	(1,191)		
Net deferred tax assets	967	3,520		
Deferred tax expense			2,553	3,377

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately S$149,600 (2016: S$192,400) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date.

Tax consequences of proposed dividends

There are no income tax consequences (2016: S$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 32).

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27. Share capital

	Group and Company			
	2017	**2017**	**2016**	**2016**
	No. of shares '000	S$'000	No. of shares '000	S$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	509,979	58,956	509,979	58,956

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

28. Capital reserve

Capital reserve records the costs of share-based payments, in the form of 4,000,000 shares transferred from the former shareholders to certain selected employees of the Group as consideration for their services received, which is measured by reference to the fair value of the shares at the grant date.

29. Fair value adjustment reserve

Fair value adjustment reserve records the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

	Group	
	2017	**2016**
	S$'000	S$'000
At 1 January	177	(41)
Gain on fair value changes of available-for-sale financial assets during the year	363	218
At 31 December	540	177

30. Merger deficit

The merger deficit records the difference between the purchase consideration and the share capital of a subsidiary acquired from an entity under common control.

NOTES TO THE FINANCIAL STATEMENTS

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31. Commitments

(a) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties.

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

	Group 2017	Group 2016
	S$'000	S$'000
Not later than one year	160	176
Later than one year but not later than five years	60	–
	220	176

(b) Finance lease commitments

The Group has finance lease for a motor vehicle. The lease has term of renewal but no purchase option and escalation clause. Renewal is at the option of the specific entity that holds the lease.

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

	2017			2016		
	Maturity	Minimum lease payments	Present value of payments (Note 25)	Maturity	Minimum lease payments	Present value of payments (Note 25)
		S$'000	S$'000		S$'000	S$'000
Not later than one year	2017	–	–	2016	13	13
Later than one year but not later than five years	2017	–	–	2017	–	–
Total minimum lease payments		–	–		13	13
Less:						
Amounts representing finance charges		–	–		–	–
Present value of minimum lease payments		–	–		13	13

NOTES TO THE FINANCIAL STATEMENTS

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32. Dividends

	Group and Company	
	2017	**2016**
	S$'000	S$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final tax-exempt (one-tier) dividend for 2017: S$0.125 (2016: S$0.025) per share	63,747	12,750
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
Final tax-exempt (one-tier) dividends for 2017: S$0.018 (2016: S$0.125) per share	9,180	63,747

33. Related party transactions

(a) Sales and purchase of services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2017	**2016**
	S$'000	S$'000
Rental paid to:		
- A company related to a director	109	267

(b) Compensation of key management personnel

	Group	
	2017	**2016**
	S$'000	S$'000
Salaries and other remuneration	3,971	4,129
Defined contribution plans	153	153
Directors' fees	192	192
Total compensation paid to key management personnel	4,316	4,474
Comprise amounts paid to:		
- Directors of the Company	2,182	2,916
- Other key management personnel	2,134	1,558
	4,316	4,474

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

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34. Contingent liabilities

The Company has provided financial guarantee to a bank in respect of the bank loan of its subsidiary with a carrying amount of S$15,090,000 (2016: S$15,490,000). The fair value of such financial guarantees is not expected to be material as the loan is collateralised against the Group's development properties. Accordingly, the fair value of the financial guarantees has not been recognised.

35. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk, market price risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the years under review, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

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

<u>Sensitivity analysis for interest rate risk</u>

At the end of the reporting period, if SGD interest rates had been 100 (2016: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been S$1,472,000 (2016: S$1,586,000) higher/lower, arising mainly as a result of higher/lower interest income on cash and short term deposits, and the carrying amount of the Group's development properties as at 31 December 2017 would have been S$445,000 (2016: S$322,000) higher/lower, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings that were capitalised in development properties.

(b) Credit risk

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

The Group trades only with recognised and creditworthy third parties or government authorities. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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35. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

Excessive risk concentration

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

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels. The Group does not apply hedge accounting.

Exposure to credit risk

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

Since the Group trades only with recognised and creditworthy third parties or government authorities, there is no requirement for collateral.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

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35. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

Credit risk concentration profile

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

	Group			
	2017		2016	
	S$'000	% of total	S$'000	% of total
By country:				
Singapore	19,457	100.0	13,661	100.0
By industry sector:				
Civil engineering	18,595	95.5	13,539	99.1
Properties development	862	4.5	122	0.9
	19,457	100.0	13,661	100.0

At the end of the reporting period, approximately:

– 96% (2016: 98%) of the Group's trade receivables were due from government authorities of Singapore or government linked entities who are located in Singapore.

– None of the Group's trade receivables were due from related parties.

(c) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group has investment in quoted securities investment which is exposed to equity price risk. These investment are classified as fair value through profit or loss and available-for-sale financial assets. The Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the underlying quoted securities prices had been 1% (2016: 1%) higher/lower with all other variables held constant, the Group's profit before taxation would have been S$13,000 (2016: S$12,000) higher/lower, as a result of higher/lower fair value gains on quoted investment securities classified as fair value through profit or loss, and the Group's other comprehensive income would have been S$42,000 (2016: S$42,000) higher/lower, as a result of higher/lower fair value gains on quoted investment securities classified as available-for-sale.

(d) Liquidity risk

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

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effect of fluctuations in cash flows.

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35. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	2017				2016			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Group	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Financial assets:								
Investment securities (non-current)	–	14,778	6,359	21,137	–	16,719	9,879	26,598
Investment securities (current)	9,330	–	–	9,330	4,460	–	–	4,460
Trade receivables	19,457	–	–	19,457	13,661	–	–	13,661
Other receivables (exclude GST receivables)	1,432	–	–	1,432	429	–	–	429
Amounts due from joint ventures	7,512	–	–	7,512	1,357	–	–	1,357
Deposits	543	–	–	543	413	–	–	413
Cash and short term deposits	132,081	–	–	132,081	205,984	–	–	205,984
Total undiscounted financial assets	170,355	14,778	6,359	191,492	226,304	16,719	9,879	252,902
Financial liabilities:								
Trade and other payables (exclude GST payables)	(61,872)	–	–	(61,872)	(49,909)	–	–	(49,909)
Amounts due to joint venture partners	(7,509)	–	–	(7,509)	(1,209)	–	–	(1,209)
Amounts due to a joint venture	(2)	–	–	(2)	–	–	–	–
Advance received from customer	(5,277)			(5,277)	–	–	–	–
Loans and borrowings	–	(15,569)	–	(15,569)	(13)	(16,367)	–	(16,380)
Total undiscounted financial liabilities	(74,660)	(15,569)	–	(90,229)	(51,131)	(16,367)	–	(67,498)
Total net undiscounted financial assets/ (liabilities)	95,695	(791)	6,359	101,263	175,173	352	9,879	185,404

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

At 31 December 2017, the Group entered into a foreign exchange forward contract with gross inflow amounting to S$1,375,500 (2016: S$Nil) and gross outflow amounting S$1,336,600 (2016: S$Nil) with contracted gross cash flows due within 1 year.

Analysis of financial instruments by remaining contractual maturities (cont'd)

	2017 One year or less	2016 One year or less
Company	S$'000	S$'000
Financial assets:		
Other receivables	49,258	56,469
Cash and short term deposits	5,245	42,285
Total undiscounted financial assets	54,503	98,754
Financial liabilities:		
Trade and other payables (exclude GST payable)	(434)	(433)
Total undiscounted financial liabilities	(434)	(433)
Total net undiscounted financial assets	54,069	98,321

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantees could be called.

	2017			2016		
	One year or less	One to five years	Total	One year or less	One to five years	Total
Company	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Financial guarantees	–	15,090	15,090	–	15,490	15,490

(e) Foreign currency risk

The Group holds cash and short-term deposits denominated in a currency other than the functional currency of the Group, which is SGD. At the end of the reporting period, the foreign currency balances are denominated in USD. The Group is also exposed to currency translation risk arising from its cash and short-term deposits denominated in USD.

The Group utilises forward foreign exchange contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the group's purchases. At the end of the reporting period, the Group has an outstanding forward foreign exchange contract with a notional amount of S$1,375,500 (2016: S$Nil). The fair value of the derivative is negligible at year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. Financial risk management objectives and policies (cont'd)

(e) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

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

	Group	
	2017	**2016**
	S$'000	S$'000
	Profit before tax	
USD/SGD		
- Strengthened 3% (2016: 3%)	422	–
- Weakened 3% (2016: 3%)	(422)	–

36. Fair value of assets and liabilities

(a) Fair value hierarchy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value

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

	Group 2017 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
	S$'000	S$'000	S$'000	S$'000
Recurring fair value measurements				
Assets:				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)				
- Equity instruments (quoted)	1,334	–	–	1,334
Available-for-sale financial assets (Note 14)				
- Equity instruments (quoted)	5,392	–	–	5,392
Financial assets as at 31 December 2017	6,726	–	–	6,726
Non-financial assets:				
Investment properties (Note 10)				
- Office premises	–	–	1,400	1,400
- Workshop	–	–	1,500	1,500
Non-financial assets as at 31 December 2017	–	–	2,900	2,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. Fair value of assets and liabilities (cont'd)

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

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

	Group 2016 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
	S$'000	S$'000	S$'000	S$'000
Recurring fair value measurements				
Assets:				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)				
- Equity instruments (quoted)	1,209	–	–	1,209
Available-for-sale financial assets (Note 14)				
- Equity instruments (quoted)	4,241	–	–	4,241
Financial assets as at 31 December 2016	5,450	–	–	5,450
Non-financial assets:				
Investment properties (Note 10)				
- Office premises	–	–	1,400	1,400
- Workshop	–	–	1,700	1,700
Non-financial assets as at 31 December 2016	–	–	3,100	3,100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements

Information about significant unobservable inputs used in Level 3 fair value measurements

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

Description	Fair value at 31 December 2017	Valuation techniques	Significant unobservable inputs	Range (weighted average)
	S$'000			
Recurring fair value measurements				
Investment properties:				
- Office premises	1,400	Market comparable approach	Market price per square metre*	S$14,000 to S$25,650 per square metre
- Workshop	1,500	Market comparable approach	Market price per square metre*	S$2,870 to S$4,150 per square metre

Description	Fair value at 31 December 2016	Valuation techniques	Significant unobservable inputs	Range (weighted average)
	S$'000			
Recurring fair value measurements				
Investment properties:				
- Office premises	1,400	Market comparable approach	Market price per square metre*	S$15,600 to S$16,400 per square metre
- Workshop	1,700	Market comparable approach	Market price per square metre*	S$3,820 to S$5,860 per square metre

* Adjustments are made for any difference in the nature, location or condition of the specific property.

For office premises and workshop, a significant increase (decrease) in market price per square metre based on external valuation expert's assumptions would result in a significantly higher (lower) fair value measurement.

While the Group believes that its estimate of fair value is appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The Group believes that there are no reasonably possible alternative assumptions that will result in a significant change in fair value of the investment properties for the years ended 31 December 2016 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements (cont'd)

Movement in Level 3 assets measured at fair value

	Group
	S$'000
Fair value measurements using significant unobservable inputs (Level 3)	
Investment properties:	
At 1 January 2017	3,100
Net loss from fair value adjustments recognised in profit or loss	(200)
At 31 December 2017	2,900
At 1 January 2016	3,350
Net loss from fair value adjustments recognised in profit or loss	(250)
At 31 December 2016	3,100

Valuation policies and procedures

The Group's Chief Financial Officer (CFO) oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO reports to the Group's ARMC.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. The CFO is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance to perform the valuation.

For valuation performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the CFO for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The CFO documents and reports its analysis and results of the external/internal valuations to the ARMC on a quarterly basis. The ARMC performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the board of directors for approval.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. Fair value of assets and liabilities (cont'd)

(d) Assets and liabilities not carried at fair value for which fair value is disclosed

The following table shows an analysis of the Group's assets not measured at fair value as at 31 December 2017 but for which fair value is disclosed:

	Group 2017				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**	**Carrying amount**
	S$'000	S$'000	S$'000	S$'000	S$'000
Assets:					
Held-to-maturity investments (quoted)	24,985	–	–	24,985	25,617

	Group 2016				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**	**Carrying amount**
	S$'000	S$'000	S$'000	S$'000	S$'000
Assets:					
Held-to-maturity investments (quoted)	24,188	–	–	24,188	25,775

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair values of the financial assets by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group			
	2017		2016	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	S$'000	S$'000	S$'000	S$'000
Financial assets:				
Held-to-maturity investments (quoted) (Note 14)	25,617	24,985	25,775	24,188

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Financial instruments by category

Set out below is the carrying amount of each of the categories of the Group's and the Company's financial instruments that are carried in the financial statements:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale	Held-to-maturity	Liabilities at amortised cost
Group		S$'000	S$'000	S$'000	S$'000	S$'000
At 31 December 2017						
Assets						
Investment securities (non-current)	14	–	–	5,392	17,621	–
Investment securities (current)	14	–	1,334	–	7,996	–
Trade receivables	17	19,457	–	–	–	–
Other receivables	18	1,432	–	–	–	–
Amounts due from joint ventures	23	7,512	–	–	–	–
Deposits	19	543	–	–	–	–
Cash and short term deposits	20	132,081	–	–	–	–
Liabilities						
Trade and other payables (exclude GST payables)	21	–	–	–	–	61,872
Amounts due to joint venture partners	22	–	–	–	–	7,509
Amounts due to joint venture	23	–	–	–	–	2
Advance received from customer		–	–	–	–	5,277
Loans and borrowings	25	–	–	–	–	15,090
		161,025	1,334	5,392	25,617	89,750

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Financial instruments by category (cont'd)

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale	Held-to-maturity	Liabilities at amortised cost
Group		S$'000	S$'000	S$'000	S$'000	S$'000
At 31 December 2016						
Assets						
Investment securities (non-current)	14	–	–	4,241	22,524	–
Investment securities (current)	14	–	1,209	–	3,251	–
Trade receivables	17	13,661	–	–	–	–
Other receivables	18	429	–	–	–	–
Amounts due from joint ventures	23	1,357	–	–	–	–
Deposits	19	413	–	–	–	–
Cash and short term deposits	20	205,984	–	–	–	–
Liabilities						
Trade and other payables (exclude GST payables)	21	–	–	–	–	49,909
Amounts due to joint venture partners	22	–	–	–	–	1,209
Loans and borrowings	25	–	–	–	–	15,503
		221,844	1,209	4,241	25,775	66,621

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Financial instruments by category (cont'd)

	Note	Loans and receivables	Liabilities at amortised cost
		S$'000	S$'000
Company			
At 31 December 2017			
Assets			
Other receivables	18	49,258	–
Cash and short term deposits	20	5,245	–
Liabilities			
Trade and other payables (exclude GST payable)	21	–	434
		54,503	434
At 31 December 2016			
Assets			
Other receivables	18	56,469	–
Cash and short term deposits	20	42,285	–
Liabilities			
Trade and other payables (exclude GST payable)	21	–	433
		98,754	433

38. Capital management

Capital includes debt and equity items as disclosed in the table below.

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

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38. Capital management (cont'd)

The Group monitors its capital structure as follows:

	Note	Group 2017	Group 2016
		S$'000	S$'000
Loans and borrowings	25	15,090	15,503
Less: Cash and short term deposits	20	(132,081)	(205,984)
Net cash		(116,991)	(190,481)
Equity attributable to owners of the Company		201,417	245,024

The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

39. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- Civil engineering: Infrastructure construction and civil engineering works for bridges, expressways, tunnels and other related infrastructure works.
- Properties development: Development of properties in the residential and industrial sectors.
- Properties investment: Investment properties held to earn rentals and/or for capital appreciation and others.

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

The three operating segments are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who review the segment results every quarter for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit margins of the products and services.

Corporate overheads, taxes and investment securities are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. Segment information (cont'd)

	Civil engineering		Properties development		Properties investment		Adjustments		Notes	Per consolidated financial statements	
	2017	2016	2017	2016	2017	2016	2017	2016		2017	2016
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000		S$'000	S$'000
Revenue:											
External customers	149,587	117,590	1,310	362	186	186	–	–		151,083	118,138
Inter-segment	606	464	–	–	–	–	(606)	(464)	A	–	–
Total revenue	150,193	118,054	1,310	362	186	186	(606)	(464)		151,083	118,138
Results:											
Depreciation	3,975	2,355	–	–	–	–	–	–		3,975	2,355
Fair value loss on investment properties	–	–	–	–	200	250	–	–		200	250
Dividend income from investment securities	–	–	–	–	–	–	101	130		101	130
Impairment of non-financial assets	–	–	–	–	–	–	1,132	250		1,132	250
Interest income	–	–	–	–	–	–	3,315	4,319		3,315	4,319
Share of results of joint venture	–	–	490	11,548	–	–	–	–		490	11,548
Segment profit/ (loss)	26,401	29,873	1,081	11,587	(122)	(120)	(3,405)	(1,009)	B	23,955	40,331
Assets:											
Investment in joint venture	–	–	1,303	15,313	–	–	–	–		1,303	15,313
Additions to non-current assets	23,550	9,108	–	–	–	–	–	–	C	23,550	9,108
Segment assets	203,504	221,155	103,838	80,569	3,521	19,475	34,613	50,058	D	345,476	371,257
Segment liabilities	124,631	107,468	17,210	16,490	28	713	2,190	1,562	E	144,059	126,233

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. Segment information (cont'd)

Nature of adjustments to arrive at amounts reported in the consolidated financial statements

A. Inter-segment revenues are eliminated on consolidation.

B. The following items are added to/(deducted from) segment profit to arrive at "Profit before taxation" presented in the consolidated income statement:

	Group	
	2017	**2016**
	S$'000	S$'000
Other income	4,050	4,847
Corporate overheads	(5,333)	(5,361)
Other operating costs	(2,148)	(630)
Elimination of inter-segment sale	26	135
	(3,405)	(1,009)

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

D. The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	Group	
	2017	**2016**
	S$'000	S$'000
Investment securities	32,343	31,225
Deferred tax assets	967	3,520
Investments in joint ventures	1,303	15,313
	34,613	50,058

E. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	Group	
	2017	**2016**
	S$'000	S$'000
Provision for taxation	2,190	1,562

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. Segment information (cont'd)

Geographical information

The Group derives all of its revenues from external customers based in Singapore and its non-current assets are solely located in Singapore for the years ended 31 December 2017 and 2016.

Information about major customers

Revenue from one major customer amounted to S$68,079,000 (2016: S$70,211,000) for various civil engineering projects.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 29 March 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 19 MARCH 2018

ISSUED AND FULLY PAID	:	S$58,955,522
NUMBER OF SHARES	:	509,978,991
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE
NUMBER OF TREASURY SHARES	:	NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	4	0.16	56	0.00
100 – 1,000	92	3.77	72,249	0.01
1,001 – 10,000	927	38.01	6,402,300	1.26
10,001 – 1,000,000	1383	56.71	79,913,701	15.67
1,000,000 & ABOVE	33	1.35	423,590,685	83.06
TOTAL	2,439	100.00	509,978,991	100.00

TWENTY LARGEST SHAREHOLDERS	NO. OF SHARES	%
CHUA LEONG HAI @CHUA LEANG HAI	193,871,547	38.02
ENG AH GOH	42,118,037	8.26
CHUA AIK KHOON (CAI YIQUN)	29,847,663	5.85
CHUA SIOK HONG	19,898,442	3.90
PEH TIEW HOI OR CHUA YEN JOO (CAI YANRU)	12,874,292	2.52
CHUA BOE	11,189,936	2.19
NG SING	9,451,760	1.85
CHUA HUA LEONG	8,915,376	1.75
CHUA SIOK PENG (CAI SHUPING)	8,319,265	1.63
CHUA SIOK KHENG (CAI SHUQING)	7,969,532	1.56
CITIBANK NOMINEES SINGAPORE PTE LTD	7,473,954	1.47
TAN AH CHON	7,243,032	1.42
CHUA HOO SAI OR TI POH CHOO	7,203,236	1.41
DBS NOMINEES PTE LTD	6,978,500	1.37
CHUA SEE	6,407,501	1.26
PEH LING PING (PEH MENG HOONG)	4,477,150	0.88
PEH MENG HING	4,477,149	0.88
PEH PECK HOON (BAI BIYUN) @BAI SHI CI	4,266,550	0.84
PEH CHANG YEW @PEH BENG KIAT	4,087,149	0.80
RAFFLES NOMINEES (PTE) LTD	3,163,460	0.62
	400,233,531	78.48

Based on the information available to the Company as at 19 March 2018, approximately 35.91 % of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited is complied with.

SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES	%	NO. OF SHARES Deemed Interest	%
CHUA LEONG HAI @CHUA LEANG HAI*	193,871,547	38.02	42,118,037	8.26
ENG AH GOH*	42,118,037	8.26	193,871,547	38.02
CHUA AIK KHOON (CAI YIQUN)	29,847,663	5.85	-	-

* Eng Ah Goh is the spouse of Chua Leong Hai and they are deemed to be interested in the shares held by each other.

NOTICE OF ANNUAL GENERAL MEETING

HOCK LIAN SENG HOLDINGS LIMITED
(Company Registration No. 200908903E)
(Incorporated in Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **HOCK LIAN SENG HOLDINGS LIMITED** (the "**Company**") will be held at Hotel Re! @ Pearl's Hill, Level 2, Re! Union, 175A Chin Swee Road, Singapore 169879 on Wednesday, 25 April 2018 at 9.30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2017 together with the Auditors' Report thereon.
(Resolution 1)

2. To re-elect the following Directors of the Company who are retiring pursuant to Regulation 97 of the Constitution of the Company:-

(i) Dr Ong Seh Hong **(Resolution 2)**
(ii) Ms Chua Siok Peng **(Resolution 3)**
(iii) Mr Chew Tuan Dong **(Resolution 4)**

[See Explanatory Note (i)]

3. To declare a first and final dividend (tax exempt one-tier) of 1.8 Singapore cents per ordinary share for the financial year ended 31 December 2017.
(Resolution 5)

4. To approve the payment of Directors' fees of S$192,000 for the financial year ended 31 December 2017 (FY2016: S$192,000).
(Resolution 6)

5. To re-appoint Messrs Ernst & Young LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 7)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:-

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:-

(A) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise;

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

NOTICE OF ANNUAL GENERAL MEETING

(iii) issue additional Instrument arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalization issues;

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

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:-

(1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company at the time of the passing of this Resolution, after adjusting for:-

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8; and
(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being inforce (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) unless revoked or varied by the Company in General Meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

(Resolution 8)

[See Explanatory Note (ii)]

8. Authority to (i) offer and grant options and to issue shares pursuant to the HLS Employee Share Option Scheme; and (ii) offer and grant awards and to issue shares pursuant to the HLS Performance Share Plan.

"that approval be and is hereby given to the Directors to:-

(i) Offer and grant options in accordance with the provisions of the HLS Employee share Option Scheme (the "Scheme") and to allot and issue from time to time, such number of shares as may be required to be issued pursuant to the exercise of options under the Scheme; and

NOTICE OF ANNUAL GENERAL MEETING

(ii) Offer and grant awards in accordance with the provisions of the HLS Performance Share Plan (the "**Plan**") and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the release of awards under the Plan.

Provided always that the aggregate number of shares to be issued pursuant to the Scheme and the Plan shall not exceed 15% of the total number of issues shares (excluding treasury shares) and subsidiary holdings in the capital of the Company at any time."

(Resolution 9)

[See Explanatory Note (iii)]

By Order of the Board

Chew Kok Liang
Company Secretary
Singapore

9 April 2018

Explanatory Notes:-

(i) Dr Ong Seh Hong will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman and will remain as a Chairman of the Board and Remuneration Committee and a member of both Nominating and Audit and Risk Management Committees and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

Ms Chua Siok Peng will, upon re-election as a Director of the Company, remain as Executive Director and will be considered Non-Independent Director.

Mr Chew Tuan Dong will, upon re-election as a Director of the Company, remain as Executive Director and Deputy Chief Executive Officer and will be considered Non-Independent Director.

(ii) Resolution 8, in item 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) Resolution 9, in item 8 above, if passed, will empower the Directors to issue shares up to an amount in aggregate not exceeding 15%, of the issued share capital (excluding treasury shares) of the company pursuant to the HLS Share Option Scheme (the "**Scheme**") and the HLS Performance Share Plan (the "**Plan**") which was approved at the Extraordinary General Meeting of the Company on 1 December 2009. A copy of the respective Rules of the Scheme and of the Plan is available for inspection by shareholders during normal office hours at the Company's Registered Office.

NOTICE OF ANNUAL GENERAL MEETING

Notes:-

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 80 Marine Parade Road, #16-08 Parkway Parade, Singapore 449269 not less than seventy-two (72) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:-

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:-

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

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HOCK LIAN SENG HOLDINGS LIMITED
(Company Registration No. 200908903E)
(Incorporated In the Republic of Singapore)

IMPORTANT:-
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We .... (Name) .... (NRIC/Passport No.)
of .... (Address)
being a member/members of **HOCK LIAN SENG HOLDINGS LIMITED** (the "**Company**"), hereby appoint:-

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Hotel Re! @ Pearl's Hill, Level 2, Re! Union, 175A Chin Swee Road, Singapore 169879 on Wednesday, 25 April 2018 at 9.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	**Resolutions relating to:-**	**No. of votes 'For'***	**No. of votes 'Against'***
	Ordinary Business		
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017		
2	Re-election of Dr Ong Seh Hong as a Director		
3	Re-election of Ms Chua Siok Peng as a Director		
4	Re-election of Mr Chew Tuan Dong as a Director		
5	Declaration of First and Final Dividend for the financial year ended 31 December 2017		
6	Approval of Directors' fees amounting to S$192,000 for the financial year ended 31 December 2017		
7	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
	Special Business		
8	Authority to allot and issue shares and convertible securities		
9	Authority to offer and grant options/awards and to issue shares pursuant to the HLS Share Option Scheme and HLS Performance Share Plan		

* *If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this .... day of 2018

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

....
Signature of Shareholder(s)
and, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Notes:-

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

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Marine Parade Road, #16-08 Parkway Parade, Singapore 449269 not less than 72 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorize by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy.

* A Relevant Intermediary is:-

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:-

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2018.

General:-

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

HOCK LIAN SENG HOLDINGS LIMITED
Company Registration No.: 200908903E

www.hlsgroup.com.sg

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