

KAKIKO GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2225



ANNUAL REPORT
2017



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kuah Ann Thia (*Chairman and Chief Executive Officer*)
Ms Dolly Hwa Ai Kim (also known as Ms. Dolly Ke Aijin)

Independent Non-executive Directors

Mr. Ong Shen Chieh (also known as Mr. Wang Shengjie)
Mr. Lau Kwok Fai Patrick
Mr. Lam Raymond Shiu Cheung

Audit Committee

Mr. Lau Kwok Fai Patrick (*Chairman*)
Mr. Ong Shen Chieh
Mr. Lam Raymond Shiu Cheung

Nomination Committee

Mr. Lam Raymond Shiu Cheung (*Chairman*)
Mr. Ong Shen Chieh
Mr. Lau Kwok Fai Patrick

Remuneration Committee

Mr. Ong Shen Chieh (*Chairman*)
Mr. Lau Kwok Fai Patrick
Mr. Lam Raymond Shiu Cheung

COMPANY SECRETARY

Mr. Kwok Siu Man

AUTHORISED REPRESENTATIVES

Mr. Kuah Ann Thia
Mr. Kwok Siu Man

COMPLIANCE ADVISER

Grande Capital Limited
1204B, 12/F, Tower 2, Lippo Centre
89 Queensway, Hong Kong

INDEPENDENT AUDITORS

Deloitte & Touche LLP
*Public Accountants and
Chartered Accountants Singapore*
6 Shenton Way
OUE Downtown 2
#33-00
Singapore 068809

LEGAL ADVISER

As to Hong Kong law
Loong & Yeung
Solicitors of Hong Kong
Room 1603, 16/F, China Building
29 Queen's Road Central
Central, Hong Kong

REGISTERED OFFICE

Vistra (Cayman) Limited
P. O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road, Grand Cayman
KY1-1205 Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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#03-10/14 Viva Business Park
Singapore 469000

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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29 Queen's Road Central
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

DBS Bank Ltd

12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

OCBC Bank Ltd

65 Chulia Street
OCBC Centre
Singapore 049513

United Overseas Bank Limited

1 Tampines Central 1
#02-03 UOB Tampines Centre
Singapore 529539

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock code: 2225

COMPANY WEBSITE

<http://kttgroup.com.sg>

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Directors**" and the "**Board**", respectively) of Kakiko Group Limited (the "**Company**"), I am pleased to present the first annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") since the listing of the issued shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 October 2017 (the "**Listing**").

YEAR IN REVIEW

Our Group's revenue comprises of revenue from manpower outsourcing and ancillary services, dormitory services, IT services and construction ancillary services. For the year ended 31 December 2017 (the "**Year**" or "**FY2017**"), the Group's revenue decreased slightly by approximately 1.4% from approximately S\$45.1 million for the year ended 31 December 2016 ("**FY2016**") to approximately S\$44.4 million for FY2017. This was largely due to the intensifying competition amidst the challenging environment in the construction industry of the Republic of Singapore ("**Singapore**"). The construction demand was estimated to be in the range of S\$28 billion to S\$35 billion in 2017 but the actual demand was around S\$24.5 billion which was even lower than S\$26.4 billion in 2016 as several major infrastructure projects were rescheduled.

The Group recorded a profit for the Year of approximately S\$2.3 million, which included a one-off listing expenses of S\$2.3 million incurred in FY2017. As we employed more foreign workers in FY2017 as compared to FY2016, the foreign workers' wages and related living costs increased accordingly. Coupled with the increase in foreign workers levy, this led to an increase in our operating expenses and thus further affected our bottom line.

As at 31 December 2017, the Group was in net cash position with no bank borrowings.

LOOKING AHEAD

In its media release dated 11 January 2018, the Building and Construction Authority of Singapore ("**BCA**") expected construction contracts amounting to between S\$26 billion and S\$31 billion would be awarded in 2018 and this is higher than that of S\$24.5 billion in 2017. With the Group's experienced management team and reputation as an established manpower outsourcing service provider, barring unforeseen circumstances, the Group is confident that it will be able to ride on this improving construction industry outlook in 2018 and achieve better performance and returns for our shareholders (the "**Shareholders**").

Looking forward, the management will continue to review its business strategies and the opportunities to improve cost efficiency.

IN APPRECIATION

We would like to express our heartfelt appreciation for the hard work and commitment that the management and employees have given to the Group as well as special thanks to our business partners and Shareholders for their continuous support for the Group.

Kuah Ann Thia

Chairman, Executive Director and Chief Executive Officer
Singapore, 27 March 2018

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a Singapore-based service provider and mainly provides manpower outsourcing and ancillary services to building and construction contractors in Singapore. To a lesser extent, the Group also provides dormitory services, IT services and construction ancillary services (which comprise warehousing services, cleaning services and building maintenance works) in Singapore. The Group commenced the business of providing manpower outsourcing services in Singapore in 2006.

For the Year, the Group's revenue decreased to approximately S\$44.4 million as compared to approximately S\$45.1 million for FY2016, representing a decrease of approximately 1.4%. It was because the recovery of the construction industry in Singapore in late 2017 was slower than expected. Several key public projects in the Singapore construction industry scheduled in 2017 such as part of the planned upgrading works of the Housing and Development Board flats, the development of Jurong Town Council's Logistic Hub, etc. were at the initial startup stage or did not commence during the earlier months of FY2017. In addition, based on the information provided by BCA, the total value of contracts awarded in 2017 was approximately S\$24.5 billion which was lower than that awarded in 2016 of approximately S\$26.4 billion. Based on the above, we were facing an intensifying competition in FY2017 and therefore, we had to adopt a more aggressive pricing strategy in order to secure new contracts.

On 11 January 2018, BCA estimated that between S\$16 billion and S\$19 billion worth of public projects in Singapore would be awarded in 2018, more than that of S\$15.5 billion in 2017. BCA also projected that the total construction demand for 2018 is likely to increase from S\$24.5 billion in 2017 to between S\$26 billion and S\$31 billion; this includes the private sector which is expected to increase to between S\$10 billion and S\$12 billion in 2018, from S\$9 billion in 2017. In light of this, the Group is optimistic about the demand for manpower outsourcing and dormitory services in the coming months of 2018.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased from approximately S\$45.1 million for FY2016 to approximately S\$44.4 million for FY2017, representing a decrease of approximately 1.4%. The following table sets forth a breakdown of the revenue for FY2017 and FY2016 indicated:

	FY2017	FY2016	Increased/ (Decreased) by
	S\$	S\$	S\$
Manpower outsourcing and ancillary services	36,394,609	37,977,761	(1,583,152)
Dormitory services	5,260,452	5,464,291	(203,839)
Construction ancillary services	2,046,241	716,364	1,329,877
IT services	739,840	892,420	(152,580)
Total	<u>44,441,142</u>	<u>45,050,836</u>	<u>(609,694)</u>

Management Discussion and Analysis

Revenue from manpower outsourcing and ancillary services decreased from approximately S\$38.0 million in FY2016 to approximately S\$36.4 million in FY2017, representing a decrease of approximately 4.2%. As mentioned, this was mainly because (i) we adopted a more aggressive pricing strategy in order to secure new contracts due to the intensifying competition in the manpower outsourcing and ancillary services industry; and (ii) the rescheduling of several major infrastructure contracts in Singapore during FY2017 as longer preparation was needed to implement these large-scale projects. The Directors consider that the aforesaid rescheduling affected the construction industry in Singapore during the earlier months of FY2017, resulting in a decrease in the demand for manpower outsourcing services.

Revenue from dormitory services remained broadly stable at approximately S\$5 million for both FY2016 and FY2017. Given the occupancy rate of our dormitory, the current capacity of our dormitory is insufficient to capture further business opportunities, which results in the stable revenue derived from dormitory services. Our Group plans to acquire an additional foreign worker dormitory in order to increase the scale of our dormitory operation. We are now still in the negotiation process with the seller's agent and pending for dormitory tender documents from the agent.

Revenue from construction ancillary services in FY2017 increased by approximately S\$1.3 million as compared to that in FY2016. This was mainly due to an increase in the number of projects awarded to the Group in relation to cleaning services, building maintenance and renovation works in FY2017.

The decrease in revenue from IT services from approximately S\$0.9 million in FY2016 to approximately S\$0.7 million in FY2017 was mainly due to a decrease in the number of maintenance and support days required by one of our major customers.

Gross profit and gross profit margin

The Group's gross profit decreased from approximately S\$15.5 million for FY2016 to approximately S\$11.7 million for FY2017, while gross profit margin decreased from approximately 34.4% for FY2016 to approximately 26.4% for FY2017. Such decreases were mainly due to:

- (i) a decrease in revenue mentioned above and our adoption of a more aggressive pricing strategy in FY2017; and
- (ii) an increase in costs of services from approximately S\$29.5 million in FY2016 to approximately S\$32.7 million in FY2017, which was due to the following:
 - a. increase in foreign workers' wages from approximately S\$8.7 million in FY2016 to approximately S\$9.6 million in FY2017 mainly due to the fact that more workers were retained and recruited in FY2017 as compared to those in prior years in preparation for the upcoming large-scale public sector projects;

Management Discussion and Analysis

- b. increase in foreign workers levy from approximately S\$9.9 million in FY2016 to approximately S\$11.4 million in FY2017 mainly due to (i) an increase in foreign worker levy charges imposed by the Ministry of Manpower of the Singapore Government; and (ii) more workers were retained and recruited by the Group in FY2017 as mentioned above;
- c. increase in depreciation from approximately S\$0.59 million in FY2016 to approximately S\$0.75 million in FY2017 due to additional renovation works for a foreign workers dormitory operated by our operating subsidiary, Nichefield Pte. Ltd., located at Woodlands Industrial Park E4 on State Land Lot 5817N PT MK 13 Singapore (the "**Woodlands Dormitory**") and the replacement of seven old lorries (the newly acquired lorries are of higher value, resulting in higher depreciation expenses);
- d. increase in workers' living related costs from approximately S\$2.4 million in FY2016 to approximately S\$3.0 million in FY2017, due to the fact that more workers were retained and recruited in FY2017 as mentioned above, resulting an increase in the number of foreign workers who were housed to other third-party dormitory service providers, leading to an increase in rental expenses for external accommodation;
- e. increase in other workers' related costs from approximately S\$1.0 million in FY2016 to approximately S\$1.3 million in FY2017 mainly due to increases in workers' general expenses, work permit application charges and training expenses as the Group retained and recruited more workers in FY2017, partially offset by the decrease in workers' welfare benefits; and
- f. increase in fees to providers of construction manpower from approximately S\$0.13 million in FY2016 to approximately S\$0.49 million in FY2017 mainly due to an increase in the number of foreign workers sourced from third parties to enable the Group to fulfil its construction ancillary services related contracts which was in line with the increase in revenue from construction ancillary services.

As a result of the increases in the cost of services, the Group has adopted a cost saving strategy which led to a decrease in staff salaries, bonuses and allowances from approximately S\$2.9million in FY2016 to approximately S\$2.4 million in FY2017.

Other income

Other income increased from approximately S\$0.8 million in FY2016 to approximately S\$1.7 million in FY2017. Such increase was mainly due to other income generated from a one-off profit sharing arrangement which ended in December 2017 with Mines and Minerals Resources Co., Ltd., a Myanmar company, for deployment of manpower in Myanmar, such increase was partially offset by the decrease in government grants from the Wage Credit Scheme, a government programme that subsidises wage increases.

Management Discussion and Analysis

Administrative expenses

Administrative expenses decreased from approximately S\$7.9 million for FY2016 to approximately S\$7.1 million for FY2017. The following is a discussion on the material changes in the components of administrative expenses:

Directors' remuneration increased from approximately S\$0.6 million in FY2016 to approximately S\$0.8 million in FY2017 due to the entering into of the service agreements with the Group's executive Directors and independent non-executive Directors in late 2017 prior to the Listing.

Staff salaries, bonuses and allowances decreased from approximately S\$4.1 million in FY2016 to approximately S\$3.8 million in FY2017 mainly due to a decrease in bonus payment made to back office staff in FY2017.

Staff welfare and employee benefits decreased from approximately S\$0.7 million in FY2016 to approximately S\$0.1 million in FY2017 mainly due to lesser welfare and benefits paid out as profit declined for the Year.

The decrease in travelling and entertainment expenses from approximately S\$0.4 million in FY2016 to approximately S\$0.1 million in FY2017 was mainly due to a better cost control management in relation to travelling and entertainment expenses.

Other losses

Other losses increased from approximately S\$0.1 million in FY2016 to approximately S\$0.8 million in FY2017 mainly due to:

- (i) an increase of approximately S\$0.3 million in net foreign exchange loss as a result of the revaluation of bank balances denominated in Hong Kong dollar ("HK\$"), which depreciated against Singapore dollar ("S\$") in FY2017; and
- (ii) additional net allowance of approximately S\$0.5 million provided for doubtful debts.

Allowance for doubtful debts

At the end of each reporting period, the Group assesses whether there is objective evidence that any trade and other receivables are impaired. Allowances for doubtful debts are recognised based on the estimated irrecoverable amounts for each customer taking into account their creditworthiness, financial position (as well as past collection history and past default experience in the case of existing customers) as well as the aging of the trade receivables.

Management Discussion and Analysis

Once the trade receivables were due, the Group would from time-to-time send reminders to those customers and actively follow-up on the repayment of such trade receivables, such as negotiating a delay in payment and agreeing to a repayment schedule with the customer. However, if no favourable responses were received as at the end of the reporting year, the Group would arrange for allowance for doubtful debts be recorded based on the criteria set out in the preceding paragraph. The addition in allowance of doubtful debts for the Year amounted to S\$621,517. Out of the amount of S\$621,517, the ongoing claims commenced by us against our customers amounted to S\$413,266 while the remaining amounts had been deemed unrecoverable and written off as bad debt expenses, having considered the estimated costs of/time involved in pursuing further collection and/or legal actions compared to the likelihood of favourable outcome and the expected amount that might be recovered.

The trade receivables increased from S\$4,895,998 as at 31 December 2016 to S\$7,911,389 as at 31 December 2017, while the trade receivables with aging over 60 days increased from S\$264,922 as at 31 December 2016 to S\$2,066,488 as at 31 December 2017. Further, the addition in allowance for doubtful debts increased from S\$182,611 for FY2016 to S\$621,517 for FY2017. The Directors note that there is a positive correlation between the amount of trade receivables (in particular the trade receivables with long aging) and the addition in allowance for doubtful debts.

The allowance of doubtful debts for the Year consisted of allowances made for both new customers and existing customers, and the majority (over 66%) of the total allowance of doubtful debts were made for new customers. The sales team of the Group would first perform background check on the new customers via search conducted on the website of Accounting and Corporate Regulatory Authority of Singapore, credit agency and/or industrial knowledge prior to conducting business with such customers, and would only take in such new customers with satisfactory credit records. Accordingly, the Directors take the view that the customers which the Company decided to conduct business with were of good credit quality at the time of intake.

Further, as disclosed on page I-28 of the prospectus of the Company dated 4 October 2017 (the "**Prospectus**"), the net allowance for doubtful debts for the years ended 31 December 2014, 2015 and 2016 were S\$486,994, S\$358,754 and S\$13,123, respectively. The Directors are of the view that the net allowance for doubtful debts of S\$540,276 for the Year was broadly in line with the net allowance for doubtful debts for the years ended 31 December 2014 and 2015. The Directors consider that the relatively lower amount of net allowance for doubtful debts for FY2016 compared to other years was mainly due to (i) a lower amount of receivables aged over 90 days; and (ii) the reversal in allowance for doubtful debts of S\$169,488 for FY2016 (2014: nil, 2015: nil, 2017: S\$81,241).

For further details, please refer to Note 19 to the consolidated financial statements of the Group for FY2017 (the "**Consolidated Financial Statements**").

Management Discussion and Analysis

Other expenses

Other expenses increased from approximately S\$0.6 million in FY2016 to approximately S\$2.3 million in FY2017 due to additional recognition of expenses in relation to the Listing.

Finance costs

Finance costs decreased by approximately S\$15,000 in FY2017 mainly due to full settlement of our long-term bank borrowings.

Income tax expense

Income tax expense decreased by approximately S\$93,000, from approximately S\$1.0 million in FY2016 to approximately S\$0.9 million in FY2017 mainly due to a decrease in our profit before income tax, partially offset by the recognition of deferred tax liabilities which arose mainly from the excess of tax over book depreciation of plant and equipment.

Profit for the year

As a result of the above factors, the Group recorded a profit for the year of approximately S\$2.3 million in FY2017 (FY2016: approximately S\$6.6 million). If the non-recurring Listing expenses incurred in FY2017 and FY2016 of approximately S\$2.3 million and S\$0.6 million, respectively were excluded, the Group would have recorded a profit for the Year of approximately S\$4.6 million (FY2016: approximately S\$7.3 million), representing a decrease of approximately S\$2.7 million. The decrease was mainly due to the combined effect of lower revenue and higher cost of services.

Earnings per share

For FY2017, the basic earnings per share was Singapore 0.21 cent and the calculation is based on the profit attributable to owners of the Company of approximately S\$2.3 million and the weighted average number of 1,071,095,890 ordinary Shares in issue during the Year.

For FY2016, the basic earnings per share was Singapore 0.64 cent and the calculation is based on profit attributable to owners of the Company of approximately S\$6.6 million and 1,029,999,999 ordinary Shares, comprising an aggregate of 999 ordinary Shares and 1,029,999,000 ordinary Shares issuable upon capitalisation of share premium, as if the reorganisation of the Group in preparation for the Listing (the "**Reorganisation**") (details are set out in Note 2 to the Consolidated Financial Statements and the Prospectus) was effective on 1 January 2016.

Diluted earnings per share was the same as the basic earnings per share because the Group had no dilutive potential Shares during FY2017 and FY2016.

Management Discussion and Analysis

DIVIDEND

The Board has resolved not to recommend the payment of any dividend for FY2017 (FY2016: S\$10.4 million).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

The Group generally meets its working capital requirements from its internally generated funds, and maintained a healthy financial position. Upon the Listing, the source of funds of the Group had been a combination of internally generated funds and net proceeds from the Share Offer (as defined in Note 28 to the Consolidated Financial Statements).

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy financial position throughout the year. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Cash flows analysis

The table below summarizes the Group's cash flows for FY2017 and FY2016:

	FY2017 S\$	FY2016 S\$
Net cash (used in)/from operating activities	(1,439,347)	7,315,023
Net cash used in investing activities	(1,878,786)	(41,121)
Net cash from/(used in) financing activities	9,646,107	(3,218,271)

Net cash of approximately S\$1.4 million was used in operating activities for FY2017, while net cash of approximately S\$7.3 million was generated from operating activities for FY2016. The difference was mainly due to a decrease in profit before tax, an increase in payment for income tax and an increase in trade receivables as a result of slower payment from customers due to a slow recovery in the construction industry in Singapore in late 2017, which in turn negatively impacted customers' cash flows, hence delaying payments. Trade receivable turnover days increased from 41.2 days to 52.6 days for FY2017.

Net cash used in investing activities increased from approximately S\$41,000 in FY2016 to S\$1.9 million in FY2017 mainly due to the purchase of convertible bonds and the absence of repayment from a Director made in FY2016.

Net cash from financing activities increased by approximately S\$12.8 million in FY2017. This was mainly due to the proceeds from issuance of Shares, and decreases in dividend paid and repayment of long-term debts, partially offset by the absence of advance from a Director made in FY2016.

Management Discussion and Analysis

Use of proceeds from the Share Offer

The net proceeds from the Share Offer were approximately HK\$82.6 million (equivalent to approximately S\$14.1 million) (after deducting underwriting fees and Listing expenses).

In line with that disclosed in the Prospectus, our Directors presently intend that the net proceeds will be applied as follows:

- (i) approximately 93.4% of the net proceeds, for partly financing the acquisition of an additional foreign worker dormitory at an estimated consideration of HK\$162.0 million (equivalent to approximately S\$28.0 million, being the mid-point of our estimated range of consideration for the proposed acquisition), in connection with our plan to (a) cater to the accommodation needs of the additional foreign employees to be hired under our business expansion plan; and (b) increase the scale of our dormitory service business; and
- (ii) approximately 6.6% of the net proceeds, for financing the acquisition of 10 additional lorries for us to cope with the expected increase in transportation needs from a larger size of our manpower in accordance with our business expansion plan.

As mentioned above, we are still in the negotiation process with the seller's agent and pending for dormitory tender documents from the agent. Having considered (i) the slow recovery of the construction industry in Singapore in late 2017; (ii) the high occupancy rate of the dormitories owned by the Group; and (iii) that an additional dormitory had not yet been acquired, the Group did not further recruit a large number of foreign workers after the Listing. Therefore, no additional lorries has been acquired as of the date of this report.

Borrowings and gearing ratio

As at 31 December 2017, the Group had an aggregate of current and non-current finance lease obligations of approximately S\$89,000, representing a significant decrease of approximately S\$4.2 million as compared to approximately S\$4.3 million as at 31 December 2016. The decrease was mainly due to full repayment of bank borrowings and amount due to a Director in FY2017.

The Group's gearing ratio as at 31 December 2017 was approximately 0.3% (31 December 2016: approximately 43.2%). Gearing ratio is calculated by dividing total borrowings (comprising bank borrowings, finance lease obligations and amount due to a Director) by total equity as at the end of the respective year and multiplied by 100%.

As at 31 December 2017, the Group had no unutilised banking facilities available for cash drawdown.

Cash and cash equivalents

As at 31 December 2017, the Group had cash and cash equivalents of approximately S\$21.7 million, of which approximately 24.6% was denominated in S\$ and approximately 75.4% was denominated in HK\$ which were placed in major licensed banks in Singapore and Hong Kong. Cash and cash equivalents denominated in United States dollars ("US\$") were immaterial.



Management Discussion and Analysis

Foreign exchange exposure

The Group transacts mainly in S\$, which is the functional currency of the Group. A small portion of other receivables and payables is denominated in US\$ arising from the transaction with a Myanmar company as mentioned above.

The Group retains a large portion of the proceeds from the Share Offer in HK\$ which contributed to an unrealised foreign exchange loss of approximately S\$0.3 million as HK\$ weakened against S\$.

Charges on the Group's assets and contingent liabilities

As at 31 December 2017, the Group's finance lease obligations were secured by the charge over leased assets with an aggregate net book value of approximately S\$0.12 million (31 December 2016: S\$0.22 million).

The Group did not have any material contingent liabilities as at 31 December 2017 and 2016.

Capital expenditures and capital commitments

The Group's capital expenditures principally consisted of expenditures on motor vehicles, computer and equipment, furniture and fittings and renovation. The Group recorded capital expenditures for the purchases of property, plant and equipment and additions to investment property in the amounts of approximately S\$1.4 million for FY2017 and FY2016, respectively.

As at 31 December 2017, the Group had bond commitments of S\$0.68 million which were subsequently paid in January 2018.

Significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures

There were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures for FY2017 and FY2016.

Off-balance sheet transactions

As at 31 December 2017, the Group did not enter into any material off-balance sheet transaction.



Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, the Group had 1,556 employees (31 December 2016: 1,393), including foreign workers.

The Group determines employee salaries based on employee's qualifications, position and seniority. In order to attract and retain valuable employees, the Group reviews the performance of our employees, which will be taken into account in annual salary review and promotion appraisal. The Group has also adopted a sales incentive scheme, pursuant to which our sales managers are entitled to sales commission based on the number of hours of deployment in respect of any manpower outsourcing contracts obtained by them from customers.

The Group incurred staff costs (including the Directors and chief executive's remuneration, and other staff's salaries, wages and other benefits) of approximately S\$17.5 million and S\$17.8 million for FY2017 and FY2016, respectively.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk

The Group is exposed to cash flow interest rate risk on the variable rates of interest earned on the bank balances. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance lease obligations.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

Foreign currency risk

The Group has certain bank balances and trade receivables denominated in US\$ and HK\$ and certain trade payables denominated in US\$ other than the functional currency of respective group entities, which expose the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rate.



Management Discussion and Analysis

Credit risk

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out a research on the credit risk of the customer, assesses the customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has also obtained trade credit insurance, effective from 1 November 2017, which provides cover against loss due to credit risks such as protracted default, insolvency or bankruptcy. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Liquidity risk

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

Fair value risk

The Group is exposed to fair value risk arising from financial assets and financial liabilities that are measured at fair value on a recurring and non-recurring basis.

FUTURE PROSPECTS AND DEVELOPMENT

The demand for manpower outsourcing service providers in Singapore is affected by developments in its construction industry. When the construction industry in Singapore is growing and the prospects of the construction industry strengthens, construction contractors in Singapore (i.e. our customers) will generally require more manpower to meet the increasing demand for construction activities.

In its media release dated 11 January 2018, BCA expected that between S\$26 billion and S\$31 billion construction contracts would be awarded in 2018, up from the S\$24.5 billion estimated to have been awarded in 2017. The projected higher construction demand is due largely to an expected increase in public sector construction projects, which is anticipated to make up 60% of the total projected demand. The figures reflect an increase from S\$15.5 billion in 2017 to between S\$16 billion and S\$19 billion in 2018. Buoyed by a strengthened overall economic outlook and an upturn in property market sentiment, private sector demand is also expected to increase from S\$9 billion in 2017 to between S\$10 billion and S\$12 billion in 2018.

Based on the aforesaid, our Directors took an optimistic view that the demand for manpower outsourcing and dormitory services is expected to increase in 2018.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. KUAH Ann Thia (柯安錠) (“Mr. Kuah”), aged 44, is the founder of our Group. He was appointed as an executive Director on 14 February 2017 and as the chairman of the Board (the “**Chairman**”) and our chief executive officer (“**CEO**”) on 26 September 2017. He is responsible for the overall business development as well as financial and strategic planning of our Group and has been managing our businesses for more than 10 years. He is also a director of each of the Company’s subsidiaries: Real Value Global Limited, Harbour Gold Investments Limited, Leading Elite Global Limited, Priceless Developments Limited, Promising Elite Investments Limited, Accenovate Consulting (Asia) Pte. Ltd., Accenovate Engineering Pte. Ltd. (“**Accenovate Engineering**”), Kanon Global Pte. Ltd. (“**Kanon Global**”), Keito Engineering & Construction Pte. Ltd., KT&T Engineers and Constructors Pte. Ltd. (“**KT&T Engineers**”), KT&T Global Pte. Ltd., KT&T Resources Pte. Ltd., Nichefield Pte. Ltd. (“**Nichefield**”) and Tenshi Resources International Pte. Ltd.. Mr. Kuah is the husband of Ms. Akiko Koshiishi, who is a member of the senior management of the Company as the head of administrative department. He is also the sole director of Mighty One Investments Limited, the controlling shareholder of the Company.

Prior to founding our Group, Mr. Kuah had worked as a managing director in two construction companies and had five years of experience in the building and construction industry in Singapore.

Mr. Kuah obtained a degree of Bachelor of Science from the State University of New York at New Paltz in the United States (“**USA**”) in December 1997. He further obtained a degree of Master of Business Administration (Business Administration) from the California State University, Hayward in USA in June 2002 through a distance-learning programme.

Ms. Dolly HWA Ai Kim (also known as Ms. Dolly KE Aijin) (柯愛金) (“Ms. Hwa”), aged 45, was appointed as an executive Director on 31 March 2017 and as our general manager on 26 September 2017. Ms. Hwa is mainly responsible for the overall management of our business operation and supervision.

Prior to joining our Group, Ms. Hwa had worked as a sales representative in various construction companies for over five years. Since joining our Group as the general manager of KT&T Engineers in September 2007, she has accumulated more than 10 years of experience in our business and operations.

Ms. Hwa obtained a diploma in mechanical engineering from Ngee Ann Polytechnic in Singapore in August 1993.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ONG Shen Chieh (also known as Mr. WANG Shengjie) (王聖潔) (“Mr. Ong”), aged 41, was appointed as our independent non-executive Director (the “**INED(s)**”) on 26 September 2017. Mr. Ong is the chairman of the remuneration committee of the Board and a member of each of the audit committee and the nomination committee of the Board. He is primarily responsible for supervising and providing independent advice to the Board. He obtained a degree of Bachelor of Science (Real Estate) from the National University of Singapore in July 2001.

Biographical Details of Directors and Senior Management

Mr. Ong has over 10 years of experience in corporate finance, private equity and merger and acquisitions. From May 2006 to August 2008, Mr. Ong worked at Provenance Capital Pte. Ltd. at which his last position was manager. From August 2008 to February 2012, Mr. Ong worked at EV Capital Pte. Ltd. at which his last position was vice-president. From March 2012 to February 2016, Mr. Ong worked as a senior manager and the head of new business development department at ORIX Leasing Singapore Limited. He is currently a director of Sakal Investments Limited.

Mr. Ong is currently an independent non-executive director of Eidec Corporation Limited, the issued shares of which are listed on the Catalist of Singapore Exchange Securities Trading Limited (“**SGX**”) (stock code: 42Z.SI) as well as Elec & Eltek International Company Limited, the issued shares of which are dually listed on the Main Board of the Stock Exchange (stock code: 1151) and on the main board of the SGX (stock code: E16.SI).

Mr. LAU Kwok Fai Patrick (劉國輝) (“Mr. Lau”), aged 45, was appointed as our INED on 26 September 2017. He is also the chairman of the audit committee of the Board and a member of each of the nomination committee and the remuneration committee of the Board. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Lau has more than 20 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. From December 1997 to April 1999, Mr. Lau served as an associate at PricewaterhouseCoopers Ltd. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager. From July 2011 to June 2016, Mr. Lau served in various positions, including deputy general manager, financial controller and company secretary, in China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), the shares of which are listed on GEM of the Stock Exchange during May 2012 to December 2013 (stock code: 8240) and were transferred to the Main Board since December 2013 (stock code: 1522).

Mr. Lau has been an independent non-executive director of Dafy Holdings Limited (formerly known as FDB Holdings Limited), the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1826), since January 2018.

Mr. Lau obtained an honours diploma in Accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He later obtained a degree in Master of Science in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014. He also completed the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) (“**HKICPA**”) Diploma in Insolvency organised by the HKICPA in June 2004. Mr. Lau has been a member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants since July 2003 and December 2007, respectively. He has also been a member of Hong Kong Baptist University Chapter of Beta Gamma Sigma since April 2014.

Mr. LAM Raymond Shiu Cheung (林兆昌) (“Mr. Lam”), aged 52, was appointed as our INED on 26 September 2017. Mr. Lam is the chairman of the nomination committee of the Board and a member of each of the audit committee and the remuneration committee of the Board. He is primarily responsible for supervising and providing independent advice to the Board.

Biographical Details of Directors and Senior Management

Mr. Lam is currently an executive director of Chinese Food and Beverage Group Limited, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8272) as well as an independent non-executive director of Chinese Strategic Holdings Limited (stock code: 8089), China Assurance Finance Group Limited (stock code: 8090) and Yin He Holdings Limited (previously known as Zebra Strategic Holdings Limited) (stock code: 8260), the issued shares of all of which are listed on GEM of the Stock Exchange. He also was an independent non-executive director of The Hong Kong Building and Loan Agency Limited, the issued shares of which are listed on the Main Board of the Stock Exchange, for the period from February 2012 to June 2014 (stock code: 145).

Mr. Lam obtained a Master's Degree in Applied Finance from Macquarie University of Australia in September 1994. Mr. Lam has over 7 years of experience in business development. From 2009 to 2012, he was the deputy chief executive officer of China Eco-Farming Limited, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8166).

SENIOR MANAGEMENT

Ms. Akiko KOSHIISHI, aged 41, is the head of administrative department and is responsible for overseeing our Group's administrative matters. She is also a director of each of Accenovate Engineering, Kanon Global, KT&T Engineers and Nichefield. Since joining our Group in May 2006, Ms. Koshiishi has accumulated more than 10 years of experience in our Group's operations. Ms. Koshiishi obtained an associate degree from the Department of English Language and Literature of Komazawa Women's Junior College, Japan in March 1997. Ms. Koshiishi is the wife of Mr. Kuah Ann Thia, the Chairman, an executive Director and CEO.

Mr. Kelvin HO Kim Leng (also known as Mr. Kelvin HE Jinlong) (何金龍) ("Mr. Ho"), aged 42, is our chief financial officer. He is overall responsible for overseeing the Group's financial reporting, financial planning, treasury and financial control matters. Prior to joining the Group, he was the chief financial officer ("**CFO**") of Attilan Group Limited, the issued shares of which are listed on the main board of SGX (stock code: 5ET.SI), and has helped the group to obtain new funding to diversify into preschool business and working capital.

He has held similar positions in Changjiang Fertilizer Holdings Limited (now known as Olive Tree Estates Limited), the issued shares of which are listed on the Catalist of SGX (stock code: 1H2.SI), that produces nitrogenous fertilizer, liquid ammonia and methanol in the People's Republic of China and Powerland AG, a luxury handbag manufacturer previously listed on Prime Standard of Frankfurt Stock Exchange.

Prior to assuming the CFO roles in these listed companies, Mr. Ho was with Daiwa Capital Markets Singapore Limited and Genesis Capital Pte. Ltd., where he was responsible for the execution of corporate finance transactions. Mr. Ho has more than 10 years of experiences in working on listing exercises spanning across different industries.

Mr. Ho also has several years of experience as an external auditor with Crowe Horwath First Trust and KPMG where he performed statutory audit for companies in the manufacturing and service industries to ensure the accounts are in compliance with the Singapore Companies Act, Financial Reporting Standards of Singapore and Singapore Auditing Standards.

Mr. Ho is a member of Certified Practising Accountant Australia and has a degree in Bachelor of Business in Accountancy from RMIT University, Australia.

Biographical Details of Directors and Senior Management

Mr. GOH Wee How Stephen (also known as Mr. WU Weihao) (吳偉豪), aged 35, is the head of sales and business development, and is responsible for the strategic deployment of employees and overseeing our Group's sales and business development department. Mr. Goh joined our Group as an accounts manager in August 2013 and has been promoted to the position of the head of sales and business development in March 2016.

Mr. Goh obtained his degree of Bachelor of Science (Education) from Nanyang Technological University, Singapore in June 2007.

Ms. TEO Hong Eng (張鳳英), aged 51, is the dormitory and transport manager, and is responsible for overseeing our Group's operation of dormitory and logistic arrangement. She joined our Group as an accounts manager in October 2008 and has been promoted to the position of dormitory and transport manager in January 2015.

Ms. Teo graduated from Ngee Ann Polytechnic, Singapore obtaining a diploma in accountancy in August 1990.

COMPANY SECRETARY

Mr. KWOK Siu Man (郭兆文) was appointed as the company secretary of the Company on 26 September 2017. Mr. Kwok is an executive director and the head, corporate secretarial of Boardroom Corporate Services (HK) Limited and a director of Boardroom Share Registrars (HK) Limited, the Company's Hong Kong branch share registrar and transfer office, responsible for, amongst others, providing corporate secretarial services to listed clients. He has over 30 years of experience in the corporate secretarial, legal and management fields.

Mr. Kwok is a fellow member of each of The Institute of Chartered Secretaries and Administrators in England, The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Hong Kong Institute of Chartered Secretaries (the "HKICS"), The Association of Hong Kong Accountants and The Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute and possesses other professional qualifications such as arbitration, tax, financial planning and human resource management. Mr. Kwok holds a professional diploma in company secretaryship and administration, a Bachelor of Arts degree and a post-graduate diploma in laws and has passed the Common Professional Examinations in England and Wales. He was the longest-serving council member and a chief examiner of the international qualifying examinations of the HKICS.

Mr. Kwok was an independent non-executive director of Grand Ocean Advanced Resources Company Limited, a company listed on the Main Board of the Stock Exchange, for the period from February 2015 to February 2016, and has been an independent non-executive director of Tak Lee Machinery Holdings Limited, a company listed on GEM of the Stock Exchange since June 2017 (stock code: 8142). In addition, he is a member of the executive committee of Federation of Share Registrars Limited.



Corporate Governance Report

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

As the Company's issued ordinary shares were initially listed on the Stock Exchange on 17 October 2017 (the "**Listing Date**"), the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") was not applicable to the Company for the period from 1 January 2017 to 16 October 2017, being the date immediately before the Listing Date. The Company has adopted and, save for the deviations from code provisions A.1.8, A.2.1 and C.1.2 of the CG Code as disclosed in this report, has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date to 31 December 2017 and thereafter up to the date of this annual report (the "**Period**").

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors (the "**Own Code of Conduct**"). In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Model Code and required standards set out in the Own Code of Conduct during the Period.

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's articles of association (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Corporate Governance Report

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and non-executive Directors (including INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this annual report, the Board comprises the following five Directors, of which the INEDs in aggregate represent 60% of the Board members:

Executive Directors

Mr. Kuah Ann Thia (*Chairman and CEO*)

Ms. Dolly Hwa Ai Kim (also known as Ms. Dolly Ke Aijin)

INEDs

Mr. Ong Shen Chieh (also known as Mr. Wang Shengjie)

Mr. Lau Kwok Fai Patrick

Mr. Lam Raymond Shiu Cheung

The biographical details of each of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

There was no financial, business, family or other material relationship among the Directors during the Period and up to the date of this annual report.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Period, the Company had three INEDs, meeting the requirements of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules from the Listing Date to the date of this annual report.

From the Company’s financial year commencing on 1 January 2018 (“**Year 2018**”), the Chairman, being an executive Director and the CEO will at least annually hold one meeting with the INEDs without the presence of another executive Director.

Corporate Governance Report

As the Company was sourcing and waiting for various quotations for Directors' liabilities' insurance after the Listing, insurance cover in respect of legal actions against the Directors was not in place during the Period. In addition, as there were regular and timely communications among the Directors and the senior management of the Group, the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. Proper insurance coverage in respect of legal actions against the Directors' liabilities has been arranged by the Company since 12 February 2018 and accordingly, the Company has complied with code provision A.1.8 of the CG Code.

Directors' Induction and Continuing Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under statute and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies. During the Year, each of the Directors named under the paragraph headed "Composition" above attended a training seminar arranged by the Company's Hong Kong legal advisers on directors' responsibilities and the Listing Rules.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during the Year is summarised as follows:

Name of Directors	Type of trainings
Mr. Kuah	A and B
Ms. Hwa	A and B
Mr. Ong	A and B
Mr. Lau	A and B
Mr. Lam	A and B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

Corporate Governance Report

Meetings of the Board and Directors' Attendance Records

From Year 2018 onwards, the Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company (the "**Company Secretary**") is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

During the Period, the Board held a meeting on 8 December 2017 at which all Directors attended and, amongst other matters, reviewed and approved the abridged unaudited consolidated financial results of the Group for the nine months ended 30 September 2017 and approved the audit plan for the Year prepared by Deloitte & Touche LLP ("**Deloitte**"), the independent auditor of the Company, which had been reviewed and recommended for the Board's approval by the audit committee of the Board (the "**Audit Committee**").

The Board held a meeting on 29 January 2018 at which Mr. Kuah Ann Thia and Ms. Dolly Hwa Ai Kim attended and, among other matters, considered and approved the change of compliance adviser from Dakin Capital Limited to Grande Capital Limited pursuant to Rule 3A.27 of the Listing Rules with effect from 1 February 2018.

The Board held a meeting on 27 March 2018 at which all Directors attended and, amongst other matters, considered and approved the audited consolidated financial statements of the Group for the Year.

During the Period, the Company did not hold any general meeting of the Shareholders.

Code provision C.1.2 of the CG Code stipulates that management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The Board noted that relevant updates of the Group had been provided to the Directors on a quarterly basis rather than on a monthly basis. Though the Directors have full access to the Group's information upon request, the Company has put in place policies to provide monthly updates to all its Directors from December 2017 and regarded that it has complied with code provision C.1.2 of the CG Code since then.

Board Diversity Policy

During the Year, the Board adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis

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with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kuah currently holds both positions. Mr. Kuah has been managing the Group's business and overall financial and strategic planning since May 2006. This arrangement also helps the Company to execute business strategies more efficiently in the ordinary business activities. All the other Directors (including the INEDs) believe that the vesting of the roles of the Chairman and the CEO in Mr. Kuah is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. In addition, due to the fact that three INEDs represent over half of the Board members, all the Directors (including the INEDs) consider that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of the Chairman and the CEO as required by code provision A.2.1 of the CG Code.

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee was established on 26 September 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises all the INEDs, namely Mr. Ong, Mr. Lau and Mr. Lam. Mr. Lau is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving its remuneration and terms of engagement, and handling any questions regarding its resignation or dismissal;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditor on the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing a policy on engaging external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- monitoring the integrity of the Company's financial statements and annual reports and financial statements, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;



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- reviewing the Company's financial controls, and risk management and internal control systems;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have such effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, ensuring co-ordination between the internal and external auditors and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- reviewing the arrangements that the employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and
- considering other topics as defined by the Board.

During the Period, the Audit Committee held a meeting on 8 December 2017, which all the INEDs in their respective capacities as the chairman and members attended and, amongst other matters, reviewed and approved for presentation to the Board for consideration and approval of the audit plan of the Group for the Year prepared by Deloitte.

The Audit Committee held a meeting on 27 March 2018, which all the INEDs in their respective capacities as the chairman and members attended and, amongst other matters, considered and approved (i) for presentation to the Board for consideration and approval of the draft audited consolidated financial statements of the Group for the Year and (ii) audit-related matters.

Nomination Committee

The Nomination Committee was established on 26 September 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee comprises all the INEDs, namely Mr. Ong, Mr. Lau and Mr. Lam. Mr. Lam is the chairman of the Nomination Committee.

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The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- reviewing the Board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs; and
- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman and the CEO.

During the Period, no meeting of the Nomination Committee was held.

The Nomination Committee held a meeting on 27 March 2018 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming annual general meeting of the Company ("**AGM**"). Each of the INEDs attended the above meeting in the capacity of the chairman or a member of the Nomination Committee.

Remuneration Committee

The Remuneration Committee was established on 26 September 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises all the INEDs, namely Mr. Ong, Mr. Lau and Mr. Lam. Mr. Ong is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving management's remuneration proposals by reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management including basic salaries, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the non-executive Directors;

Corporate Governance Report

- considering the salaries paid by comparable companies, Board members' time commitment and responsibilities and employment conditions elsewhere in the Group;
- reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;
- reviewing and approving the compensation arrangements relating to the dismissal or removal of the Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and
- ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

The Remuneration Committee held a meeting on 27 March 2018, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management. Each of the INEDs attended the above meeting in the capacity of the chairman or a member of the Remuneration Committee.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions, which include:

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company on 26 September 2017 for an initial term of one year commencing on the Listing Date.

Each of the INEDs has entered into an agreement for appointment/a service agreement with the Company on 26 September 2017 for a term of two years commencing on the Listing Date.

Save as disclosed aforesaid, none of the Directors has entered into a service agreement or agreement for appointment with the Company or any of its subsidiaries other than the agreement expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Corporate Governance Report

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and does not offer himself/herself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A Director is not required to retire upon reaching any particular age.

The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation.

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, but so that the number of Directors so appointed shall not exceed the maximum number (if any) determined from time to time by the Shareholders in a general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Any such Director appointed shall not be taken into account in determining the number of Directors who are to retire by rotation at an AGM.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in Note 13 to the Consolidated Financial Statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to 500,000	Nil
500,001 to 1,000,000	4

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INDEPENDENT AUDITOR'S REMUNERATION

Deloitte was engaged as the Group's independent auditor for the Year. Apart from the provision of annual audit services, Deloitte provided the audit and non-audit services in connection with the Listing.

The remuneration paid/payable to Deloitte in respect of the Year is set out below:

Services	Fee paid/ payable S\$
Audit services – Annual audit	165,000
Audit services – Listing	494,000
Non-audit services – Tax compliance services	30,000
Total	689,000

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, Deloitte has stated in the independent auditor's report its reporting responsibilities on the Company's Consolidated Financial Statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has in place policies and procedures in relation to risk management and internal control. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Corporate Governance Report

Recently, the Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions. The Board considers that the Group's risk management and internal control systems are adequate and effective. As part of the annual statutory audit, the Company's external auditor conducted an annual review, in accordance with their audit plan, on the adequacy and effectiveness of the Company's risk management and material internal control systems, including financial, operational, compliance and information technology controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the Audit Committee. The Audit Committee also reviews the effectiveness of the actions taken on the recommendations made by the external auditor in this respect, if any.

Based on the external auditor's reports, the actions taken by the management, the on-going review and continuing efforts in enhancing internal controls and processes, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls and risk management that has been maintained by the management throughout the Year is adequate and effectively meets the needs of the Group in its current business environment, and addresses the financial, operational, compliance and information technology risks.

The Board expects that a review of the risk management and internal control systems will be performed annually.

The Group has no internal audit function.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Company Secretary, and the chief financial officer of the Company (the "**Chief Financial Officer**") are authorised to communicate with parties outside the Group.

Corporate Governance Report

COMPANY SECRETARY

The Company has appointed Mr. Kwok Siu Man ("**Mr. Kwok**") as the Company Secretary with effect from 26 September 2017.

Mr. Kwok was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to act as the Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Mr. Kwok has been contacting in respect of company secretarial matters is Mr. Kelvin Ho Kim Leng, the Chief Financial Officer.

Mr. Kwok delivered and attended over 15 hours' relevant continuous professional development training during the Year pursuant to Rule 3.29 of the Listing Rules.

All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary has been/will be subject to the Board's approval.

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the AGMs under the Articles of Association or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "**EGM**") in accordance with the "Procedures for Shareholders to convene an EGM" set out below.

Procedures for Shareholders to Convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company having the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned (the "**Requisitionist(s)**") at the principal place of business of the Company in Hong Kong (presently Room 1603, 16/F., China Building, 29 Queen's Road Central, Central, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name(s) of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

Corporate Governance Report

The Company will check the Requisition and the identity and shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) will be advised of the outcome and accordingly, the Board or the Company Secretary will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board or the Company Secretary fails to proceed to convene such meeting, the Requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board or the Company Secretary to convene an EGM shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to Send Enquires to the Board

Shareholders may direct their enquiries about their shareholdings or their notification of change of correspondence address or their dividend/distribution instructions to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by post to the headquarters and principal place of business of the Company in Singapore at 750 Chai Chee Road, #03-10/14 Viva Business Park, Singapore 469000 or by email to enquires@kttgroup.com.sg for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;
2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.



Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

Except for the adoption of the amended and restated memorandum of association and Articles of Association (the “**M&A**”) by the Company to comply with the applicable legal and regulatory requirements (including the Listing Rules) on 26 September 2017, there was no change in the constitutional documents of the Company during the Year.

The amended and restated M&A is available on the respective websites of the Stock Exchange and the Company.

Report of the Directors

The Directors are pleased to present this Directors' report (the "**Directors' Report**") to the Shareholders together with the audited Consolidated Financial Statements.

HONG KONG PUBLIC OFFERING AND GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 14 February 2017 and registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance on 29 September 2017. As a result of the Reorganisation, which took place for the purpose of listing of the issued Shares on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group.

Details of the Reorganisation are set out in Note 2 to the Consolidated Financial Statements and the Prospectus. The issued Shares were listed on the Main Board of the Stock Exchange on 17 October 2017 (the "**Listing Date**").

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of manpower outsourcing and ancillary services to building and construction contractors in Singapore. We also provides dormitory services, IT services and construction ancillary services (which comprise warehousing services, cleaning services and building maintenance works) in Singapore. An analysis of the Group's segment information for FY2017 by business is set out in Note 6 to the Consolidated Financial Statements.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing amounted to approximately S\$14.1 million (the "**Net Proceeds**").

At the appropriate timing, under the right price and terms, the Company intends to use the Net Proceeds to partly finance the acquisition of an additional foreign worker dormitory and to finance the acquisition of 10 additional lorries in the coming years in accordance with the intended use of the Net Proceeds set out in the Prospectus.

RESULTS AND APPROPRIATIONS

The results of the Group for FY2017 are set out in the consolidated statement of profit or loss and other comprehensive income of the Group on page 63 of this annual report.

The Board has resolved not to recommend the payment of any dividend for FY2017 (FY2016: S\$10.4 million).

BUSINESS REVIEW

A review of the Group's business during FY2017 and prospects of the Group's business are set out in the sections headed "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 4 to 14 of this annual report, which constitute part of this Directors' Report.



Report of the Directors

SHARE CAPITAL

Details of the movements in the Company's share capital during FY2017 are set out in Note 28 to the Consolidated Financial Statements in this annual report.

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

FINANCIAL STATEMENTS

The results of the Group for FY2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 63 of this annual report. The financial position of the Group as at 31 December 2017 is set out in the consolidated statement of financial position of the Group on pages 64 to 65 of this annual report. The financial position of the Company as at 31 December 2017 is set out in Note 37 to the Consolidated Financial Statements on page 120 of this annual report. The cash flows of the Group for the year ended 31 December 2017 are set out in the consolidated statement of cash flows on pages 67 to 68 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during FY2017 are set out in Note 16 to the Consolidated Financial Statements in this annual report.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during FY2017 are set out in Note 17 to the Consolidated Financial Statements in this annual report.

The fair value of the investment property as at 31 December 2017 was determined based on the management's estimation that there are no significant changes that they are aware of based on the last valuation performed on 30 April 2017 by RAVIA Global Appraisal Advisory Limited whose method of valuation has been disclosed in Note 17 to the Consolidated Financial Statements in this annual report. The revaluation surplus of the investment property of approximately S\$2.6 million had not been included in the Group's Consolidated Financial Statements. The Group's accounting policy is to state such investment property at cost less accumulated depreciation and any impairment loss rather than at fair value. Had all the property interests been stated at such valuations, the additional annual depreciation would be approximately S\$0.9 million.



Report of the Directors

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2017 represents the aggregate of share premium less accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to the Shareholders subject to the provisions of the Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2017, the reserves available for distribution to the Shareholders is approximately S\$11.9 million which represents the aggregate of share premium of approximately S\$15 million net of accumulated deficit of approximately S\$3.1 million.

DONATIONS

During FY2017, the Group has made donations for charitable or other purposes amounted to a total of S\$210,180 (FY2016: S\$115,500).

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during FY2017 or subsisted at end of FY2017.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to promoting sustainable development, which is extremely important to create long term value for the Group's Shareholders, clients, employees, other stakeholders, as well as general public. The Company cares about the impact of its daily operation on environment and society. While conducting its business operation, it makes effort to meet the interests of all stakeholders, economy, environment, society and corporate governance and does its best to achieve a fine balance.

As the biggest contributor to the Group's carbon footprint is the indirect greenhouse gas emission from electricity consumption and fresh water is a precious resource in Singapore, the Group has established environmental management system that comprises measures and work procedures that are required to be followed by our employees, including but not limited to, internal policies on water and energy conservation.

In FY2017, there was no conviction of non-compliance with environmental laws and regulations. We will continue to ensure implementation of our policy on environmental management as mentioned above to avoid violation of applicable laws or regulations in respect of environment.

Details of environmental, social and governance practices adopted by the Group is set out in the environmental, social and governance report on pages 45 to 58 of this annual report.

Report of the Directors

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements. The Group has been allocating system and staff resources to ensure ongoing compliance with the rules and regulations.

The Group's operations are mainly carried out by the Company's subsidiaries in Singapore while the Company itself was incorporated in the Cayman Islands and its issued Shares are listed on the Main Board of the Stock Exchange. Our establishment and operations accordingly shall comply with the relevant laws and regulations in Hong Kong, the Cayman Islands and Singapore.

During the Year, the Group has complied, to the best of our knowledge, with, in respect of employment of foreign workers, Employment Act (Chapter 91), Employment of Foreign Manpower Act (Chapter 91A), Immigration Act (Chapter 133); in respect of employees' benefits, Children Development Co-Savings Act (Chapter 38A) and Central Provident Fund Act (Cap. 36); in respect of workmen's compensation, Work Injury Compensation Act (Chapter 354); in respect of dormitory services, Building Control Act (Chapter 29), Control of Vectors and Pesticides Act (Chapter 59), Environmental Public Health Act (Chapter 95), the Fire Safety Act (Chapter 109A), the Planning Act (Chapter 232) and Foreign Employee Dormitories Act 2015 (No. 3 of 2015); and in respect of environment protection, Environmental Public Health Act (Chapter 95) and other relevant laws and regulation on environmental protection.

The Group also complies with the requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and the Securities and Futures Ordinance for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group in Hong Kong. No important event affecting the Group has occurred since the end of the Year.

During FY2017, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 31 December 2017, the Group had over 130 local staff and 1,426 foreign workers. The employees are remunerated according to their job scope and responsibilities, individual performance appraisals and the Group's performance. Other benefits available to eligible employees include provident fund, medical insurance scheme and long service awards.

The Group maintains a good relationship with its customers. We have a team of site coordinators in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers.

Report of the Directors

DIRECTORS

The Directors during FY2017 and up to the date of this annual report are:

Executive Directors

Mr. Kuah Ann Thia (*Chairman and CEO*) (appointed on 14 February 2017)

Ms. Dolly Hwa Ai Kim (also known as Ms. Dolly Ke Aijin) (appointed on 31 March 2017)

Independent Non-executive Directors

Mr. Ong Shen Chieh (also known as Mr. Wang Shengjie) (appointed on 26 September 2017)

Mr. Lau Kwok Fai Patrick (appointed on 26 September 2017)

Mr. Lam Raymond Shiu Cheung (appointed on 26 September 2017)

Article 112 of the Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. Any such Director appointed shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an AGM. Accordingly, Ms. Dolly Hwa Ai Kim, who was appointed as a Director by the sole Director on 31 March 2017 and Mr. Ong Shen Chieh, Mr. Lau Kwok Fai Patrick and Mr. Lam Raymond Shiu Cheung who were appointed as Directors by the Board on 26 September 2017, will retire at the 2018 AGM and, being eligible, will offer themselves for re-election at the 2018 AGM.

Article 108(a) of the Articles of Association provides that at each AGM, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. According to article 108(b) of the Articles of Association, the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself/herself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Accordingly, Mr. Kuah Ann Thia shall retire by rotation at the 2018 AGM and being eligible, will offer himself for re-election at the 2018 AGM.

Report of the Directors

The Nomination Committee had assessed and reviewed each of the INED's written confirmation of independence based on the independence criteria as set out in Rule 3.13 of the Listing Rules and confirmed that all of them, namely Mr. Ong Shen Chieh, Mr. Lau Kwok Fai Patrick and Mr. Lam Raymond Shiu Cheung remain independent. In addition, the Nomination Committee had evaluated the performance of each of Ms. Dolly Hwa Ai Kim, Mr. Ong Shen Chieh, Mr. Lau Kwok Fai Patrick, Mr. Lam Raymond Shiu Cheung and Mr. Kuah Ann Thia (collectively, the "**Retiring Directors**") during the period from their respective dates of appointment to 31 December 2017 and found their performance satisfactory. Therefore, with the recommendation of the Nomination Committee, the Board has proposed that all of the Retiring Directors stand for re-election as Directors at the 2018 AGM. As a good corporate governance practice, each of the Retiring Directors abstained from voting at the relevant Board meeting on the respective propositions of their recommendations for re-election by the Shareholders at the 2018 AGM.

The biographical details of the Directors and senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 18 of this annual report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the INEDs, a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company on 26 September 2017 for an initial term of one year commencing on the Listing Date.

Each of the INEDs has entered into an agreement for appointment/a service agreement with the Company on 26 September 2017 for a term of two years commencing on the Listing Date.

Save as disclosed aforesaid, none of the Directors has entered into a service agreement or agreement for appointment with the Company or any of its subsidiaries other than the agreement expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association.

Report of the Directors

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in the Shares and underlying Shares of the Company

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of the Company's issued Shares*
Mr. Kuah Ann Thia	Interest of a controlled corporation (Note)	922,500,000	75%

Note:

The entire issued share capital of Mighty One Investments Limited ("Mighty One") is beneficially owned by Mr. Kuah Ann Thia, the Chairman, an executive Director and CEO. Therefore, Mr. Kuah Ann Thia is deemed to be interested in 922,500,000 Shares held by Mighty One by virtue of the SFO. Mr. Kuah Ann Thia is the sole director of Mighty One.

* The percentage represents the total number of the Shares and the number of underlying Shares interested divided by the number of issued Shares as at 31 December 2017 (i.e. 1,230,000,000 Shares).

Long position in the ordinary share of an associated corporation

Name of Director/ chief executive	Name of associated corporation	Capacity/Nature of interest	Number of share held	Percentage of interest
Mr. Kuah Ann Thia (Note (2))	Mighty One (Note (1))	Beneficial owner	1	100%

Notes:

(1) Mighty One is the direct shareholder of the Company and is an associated corporation of the Company within the meaning of Part XV of the SFO.

(2) Mr. Kuah Ann Thia is the sole director of Mighty One.

Save as disclosed above, as at 31 December 2017, none of the Directors nor the chief executive of the Company had any interests and short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Report of the Directors

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation" above:

- (a) at no time during FY2017 was the Company, any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors or their respective associates (as defined in the Listing Rules) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate; and
- (b) none of the Directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during FY2017.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2017, so far as is known to the Directors, the following person and entity, other than the Directors and the chief executive of the Company, had interests or short positions in the Shares or underlying Shares as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Long position in the Shares

Name of Shareholder(s)	Capacity/Nature of interest	Number of Shares interested or held	Approximate percentage of the Company's issued Shares*
Mighty One	Beneficial owner	922,500,000	75%
Ms. Akiko Koshiishi	Interest of spouse (Note)	922,500,000	75%

Note:

The entire issued share capital of Mighty One is beneficially owned by Mr. Kuah Ann Thia. Ms. Akiko Koshiishi is the wife of Mr. Kuah Ann Thia and is therefore deemed to be interested in all the Shares held by Mr. Kuah Ann Thia through his controlled corporation by virtue of the SFO.

* The percentage represents the total number of the Shares and the number of underlying Shares interested divided by the number of issued Shares as at 31 December 2017 (i.e. 1,230,000,000 Shares).

Report of the Directors

Save as disclosed above, as at 31 December 2017, so far as is known by or otherwise notified to the Directors, no other person or entity (other than the Directors or the chief executive of the Company) had interests and short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

FIVE HIGHEST PAID INDIVIDUALS AND THE REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' remuneration and the five individuals with highest emoluments are set out in Note 13 to the Consolidated Financial Statements in this annual report. The five highest paid individuals of the Group included two Directors and the remaining individuals fell within the following band:

Remuneration band	Number of individuals
Nil to HK\$1,000,000	3

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the Period, none of Directors or the controlling shareholders of the Company nor their respective associates (as defined in the Listing Rules) has any interest in a business that competes or may compete, either directly or indirectly with the business of the Group.

Mr. Kuah Ann Thia, being the Chairman, an executive Director, and the CEO and Mighty One, the controlling shareholders of the Company, had declared that they did not engage in business competes or may compete with the business of the Group during the Period and complied with the enforcement of the undertakings given under the deed of non-competition dated 26 September 2017 (the "**Deed of Non-Competition**") as disclosed in the Prospectus. The INEDs, based on the information available to them, have reviewed the compliance with the Deed of Non-Competition and all the decisions taken (if any) in relation to whether to pursue new opportunity under the Deed of Non-Competition. The INEDs did not notice any incident of non-compliance with the Deed of Non-Competition.

CHANGES IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the date of the Prospectus are as follows:

Changes in other directorship in public companies

Name of Director	Details of changes
Mr. Ong Shen Chieh	With effect from 31 October 2017, ceased as an executive director of P99 Holdings Limited, the issued shares of which were delisted from the Catalist of SGX on 31 October 2017 (stock code: 5UV.SI).



Report of the Directors

INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser Dakin Capital Limited ("**Dakin**") (the "**Compliance Adviser**") as at 31 December 2017, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 28 March 2017, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

CHANGE OF COMPLIANCE ADVISER

Dakin has resigned as the Compliance Adviser with effect from 1 February 2018 due to the change in personnel of Dakin. Grande Capital Limited has been appointed as the new Compliance Adviser pursuant to Rule 3A.27 of the Listing Rules with effect from 1 February 2018. For further details, please refer to the announcement of the Company dated 31 January 2018.

FOUR YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited Consolidated Financial Statements in this annual report and the Prospectus, is set out on page 121 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are set out in the section headed "Management Discussion and Analysis" of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There was no transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries, its holding companies or its fellow subsidiaries was a party and in which a Director nor a connected entity of a Director had a material interest, either directly or indirectly, subsisted at the end of FY2017 or at any time during FY2017.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of FY2017 or at any time during FY2017.

PERMITTED INDEMNITY

The Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duties.



Report of the Directors

Since the Listing Date to 11 February 2018, the Company did not arrange for any insurance cover in respect of any legal actions against its Directors. Since 12 February 2018, the Company has arranged for Directors' and officers' liabilities insurance coverage for the Directors against liabilities which may lawfully be insured by the Company. The level of the coverage is to be reviewed annually.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue from rendering of services attributable to the Group's five largest customers combined was less than 30% of the total revenue of the Group for FY2017 and FY2016.

The top five suppliers of the Group accounted for approximately 73.6% (FY2016: 73.0%) of the Group's total purchases and the largest supplier of the Group accounted for 27.3% (FY2016: 40.9%) of the Group's total purchases for FY2017.

None of the Directors, their close associates, or any Shareholder, which to the knowledge of the Directors own more than 5% of the issued Shares, has any interest in the Group's five largest customers and suppliers.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the businesses of the Group was entered into or existed during FY2017.

CONNECTED TRANSACTIONS

The Group has not entered into any related party transaction, connected transaction or continuing connected transaction for FY2017 which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules. Details of related party transactions undertaken in the usual course of business are set out in Notes 21 and 26 to the Consolidated Financial Statements. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

BANK BORROWINGS

As at 31 December 2017, the Group was in net cash position with no bank borrowings.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or under the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient amount of public float for its issued Shares as required under the Listing Rules throughout the Period.



Report of the Directors

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code and the Own Code of Conduct throughout the Period. The Model Code also applies to other specified senior management of the Group.

EMOLUMENT POLICY OF THE GROUP

The emolument policy of the senior employees of the Group was tabled and recommended by the Remuneration Committee to the Board on the basis of the employees' merit, qualifications and competence.

The emoluments of the Directors are formulated and recommended by the Remuneration Committee to the Board, having regards to the Company's operating results, individual performance of the Directors and comparable market statistics.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "corporate governance report" on pages 19 to 32 of this annual report.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

INDEPENDENT AUDITOR

The Consolidated Financial Statements have been audited by Deloitte, who will retire at the conclusion of the forthcoming AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming AGM to re-appoint Deloitte as the auditor of the Company.

EVENTS AFTER THE YEAR

Save as disclosed in the above paragraph headed "Change of Compliance Adviser", the Directors confirm that no major event that affects the Group after 31 December 2017 and up to the date of this annual report.

On behalf of the Board

Kuah Ann Thia

Chairman, Executive Director and Chief Executive Officer

Singapore, 27 March 2018

Environmental, Social and Governance Report

The Group is pleased to present our first Environmental, Social and Governance (“**ESG**”) Report (the “**ESG Report**”). This ESG Report summarises our ESG performance and challenges during the Year and demonstrates our ongoing commitment to improve our ESG performance as we progress on our sustainability journey.

The Group is committed to promoting sustainable development, which is extremely important to create long-term value for the Group’s Shareholders, clients, employees, other stakeholders, as well as the general public. The Group cares about the impact of its daily operation on environment and society. While conducting its business operation, it makes effort to meet the interests of all stakeholders, economy, environment, society and corporate governance and does its best to achieve a fine balance.

This ESG Report is compiled in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The data and other information contained in this ESG Report was sourced from the Group’s internal documents and was collated from multiple business units across the Group.

ENVIRONMENTAL

Aspect A1: Emissions

As the principal business of the Group is providing manpower supply, there is minimal direct impact to the environment and we do not generate hazardous waste. Our business operation is subject to certain environmental requirements pursuant to the laws in Singapore, including primarily those in relation to water pollution of our self-operated dormitories and the cleanliness of our workplace under the Environmental Public Health Act.

The biggest contributor to the Group’s carbon footprint is the indirect greenhouse gas (“**GHG**”) emission from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment.

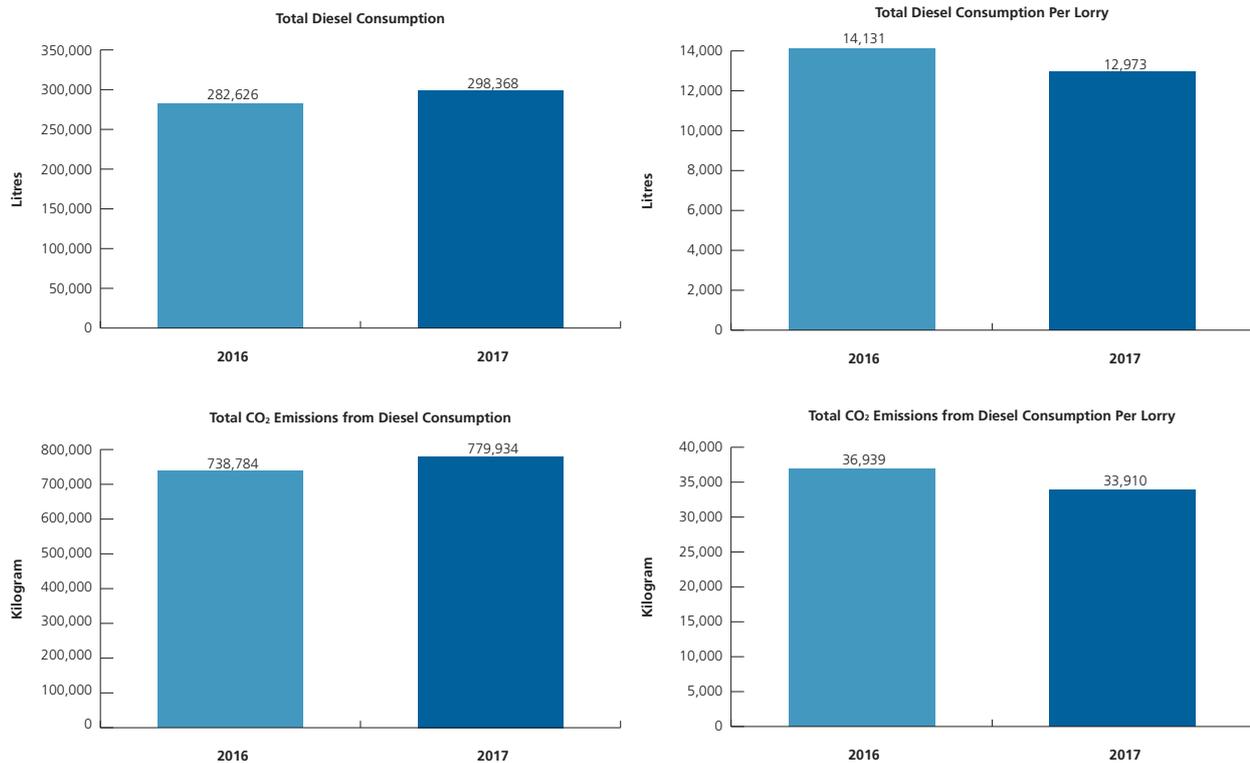
Recognising the impact of carbon and other GHG emissions on the global climate and the environment, the Group encourages the employees to turn off the lights, air-conditioners and electrical equipments when not in use and use energy-saving light bulbs such as LED instead.

As our customers’ construction sites have grown, to cope with the increasing routes, the Group had purchased 3 new lorries between May and September in 2017 for our transport team to send our workers to the construction sites. The main source of air pollution from the Group’s business operation is vehicle exhaust gas during transportation.

Our lorries undergo regular maintenance and we instruct our drivers to switch off idling engines. To further reduce indirect greenhouse gas emission, we have handed out EZ link cards to our foreign workers and encourage them to take public transportation. The number of EZ link cards have increased from 67 in 2016 to 145 in 2017. We have also traded in a few old lorries for new ones during the Year as they are more fuel-efficient.

Environmental, Social and Governance Report

Our efforts have led to an overall reduction in diesel consumption and Carbon Dioxide (“CO₂”) emissions per lorry from 14,131 litres of diesel and 36,939 kilograms of CO₂ per lorry in 2016 to 12,973 litres of diesel and 33,910 kilograms of CO₂ per lorry in 2017. However, our total diesel consumption and CO₂ emissions have increased due to an increase the transportation routes and number of lorries from 20 to 23.



We do not generate hazardous waste and our non-hazardous waste at our dormitories are properly disposed.

During the Year, the Group was not aware of any material non-compliance with environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous that would have a significant impact on the Group.

Aspect A2: Use of Resources

Water conservation

In Singapore, fresh water is a precious resource and so we should try to protect water resource. As such, we have established an environmental management system that comprises measures and work procedures that are required to be followed by our employees, including but not limited to, internal policies on water and energy conservation.

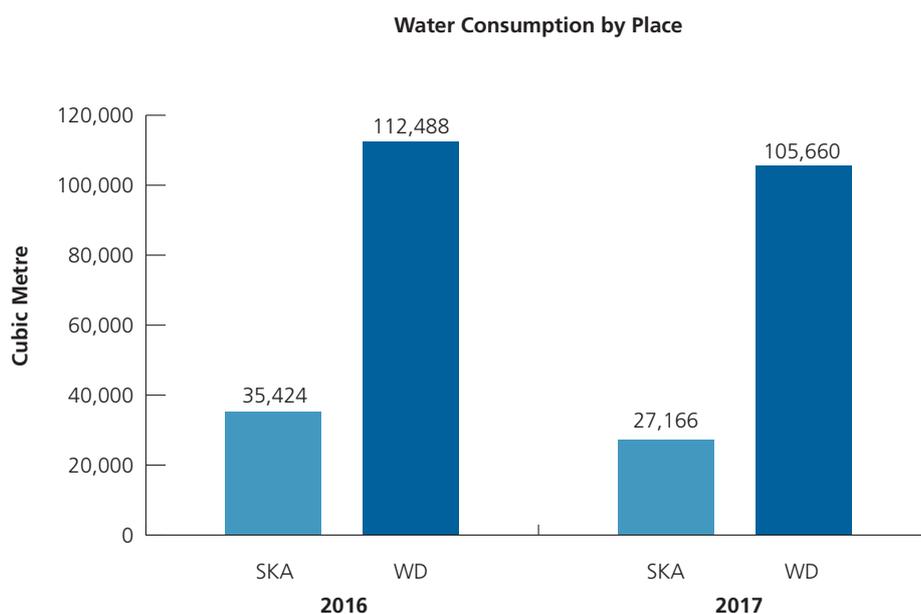
To ensure our workers are committed to reduce water usage, we have placed reminders near our water taps to remind our foreign workers to turn the faucet to the off position while not in use. We have also installed water efficient fittings such as press tap and dual flush water cistern at our dormitories.

Environmental, Social and Governance Report

The Group does not primarily engage in businesses which produce a large amount of industrial wastewater. Our wastewater mainly comes from the discharge of domestic wastewater from our dormitories.

We check our water consumption regularly and repair dripping faucet or hose in a timely manner. There is no issue in sourcing water for dormitory purpose as Singapore has built a robust, diversified and sustainable water supply from four water sources known as the Four National Taps – (i) water from local catchment; (ii) imported water; (iii) high-grade reclaimed water known as NEWater; and (iv) desalinated water. In integrating the water system and maximising the efficiency of each of the Four National Taps, Singapore has overcome its lack of natural water resources to meet the needs of a growing nation (source: <https://www.pub.gov.sg/watersupply/fournationaltaps>).

Our water consumption at our dormitories (“**SKA**” – Sungei Kadut and “**WD**” – Woodlands) for the Year are as follows:



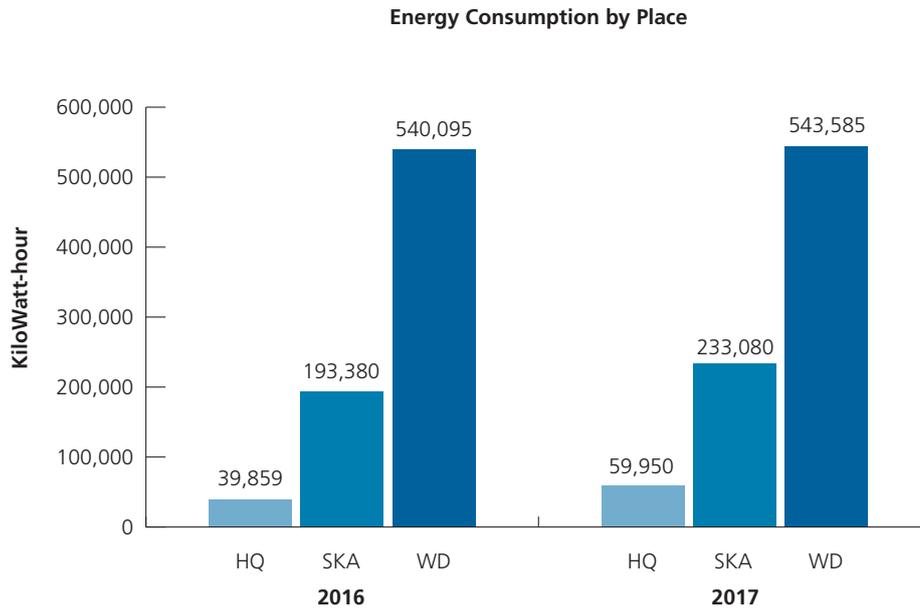
Our dormitory operating subsidiary, Nichefield received an award from the Water Supply (Network) Department of Singapore’s National Water Agency for running the Woodlands Dormitory as a water efficient (basic) building in November 2016.

From 2016 to 2017, our efforts have helped us reduce our water consumption by 23% and 6% at SKA and WD, respectively.

Electricity Conservation

We have policy whereby the last person to leave the office premise has to switch off the lights and equipment in the office to help conserve electricity. We also encourage the use of energy saving light bulbs such as LED.

Environmental, Social and Governance Report



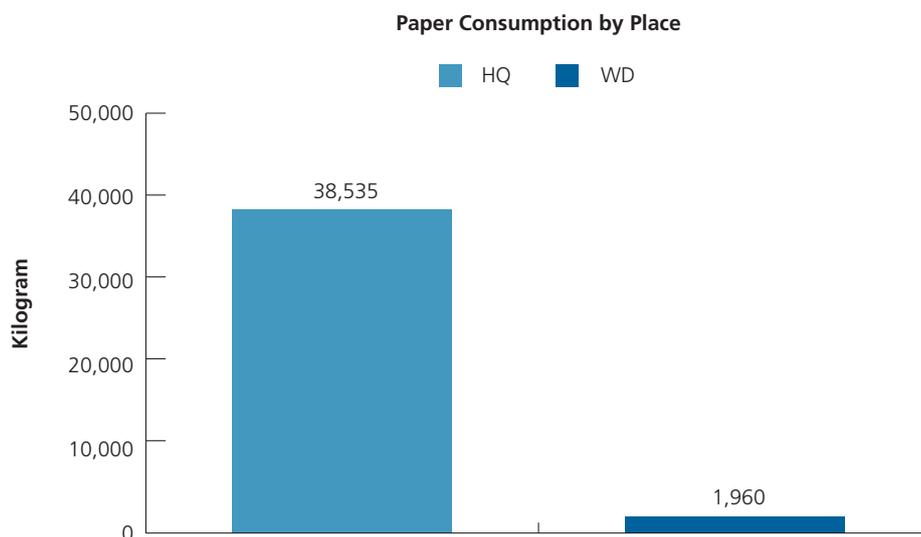
Our headcount has increased from 1,393 as of 31 December 2016 to 1,556 as of 31 December 2017, representing an increase of approximately 11.7%. On the other hand, our electricity consumption has an overall increase of approximately 8.2% in all three premises throughout 2017, where the percentage increase in electricity consumption is less than the percentage increase in headcount.

Paper conversation

The Group has adopted green office practices to reduce consumption and the impact on the environment. In order to reduce waste paper, we have developed the following measures:

- Reusing single-sided paper to minimise paper consumption, provided that the paper does not contain any confidential information;
- Deploying recycling bins to collect used paper products such as waste papers, posters, letters and envelopes;
- Saving paper by doing two sided printing;
- Writing on both sides of the papers;
- Bringing your own cup and avoid using paper cups;
- Reusing stationeries such as file folders and envelopes; and
- Reusing packaging boxes.

Environmental, Social and Governance Report



Information on the packaging material used and intensity of the electricity, water and paper consumption (e.g. per unit of production volume, per facility) is not available as we are not in the manufacturing industry.

Aspect A3: The Environmental and Natural Resources

Although our business does not directly damage and affect the environment, we have put in place various ways to help reduce the emissions from our daily operation and save energy consumption with a goal to minimizing the impact on the environment.

Save as disclosed in sections A1 and A2 above, the Group's operating activities have no significant impact on the environment and natural resources.

EMPLOYMENT AND LABOUR PRACTICES

Aspect B1: Employment

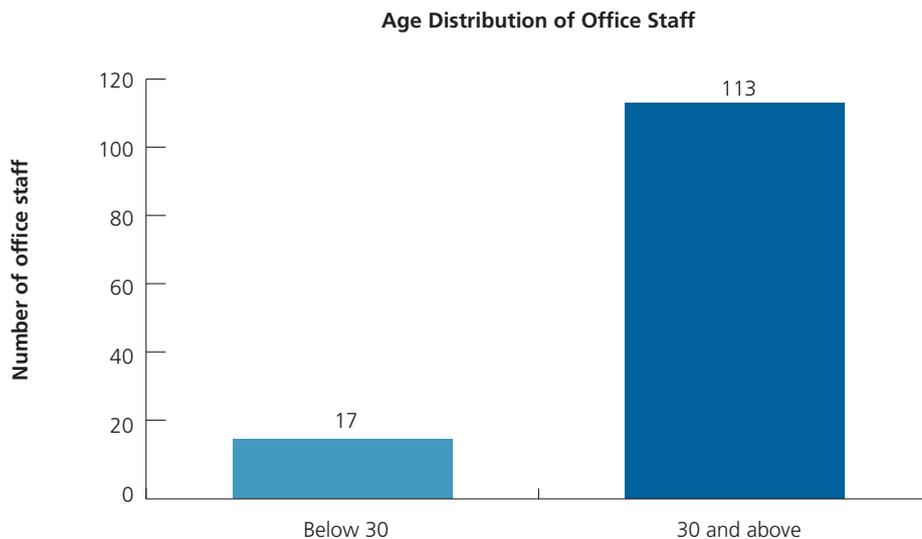
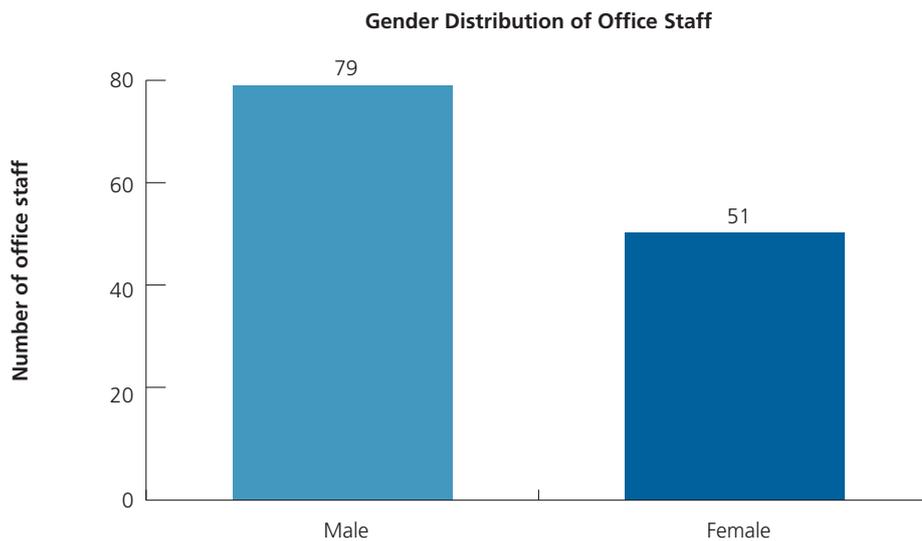
We embrace differences and recognise that diverse perspectives are important to our business success. As a responsible employer, the Group is committed to promoting equal opportunities and eliminating discrimination in all aspects of employment, training and career development. We promote equal opportunity with a strong emphasis on merit-based promotions. The Group is dedicated to developing a positive and harmonious workplace for employees, ensuring that every employee is treated equally and fairly, free from discrimination in respect of age, disability, religious belief, gender, sexual orientation, race, marital status, political belief and nationality, or any other category defined by law in all aspects of employment including recruitment, promotion, and opportunities for training, pay and benefits.

Firmly believing that human resource is one of its most valuable assets towards corporate success, we have put in place recruitment policies and staff appraisal system. Internal employment and incentive processes are standardised and regulated by the management of the Group, and strictly executed by the Human Resources Department to attract and retain valuable talents.

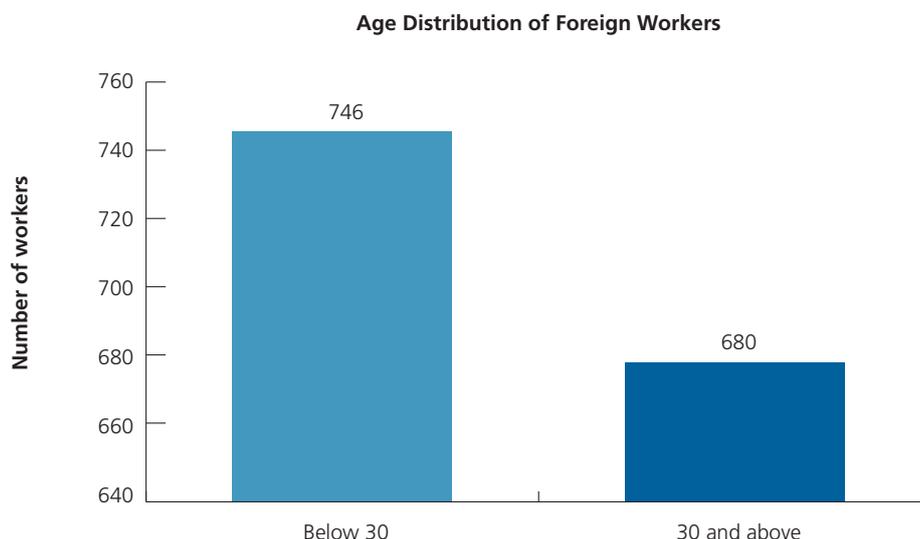
Environmental, Social and Governance Report

As at 31 December 2017, we have employed over 130 local staff and 1,426 foreign workers. Our staff are remunerated according to their scope of employment and responsibilities. All our staff are based in Singapore. As at 31 December 2017, our local staff's turnover rate is 23% and our foreign workers' turnover rate is 58% because a large number of the foreign workers prefer to return to their home countries after their contracts had ended.

All foreign workers are male while the breakdown of local employees are as follows:



Environmental, Social and Governance Report



For the Year, the Group had no violation record on relevant laws and regulations regarding employment that have significant impacts on the Group.

Staff Handbook

All employees are given a staff handbook which they are required to adhere to. Our staff handbook detailed out the general terms and conditions of employment as well as certain employment procedures of our Group. It includes conditions of employment, holidays and leaves, employee benefits, performance appraisal and promotion, code of conduct and other matters such as disposal of confidential papers and energy conservation.

Performance Appraisal

Our transparent promotion practices take into account various factors such as business needs, increased scope of employment and responsibility, capability and contributions to the Group, as well as endorsements from the senior management.

The Group has a systematic and standardised appraisal system to evaluate employees' performances, assess their capabilities and determine whether they are in line with the Group's business development. It also provides a basis for promotion, salary increase and a communication platform for employees and management to set mutually acceptable and measurable performance standards, and career development opportunities.

Salaries are reviewed annually and discretionary bonuses are paid on annual basis with reference to individual performance appraisals and the Group's performance.

Environmental, Social and Governance Report

Human Resources Policy

In line with our human resources policy, our human resources department is responsible for conducting our staff interview, probation, training, employee data maintenance, termination and resignation, performance evaluation and feedback mechanism, compensation, payroll, leave application and other HR matters.

Hiring of Foreign Workers

We are required to comply with the rules and regulation as stipulated by the Ministry of Manpower of Singapore ("**MOM**"). Our current recruitment process provides equal opportunity in employment practices without discrimination in race and religion.

Dismissal

The Group ensures all employees are protected under the employment protection laws of Singapore, our procedures generally include:

- Whenever an employee has handed in his or her resignation letter or being laid off, our human resources executive or head of human resources department will interview him or her to find out the reason of resignation;
- When we terminate an employment contract, the dismissed employee shall be given either his or her due notice or wages in lieu of notice, and the notice should not be served during his or her annual leave and maternity leave;
- An employee cannot be dismissed when she has been confirmed pregnant by a qualified medical doctor or have given notice of pregnancy to the Company;
- An employee cannot be dismissed when he or she takes a paid medical leave.

Employee Welfare

The Group ensures all employees are entitled to be paid for annual leave, marriage leave, maternity leave and other statutory leaves and holidays in accordance with the law and safeguards employees' basic rights. Other benefits that are available to eligible employees include medical insurance scheme and long service awards.

In order to foster a harmonious working environment and encourage collaboration, we organised several company dinners and a company trip during the reporting period.

Environmental, Social and Governance Report

Oct 2017 – Company Trip to Hong Kong

Kakiko Group Limited was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 17 Oct 2017. This would not be possible without the hard work and dedication of our fellow colleagues. To celebrate this milestone, we had the head of individual department to join us on our listing ceremony and dinner in Hong Kong.



Aspect B2: Health and Safety

Safety is integral to our business operations. The Group recognises the importance of a safe and healthy work environment as the cornerstone of a successful organisation and aims to ensure that the health and safety of our employees are well taken care of. As such, we have engaged third party service providers to perform pest control at our self-operated dormitories from time to time. We also place emphasis on occupational health and work safety and provide regular training on workplace health and safety to our employees.

Environmental, Social and Governance Report

We are committed to protecting the health and safety of the employees and the community, we require all the employees to comply with all the relevant occupational health and safety regulations, and try do our utmost to provide them with a safe and healthy working environment. This includes providing the employees with the necessary protective equipment and medical insurance.

Due to the nature of works at construction sites, risks of accidents or injuries to our deployed workers are inherent, we have established a safety management system with reference to the Occupational Health & Safety Assessment Series (“**OHSAS 18001**”) standards. This provides a framework for monitoring and evaluating the implementation of our safety policies and measures, from planning to actual implementation in daily operations, in an effort to provide our employees with a safe and healthy working environment.

Since 2009, the occupational health and safety management systems put in place by our operating subsidiaries, KT&T Engineers and Tenshi Resources, have been certified to be in accordance with the requirements of the OHSAS 18001:2007 standards.

We encourage our employees to advise us of any health and safety issues in their workplace so that we can eliminate or reduce the risk and work together to alleviate any health and safety risks to a minimum.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to occupational health and safety that have a significant impact on the Group.

Aspect B3: Development and Training

We believe that our employees and foreign workers should be equipped with skills needed to thrive in a rapidly evolving industry. Their development and training are instrumental to improve productivity and ensure sustainable growth of our Group.

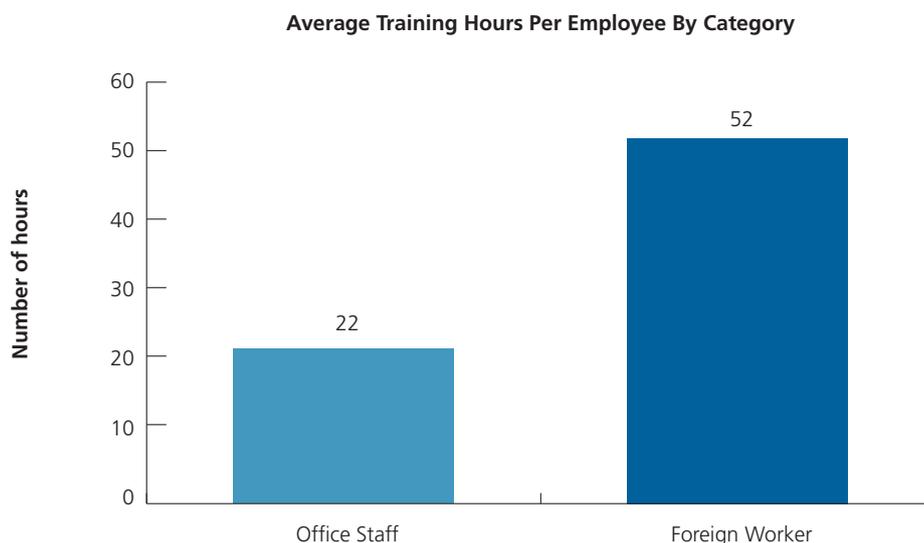
Recognising that knowledge and skills of our employees are vital to the Group’s continued business growth and success, it is the policy of the Group to encourage employees to attend appropriate courses to enhance their competence for performance improvement and career development. In view of this, the Group has organised workshops, seminars and training programmes that covered various aspects to improve employees’ level of skills and knowledge and maximise their potentials. They are also encouraged to enrol in job-related courses to enrich themselves.

In order to provide quality service to our customers, we constantly send our foreigner workers to different type of training courses that covered a wide range of areas such as inhouse rebar, carpentry and plastering training; coretrade for plumbing and pipe fittings; coretrade for precast concrete component erection; work-at-height; construction safety; rigger & signal; boom lift; tunnelling; confine space; and welder.

In FY 2017, we invested approximately S\$37,000 and 2,890 hours in staff training and S\$429,000 and 74,655 hours in foreign workers training.

Environmental, Social and Governance Report

Average training hours per employee by employees category



Aspect B4: Labour Standards

The Group firmly adopts a zero-tolerance policy on child labour and forced labour and we do not employ any person below the age of eighteen years at our workplace. Our suppliers are expected to follow the same standard of labour practices when working with us.

No employee should be made to work against his/her will or work as bonded/forced labour, or subject to corporal punishment or coercion. Our human resource departments, recruitment department and our site coordinators are responsible for implementing this policy.

Human resource department, recruitment department, administrative department are keep the employment contracts and relevant documentation on the details of our employees and foreign workers.

During the Year, the Group was not aware of any material non-compliance with the laws and regulations regarding stopping child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

Aspect B5: Supply Chain Management

All our suppliers are based in Singapore. In managing the environmental and social risks of our supply chain, we will perform assessments on all our suppliers before engaging them and maintaining an approved vendor list. We will also monitor and assess our suppliers annually whereby those with poor performance will be removed from our approved vendor list.

Environmental, Social and Governance Report

New supplier assessment

Our new suppliers are assessed based on capability, past track records, achievements and results of financial due diligence.

Monitoring of suppliers and subcontractors

We evaluate and monitor our suppliers' performance based on (1) the quality of service, (2) the timeliness in completing the required service or delivering of goods; (3) responsiveness; and (4) compliance with relevant rules and regulations. Suppliers' unsatisfactory performance will lead to their removal from our approved vendors list.

Aspect B6: Product Responsibility

As our business nature does not involve any manufacturing process, product responsibility issues are not directly related to us. However, we are committed to offering superior quality services to our customers by satisfying their expectations and needs.

The quality control measures adopted by our Group in respect of our foreign employees include the following:

(i) Service quality

We conduct regular evaluation on our foreign employees' performance. Our team of site coordinators conducts routine inspection at the relevant work sites to ascertain our customers' satisfaction with the service quality of our deployed employees. Further, our sales manager will usually make follow-up telephone calls to our customers shortly after the deployment to obtain their feedbacks, and attend to the complaints received from our customers, if any. If our customers consider the performance of any deployed workers unsatisfactory, we will, pursuant to the relevant contract terms, arrange for appropriate replacement in the following work day after receiving their requests. We will determine whether we will terminate and/or renew the employments of our foreign employees upon their expiry based on the evaluation results.

(ii) Daily management

While our foreign employee are under the supervision and control of our customers during their deployment, we generally require our customers to give a series of undertakings to us regarding the management of our deployed workers. Further, in the employment contracts with our foreign employees, we typically require them to closely follow our in-house dormitory rules, report to work on time as required by us and accept our assignment of jobs at different work sites of our customers from time to time.

(iii) Trainings

We provide in-house trainings to our foreign employees on rebarbing and other general construction works and arrange some of them to attend external training courses on specialised construction works. We also provide briefings to our deployed employees on their service standard and work safety measures before the commencement of works.

Environmental, Social and Governance Report

(iv) Health and safety

Pursuant to the Workplace Safety and Health Act of Singapore, all our deployed employees will attend the safety induction course conducted by an onsite safety officer appointed by the main contractor of the work site on their first day of deployment. In addition, our site operations team will provide briefings to our deployed employees on their service standard and work safety measures before the commencement of works.

Data Protection

We respect customer data privacy and are committed to preventing customer data leakage or loss. Every employee must follow local regulations in relation to personal data privacy in order to safeguard customer data. Collected customer personal data is only accessible by an authorised personnel and those who would handle with care.

Intellectual Property Rights

The Group strives to protect its own Intellectual Property (“IP”) rights and respects third party IP rights according to all related applicable laws and regulations. We have registered Kakiko Group Limited’s and our operating subsidiary, KT&T Engineers and Constructors Pte Ltd’s, logos in Singapore on 18 September 2017 and they will be up for renewal on 18 September 2027.

In addition, KT&T Engineers and Constructors Pte Ltd is also the registrant of the domain name www.kttgroup.com.sg, which will expire on 27 September 2018.

We will monitor and keep track of the validity of these trademarks and domain name and shall take the necessary action to protect our IP rights.

Advertising and labelling

As we are in the manpower outsourcing, dormitory and IT services industries, we do not produce any goods. Our advertising and labelling activities are mainly flyers which are distributed to new customers. Currently, we are reducing our hard copy flyers and switch to electronic forms.

During the Year, the Group was not aware of any material non-compliance with the laws and regulations relating to health and safety, advertising, labelling and privacy matters that would have a significant impact on the Group.

Aspect B7: Anti-corruption

The Group operates with a high standard of integrity and ethics. Employees are required to conduct themselves with integrity, in an ethical and proper manner, and in compliance with the applicable laws and regulations of the countries in which the Group operates, including anti-bribery laws.

Environmental, Social and Governance Report

The Group has implemented gift and entertainment policy and fraud investigation policy to minimise risks of fraud, corruption and bribery. All employees are required to become acquainted with and abide by these policies and procedures. Every employee is required to complete the form for declaration of conflict of interest annually.

We have the current procedures to ensure our foreign workers are not being extorted:

- 1) renew their permits based on their work performance, disciplinary issues and their acceptance. Renewal of work permit is done by HQ; and
- 2) put on posters on dormitories to inform foreign workers of their employment rights.

As we are not a financial institution and our businesses are mainly in Singapore, we do not have much cross border transactions. We do not have an anti-laundering policy in place. However, all receipts of monies are matched to the current contracts before banking in and all payments are matched to correct quotations and invoices before processing payment.

We provide channels for our employees to report instances that they believe to be unethical or in breach of the Group's policies. The Group's whistleblowing policy allows employees to report suspicious cases in a confidential manner.

During the Year, the Group was not aware of any material breach of laws and regulations relating to regarding bribery, extortion, fraud and money laundering that have a significant impact on the group.

Aspect B8: Community Investment

The Group recognises the inextricable connection between its continuous success and community prosperity. As a responsible and constructive corporate citizen, the Group has continuously offered sponsorships to various charitable organisations. For the reporting period, we have contributed S\$210,180 to three charitable organisations:

- Club Rainbow, an independent charity which provides compassionate services to chronically ill children and their families;
- Sunlove, a charitable home which offers compassionate help in rehabilitative programs, from daily supervision to psychotherapy, occupational, physiotherapy and medical treatment for the intellectually-disabled; and
- The Community Chest of Hong Kong, an independent, non-profit organisation established in Hong Kong to enhance local social welfare services.

Independent Auditor's Report

Deloitte.

德勤

To the Shareholders of Kakiko Group Limited

(Incorporated in the Cayman Islands with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Kakiko Group Limited (the "**Company**") and its subsidiaries (herein referred to as the "**Group**") set out on pages 63 to 120, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRS**") issued by International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
<p>Recoverability of trade receivables</p> <p>The Group has \$8,030,789 of trade receivables as at 31 December 2017. The Group's customer base is principally from the construction and building sector which has continued to experience a slowdown in the current financial year.</p> <p>Accordingly, the Group trade receivables aging profile has increased over the year.</p> <p>Management estimates the allowance for doubtful debts for their past due receivables by considering the creditworthiness, profile of the customer, the subsequent collections and the customer's historical default rate.</p> <p>The Group has disclosed the critical accounting judgements and key sources of estimation uncertainty over the estimation of impairment of receivables in note 5 and note 19.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Group's control over the credit and collection process and monitoring of outstanding receivables; • Evaluated and challenged management's assessment including checking to subsequent collections from customers and past payment trends to assess the recoverability of the Group's aged trade receivables as at the reporting date, to support the collectability of the receivables; • Evaluated the specific analysis of individual customers with long overdue balance, including the profile, background and credibility of the customers; • Performed past bad debts trend analysis by comparing the allowance of bad debt to the actual bad debts written off; and • Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Other Information

The directors of the company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

Independent Auditor's Report

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

Responsibilities of Directors of those charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent Auditor's Report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kanagasabai s/o Haridas.

Deloitte & Touche LLP

Public Accountants and Chartered Accountants
Singapore

27 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 S\$	2016 S\$
Revenue	6	44,441,142	45,050,836
Cost of services		(32,719,871)	(29,538,360)
Gross profit		11,721,271	15,512,476
Other income	7	1,732,586	823,711
Selling expenses		(31,927)	(52,055)
Administrative expenses		(7,127,095)	(7,894,256)
Other gains and losses	8	(817,136)	(141,112)
Other expenses	9	(2,328,683)	(649,996)
Finance costs	10	(2,132)	(17,227)
Profit before taxation	11	3,146,884	7,581,541
Income tax expense	12	(869,111)	(961,752)
Total comprehensive income for the year		2,277,773	6,619,789
Earnings per share			
Basic and diluted	15	0.21 cents	0.64 cents

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 S\$	2016 S\$
Non-current assets			
Property, plant and equipment	16	3,661,339	3,435,026
Investment property	17	245,940	–
Other financial assets at fair value through profit or loss	18	1,300,000	–
		5,207,279	3,435,026
Current assets			
Trade receivables	19	8,030,789	5,039,960
Other receivables, deposits and prepayments	20	3,064,108	1,984,723
Amounts due from related parties	21a	–	294,115
Held for trading investments	22	70,000	70,000
Bank balances and cash	23	21,747,251	15,723,675
		32,912,148	23,112,473
Current liabilities			
Amount due to related parties	21b	–	412,500
Amount due to a director	21c	–	4,205,218
Trade and other payables	24	7,381,895	6,813,751
Obligations under finance leases	25	15,540	36,618
Income tax payable		1,174,035	2,043,648
Dividends payable		–	3,000,000
Borrowings	26	–	43,439
		8,571,470	16,555,174
Net current assets		24,340,678	6,557,299

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 S\$	2016 S\$
Non-current liabilities			
Obligations under finance leases	25	73,372	19,813
Deferred tax liabilities	27	123,500	–
		196,872	19,813
Net assets		29,351,085	9,972,512
Capital and reserves			
Share capital	28	2,142,414	14
Share premium	29	14,958,400	–
Merger reserves		1,350,000	1,350,000
Accumulated profits		10,900,271	8,622,498
Equity attributable to owners of the Company		29,351,085	9,972,512

The consolidated financial statements on pages 63 to 120 were approved and authorised for issue by the Board of Directors on 27 March 2018 and are signed on its behalf by:

Kuah Ann Thia
Chairman and Executive Director

Dolly Hwa Ai Kim
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital	Share premium (Note 29)	Merger reserves	Accumulated profits	Total
	S\$	S\$	S\$	S\$	S\$
At 1 January 2016	750,000	–	–	12,442,709	13,192,709
Total comprehensive income for the year	–	–	–	6,619,789	6,619,789
<i>Transactions with owners, recognised directly in equity</i>					
Restructuring (Note a)	600,000	–	–	–	600,000
Dividend (Note 14)	–	–	–	(10,440,000)	(10,440,000)
Issue of share capital	14	–	–	–	14
Reorganisation (Note b)	(1,350,000)	–	1,350,000	–	–
At 31 December 2016	14	–	1,350,000	8,622,498	9,972,512
Total comprehensive income for the year	–	–	–	2,277,773	2,277,773
<i>Transactions with owners, recognised directly in equity</i>					
Reorganisation (Note c)	(14)	–	–	–	(14)
Issue of shares pursuant to the reorganisation (Note c, 28)	2	–	–	–	2
Issue of shares under the capitalisation issue (Note 28)	1,794,052	(1,794,052)	–	–	–
Issue of shares under the share offer (Note 28)	348,360	17,766,357	–	–	18,114,717
Share issue expenses	–	(1,013,905)	–	–	(1,013,905)
At 31 December 2017	2,142,414	14,958,400	1,350,000	10,900,271	29,351,085

Notes:

- (a) On 18 July 2016, Mr. Kuah acquired the entire equity interest in (i) Tenshi Resources International Pte. Ltd. ("**Tenshi**") from Tenshi's immediate holding company, KT&T Engineers and Constructors Pte. Ltd. ("**KT&T Engineers**") and (ii) Keito Engineering & Construction Pte. Ltd. ("**Keito Engineering**") and KT&T Resources Pte. Ltd. ("**KT&T Resources**") from the two companies' immediate holding company Accenovate Engineering Pte. Ltd. ("**Accenovate Engineering**") for cash consideration of S\$50,000, S\$500,000 and S\$50,000 respectively, being the share capital of respective companies. The consideration have been settled by way of off-setting the amounts owing to Mr. Kuah by KT&T Engineers and Accenovate of S\$600,000.
- (b) The amount arose from the acquisition of entire equity interest in the Operating Subsidiaries (defined in Note 2) by the Company from the Controlling Shareholder in 2017.
- (c) On 21 August 2017, Mighty One Investments Limited ("**Mighty One**"), the Company and Mr. Kuah entered into a sale and purchase agreement, pursuant to which the Company acquired 10 shares in Real Value Global Limited representing its entire issued share capital and in consideration thereof, 999 shares of the Company were issued and allotted to Mighty One, all credited as fully paid. Since then, the Company became the holding company of the Group.

Details of the reorganisation are set out in the Note 2 to the Historical Financial Information.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017	2016
	S\$	S\$
Operating activities		
Profit before taxation	3,146,884	7,581,541
Adjustments for:		
Depreciation of property, plant and equipment	836,036	641,711
Depreciation of investment property	33,592	–
Finance costs	2,132	17,227
Dividend income	(1,400)	(1,600)
Loss on disposal of property, plant and equipment, net	36,305	71,062
Unrealised foreign exchange loss	304,398	–
Allowance for doubtful debts, net	540,276	13,123
	4,898,223	8,323,064
<i>Movements in working capital:</i>		
(Increase) decrease in trade receivables	(3,531,105)	364,549
Increase in other receivables, deposits and prepayments	(1,079,385)	(1,074,841)
(Decrease) Increase in trade and other payables	(111,856)	149,788
	175,877	7,762,560
Cash generated from operations	175,877	7,762,560
Income taxes paid	(1,615,224)	(447,537)
Net cash (used in) from operating activities	(1,439,347)	7,315,023
Investing activities		
Advances to related parties	–	(43,500)
(Advance to)/repayment from a director	–	1,245,391
Additions to investment property	(279,532)	–
Purchase of other financial asset at fair value through profit or loss	(620,000)	–
Purchase of property, plant and equipment	(1,007,454)	(1,253,613)
Proceeds from disposal of property, plant and equipment	26,800	9,001
Dividends received from held for trading investments	1,400	1,600
Net cash used in investing activities	(1,878,786)	(41,121)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017	2016
	S\$	S\$
Financing activities		
Release of pledged deposits	–	55,075
Proceeds from issuance of shares	18,114,705	–
Share issue expenses paid	(1,013,905)	–
Interest paid	(2,132)	(17,227)
Dividends paid	(3,000,000)	(7,440,000)
Repayment of advance from a director	(4,323,603)	(9,526,243)
Advance from a director	–	14,331,475
Repayment of borrowings	(43,439)	(509,027)
Repayment of finance lease payables	(85,519)	(112,324)
Net cash from (used in) financing activities	9,646,107	(3,218,271)
Net increase in cash and cash equivalents	6,327,974	4,055,631
Cash and cash equivalents at beginning of the year	15,723,675	11,668,044
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	(304,398)	–
Cash and cash equivalents at end of the year (Note 23)	21,747,251	15,723,675

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 14 February 2017. The immediate and ultimate holding company of the Group is Mighty One Investments Limited. The ultimate controlling party is Mr Kuah Ann Thia, who is also the Chairman, Executive Director and Chief Executive Officer of the Company. Its registered office of the Company is at P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company was registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”) on 29 September 2017 and its principal place of business in Hong Kong is at Room 1603, 16/F, China Building, 29 Queen’s Road Central, Central, Hong Kong. The headquarters and principal place of business of the Company in Singapore is at 750 Chai Chee Road, #03-10/14 Viva Business Park, Singapore 469000. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from on 17 October 2017.

The Company is an investment holding company and the principal activities of its operating subsidiaries are provision of manpower outsourcing services, provision of dormitories services, and provision of IT services and construction ancillary services for the building and construction industry.

The functional currency of the Company is Singapore dollars (“**S\$**”), which is also the presentation currency of the Company and its principal subsidiaries (Note 36).

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on the accounting policies set out in Note 4 which conform with International Financial Reporting Standards (“**IFRSs**”) and the conventions applicable for group reorganisation (the “**Reorganisation**”) (details are set out below).

Prior to the group reorganisation (the “**Reorganisation**”), the operating subsidiaries of the Group including those group companies incorporated in Singapore set out in Note 36, were wholly controlled by Mr. Kuah Ann Thia (“**Mr. Kuah**”) (referred to the “**Controlling Shareholder**”) except for one company which 50% equity interest was held in trust by Mr. Kuah’s spouse, Akiko Koshiishi. In preparing for the initial listing of the shares of Kakiko Group Limited on the Main Board of the Stock Exchange of Hong Kong Limited, the companies comprising the Group underwent a Reorganisation as set out below:

- On 24 November 2016, Real Value was incorporated in the British Virgin Islands (“**BVI**”) and one fully paid ordinary share of Real Value was allotted and issued to Mighty One Investments Limited (“**Mighty One**”, a company controlled by Mr. Kuah, not forming part of group companies) on 16 December 2016.
- Harbour Gold Investments Limited (“**Harbour Gold**”), Leading Elite Global Limited (“**Leading Elite**”), Priceless Developments Limited (“**Priceless Developments**”) and Promising Elite Investments Limited (“**Promising Elite**”) (collectively referred to as “**Immediate Holding Companies**”) were incorporated on 28 November 2016, 28 November 2016, 13 October 2016 and 21 September 2016, respectively and one fully paid ordinary share of each of them representing their respective entire issued share capital, was allotted to Real Value on 16 December 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- On 28 December 2016, Mr. Kuah acquired 50% equity interest in Nichefield Pte. Ltd. ("**Nichefield**") held by his nominee at a nominal cash consideration of S\$1.
- On 28 December 2016, the entire equity interest in Nichefield, Tenshi, KT&T Engineers, Keito Engineering, KT&T Resources, Accenovate Engineering, Kanon Global Pte Ltd ("**Kanon Global**"), Accenovate Consulting (Asia) Pte.Ltd ("**Accenovate Cousing**") and KT&T Global Pte. Ltd. ("**KT&T Global**") (collectively referred to as "**Operating Subsidiaries**") were restructured by transferring from Mr. Kuah to the Immediate Holding Companies at consideration settled by way of issue and allotment of a total of nine shares in Real Value as fully paid to Mighty One at the direction of Mr. Kuah.
- On 14 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of Hong Kong Dollars ("**HK\$**") 380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one share was allotted and issued in nil paid form to the initial subscriber, an independent third party and the said share was transferred to Mighty One on the same date for nil consideration.
- On 21 August 2017, Mighty One, the Company and Mr. Kuah entered into a sale and purchase agreement pursuant to which the Company acquired ten shares in Real Value, representing its entire issued share capital from Mighty One and in consideration thereof, 999 shares were issued and allotted to Mighty One, all credited as fully-paid.

As part of the Reorganisation, investment holding companies, including Real Value, the immediate holding companies and the Company, were incorporated and interspersed between the Operating Subsidiaries and the Controlling Shareholder. Since then, the Company became the holding company of the Group on 21 August 2017.

The Group resulting from the above mentioned Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the group structure under the Reorganisation have been in existence throughout the year ended 31 December 2017 or their respective dates of incorporation whichever is the shorter period.

The shares of the Company have been listed on the Stock Exchange since 17 October 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 January 2017, the Group has adopted all the new and revised IFRSs and Interpretations of IFRS (“**INT IFRS**”) that are effective and relevant to its operations. The adoption of these new/revised IFRSs and INT IFRSs does not result in significant changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior periods.

At the date of authorisation of these consolidated financial statements, the Group has not applied the following relevant new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

Except as described below, the directors of the company consider that the application of the other new and revised IFRSs and IASs and Interpretation is unlikely to have a material impact on the Group’s financial position and performance as well as disclosure in future.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at ‘fair value through other comprehensive income’ (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

(Continued)

IFRS 9 Financial Instruments *(Continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanism currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company have performed an assessment of the requirements of the initial application of the new IFRS 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets and classification and measurement of the Group's financial assets which will either be measured at fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). Management anticipate that the adoption of IFRS 9 will not have a material impact on the financial statements of the Group in the period of their initial adoption.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

(Continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2017, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the adoption of IFRS 15 in the future is unlikely to have significant impact on revenue recognition but will result in more disclosures.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

(Continued)

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the IFRS 16 lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group had non-cancellable operating lease commitments of S\$4,282,843 (2016: S\$8,613,299) as disclosed in Note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS issued by the IASB. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated FS have been prepared on the historical cost basis at the end of each reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies adopted are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved when a company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Merger accounting for business combination involving entities under common control *(Continued)*

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is earlier.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from provision of manpower services, IT services, and construction ancillary services

Revenue from provision of services is recognised upon rendering of such service.

(ii) Revenue from provision of dormitory services

Revenue from the leasing of dormitory bed spaces and related ancillary services is recognised, on a straight-line basis, over the terms of the respective contracts.

(iii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iv) Dividend income

Dividend income from investments is recognised when the rights to receive payment have been established.

(v) Other income from Myanmar

Other income from Myanmar will be recognised when a Myanmar counterparty utilised workers previously trained by the Group in Myanmar and is based on an agreement with the counterparty in Myanmar for specific projects.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments made to Central Provident Fund (“CPF”) are recognised as expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deduction of any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interest and re-measurement are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost of investment properties less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Financial instruments

Financial assets and liabilities are recognised in the consolidated financial statements when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities of fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets and other financial assets at fair value through profit or loss are classified into the following specified categories: financial assets “at fair value through profit or loss (“**FVTPL**”)” and “loans and receivables”. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables, deposit and prepayments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from related parties and bank and cash balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

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

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or income earned on the financial asset and is included in the "other income" line item. Fair value is determined in the manner described in Note 33d.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets held by the Group, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past due beyond 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group entities are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related parties, amount due to a director, dividend payable and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group companies after deducting all of their liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

De-recognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred financial asset, the Group continues to recognise to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

De-recognition *(Continued)*

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the consolidated financial statements when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The directors are of the opinion that there was no critical judgement involved that have a significant effect on the amounts recognised in the Consolidated Financial statement.

Key sources of estimation uncertainty

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of receivables

Management assesses at the end of each reporting period whether there is any objective evidence that trade and other receivables are impaired. If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in profit or loss. Where the loss subsequently reverses, the reversal is recognised in profit or loss. During the year ended 31 December 2017 and 2016, allowance for doubtful debts of S\$540,276 and S\$13,123 was provided for in the consolidated financial statements. The carrying amounts of the trade receivables are disclosed in Note 19.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from provision of manpower services, dormitory services, IT services and construction ancillary services, solely derived in Singapore during the year.

Information is reported to Mr. Kuah Ann Thia, being the chairman, an executive director, the Chief Executive Officer and the chief operating decision maker ("CODM") of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as Group's accounting policies described in Note 4. The CODM reviews revenue by nature of services, i.e. provision of manpower services to contractors of construction projects, provision of dormitory services, provision of IT services and provision of construction ancillary services and profit for the year as a whole. No further detailed analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

An analysis of the Group's revenue for the year is as follows:

	2017	2016
	S\$	S\$
<i>Revenue from:</i>		
Provision of manpower services	36,394,609	37,977,761
Provision of dormitory services	5,260,452	5,464,291
Provision of IT services	739,840	892,420
Provision of construction ancillary services	2,046,241	716,364
	44,441,142	45,050,836

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Major customers

There is no individual customer that contributed over 10% of total revenue of the Group during the financial year ended 31 December 2017.

Geographical information

The Group principally operates in Singapore, also the place of domicile. All revenue are derived from Singapore based on the location of services delivered and the Group's property, plant and equipment are all located in Singapore.

7. OTHER INCOME

	2017 S\$	2016 S\$
Government grants (Note)	219,231	461,390
Dividend income from held for trading investments	1,400	1,600
Forfeiture of customer deposits	76,220	9,986
Work injury/workmen compensation claims	86,651	203,464
Sub-leasing income	186,093	100,069
Other income from Myanmar	1,123,985	–
Others	39,006	47,202
	1,732,586	823,711

Note:

Government grants mainly include the Special Employment Credit ("SEC"), the Productivity and Innovation Credit ("PIC") Scheme and the Wages Credit Scheme ("WCS"), are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.

During the years ended 31 December 2017 and 2016, the Group received S\$52,997 and S\$71,460 grants under the SEC respectively. Under the SEC, the government aims to encourage and facilitate Singapore-registered business to hire older Singaporean workers and persons with disabilities.

During the years ended 31 December 2017 and 2016, S\$99,484 and S\$304,079 grants under WCS were received respectively. Under this credit scheme, the government provides assistance to Singapore-registered businesses by way of co-funding 20% of wage increases given to Singapore Citizen employees earning a gross monthly wage of S\$4,000 and below in 2016 to 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

8. OTHER GAINS AND LOSSES

	2017 S\$	2016 S\$
Loss arising on disposal of property, plant and equipment	36,305	71,062
Foreign exchange loss, net	287,813	18,821
Forfeited deposits to vendors	–	38,106
Allowance for doubtful debts, net	540,276	13,123
Write-back of payables	(47,258)	–
	817,136	141,112

9. OTHER EXPENSES

	2017 S\$	2016 S\$
Listing expenses	2,328,683	649,996

Included in listing expenses are audit fees of S\$392,737 (2016: S\$75,000) paid to auditors of the Company and non-audit fees of S\$34,425 paid to other auditors of the Group.

Included in share issue expenses are audit fees of S\$80,160 paid to the auditors of the Company, and non-audit fees of S\$7,344 paid to other auditors of the Group.

10. FINANCE COSTS

	2017 S\$	2016 S\$
<i>Interest on:</i>		
Bank borrowings	147	12,572
Obligations under finance leases	1,985	4,655
	2,132	17,227

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

11. PROFIT BEFORE TAXATION

Profit before tax for the year has been arrived at after charging:

	2017	2016
	S\$	S\$
Depreciation of property, plant and equipment	836,036	641,711
Depreciation of investment property	33,592	–
Audit fees paid to auditors of the Company		
– Annual audit fees	165,000	69,600
– Audit fees in connection with the listing of the Company	392,737	75,000
Non-audit fees paid to auditors of the Company	60,000	–
Directors' remuneration	1,181,197	977,574
Workers and other staff costs		
– Salaries, wages and other benefits	16,335,205	16,825,482
– Contribution to retirement benefit plans	815,221	859,293
– Foreign worker levy	11,373,370	9,951,247
Total workers and other staff costs	28,523,796	27,636,022
Gross rental income from investment property	5,260,452	5,464,291
Less: direct operating expenses incurred for investment property that generated rental income during the year	33,592	–
	5,226,860	5,464,291

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

12. INCOME TAX EXPENSE

	2017 S\$	2016 S\$
<i>Tax expense comprises:</i>		
Current tax – Singapore corporate income tax (“ CIT ”)	661,657	961,752
Under provision for current tax in prior years	83,954	–
Deferred tax	64,400	–
Under provision for deferred tax in prior years	59,100	–
	869,111	961,752

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 50%, capped at S\$20,000 for the Year of Assessment 2017 (“**YA2017**”), and 20%, capped at S\$10,000 for the Year of Assessment 2018 (“**YA2018**”) determined based on financial year end date of respective group companies. Singapore-incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of chargeable income and a further 50% tax exemption on the next S\$290,000 of chargeable income.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	2017 S\$	2016 S\$
Profit before taxation	3,146,884	7,581,541
Tax at applicable tax rate of 17%	534,970	1,288,862
Tax effect of expenses not deductible for tax purpose	140,385	215,886
Tax effect of income not taxable for tax purpose	(238)	(272)
Effect of tax concessions and partial tax exemption (Note)	(482,306)	(542,724)
Effect of unused tax losses not recognised as deferred tax assets	15,794	–
Effect of tax rates of subsidiaries operating in other jurisdiction	522,052	–
Under provision of current tax in prior years	83,954	–
Under provision of deferred tax in prior years	59,100	–
Others	(4,600)	–
Taxation for the year	869,111	961,752

Note:

Included in the amounts are additional 300% tax deductions/allowances for qualified capital expenditures and operating expenses under the PIC scheme in Singapore for the YA 2017 and YA 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

13. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Mr. Kuah Ann Thia and Ms. Dolly Hwa Ai Kim were appointed as directors of the Company on 14 February 2017 and 31 March 2017 respectively. Mr. Ong Shen Chieh, Mr. Lau Kwok Fai Patrick and Mr. Lam Raymond Shiu Cheung were appointed as independent non-executive directors of the Company on 26 September 2017.

The emoluments paid or payable to the directors and chief-executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the year are as follows:

Year ended 31 December 2017

	Fees S\$	Salaries and allowances S\$	Discretionary Bonus (Note b) S\$	Retirement benefit scheme contributions S\$	Total S\$
Executive Directors					
(Note d)					
Mr. Kuah Ann Thia (Note a)	218,691	444,000	–	75,480	738,171
Ms. Dolly Hwa Ai Kim	26,420	365,189	16,344	18,488	426,441
Independent Non-Executive Directors					
(Note e)					
Mr. Ong Shen Chieh	5,531	–	–	–	5,531
Mr. Lau Kwok Fai Patrick	5,527	–	–	–	5,527
Mr. Lam Raymond Shiu Cheung	5,527	–	–	–	5,527
	261,696	809,189	16,344	93,968	1,181,197

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

13. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

Year ended 31 December 2016

	Fees S\$	Salaries and allowances S\$	Discretionary Bonus (Note b) S\$	Retirement benefit scheme contributions S\$	Total S\$
Executive Directors (Note d)					
Mr. Kuah Ann Thia (Note a)	444,000	–	–	75,480	519,480
Ms. Dolly Hwa Ai Kim	–	414,612	23,738	19,744	458,094
	<u>444,000</u>	<u>414,612</u>	<u>23,738</u>	<u>95,224</u>	<u>977,574</u>

Note:

- Mr. Kuah Ann Thia acts as the chairman and chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.
- The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- No other retirement benefits were paid to directors in respect of their respective services in connection with the management of the affairs of the Company or its subsidiaries undertaking.
- The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group.
- The independent non-executive directors' emoluments shown above were for their services as directors of the Company.
- None of the directors has waived any remuneration in 2016 and 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

13. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 2 (2016: 2) were directors of the Company during the year ended 31 December 2017 whose emoluments are included in the disclosures above. The emoluments of the remaining 3 (2016: 3) individuals were as follows:

	Year ended 31 December	
	2017 S\$	2016 S\$
Salaries and allowances	390,786	698,814
Discretionary bonus	7,324	24,501
Contributions to retirement benefits scheme	37,252	111,620
	435,362	834,935

Their emoluments were within the following bands presented in Hong Kong Dollars ("HK\$"):

Emolument bands	Number of employees	
	2017	2016
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	–	3
HK\$3,000,001 to HK\$3,500,000	–	–
HK\$3,500,001 to HK\$4,000,000	–	–
HK\$4,000,001 to HK\$4,500,000	1	–
	5	5

During both reporting periods, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

13. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments *(Continued)*

The remuneration of director and other members of key management during the year were as follows:

	2017	2016
	S\$	S\$
Short-term benefits	1,566,034	1,559,660
Post-employment benefits	160,682	205,458
	1,726,716	1,765,118

14. DIVIDEND

No dividend was paid or declared by the group companies for the year ended 31 December 2017.

For the year ended 31 December 2016, an aggregate amount of dividends of S\$10,440,000 (S\$0.01 per share) was declared by the group companies for the year ended 31 December 2016, of which S\$7,440,000 was paid during the year ended 31 December 2016 and S\$3,000,000 was subsequently paid in 2017.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary owners of the Company is based on the following data:

	2017	2016
Profit attributable to the owners of the Company (S\$)	2,277,773	6,619,789
Weighted average number of ordinary shares in issue	1,071,095,890	1,029,999,999
Basic and diluted earnings per share (S\$ cents)	0.21	0.64

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of shares in issue. The number of shares for the purpose of basic earnings per share for the year ended 31 December 2016 is based on 1,029,999,999 shares, which were issued pursuant to the capitalisation issue as detailed in Note 28, and deemed to have been issued since 1 January 2016.

Diluted earnings per share is the same as the basic earnings per share because the Group has no dilutive securities that are convertible into shares during the years ended 31 December 2017 and 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

16. PROPERTY, PLANT AND EQUIPMENT

	Properties and related structures						Total S\$
	on Leasehold Land S\$	Leasehold improvements S\$	Office Equipment S\$	Motor vehicles S\$	Furniture and fittings S\$	Computers S\$	
Cost							
At 1 January 2016	4,112,000	1,795,822	108,566	1,169,061	118,974	229,655	7,534,078
Additions	45,552	189,850	11,870	1,076,216	21,358	18,034	1,362,880
Disposals	-	-	-	(379,765)	-	-	(379,765)
At 31 December 2016	4,157,552	1,985,672	120,436	1,865,512	140,332	247,689	8,517,193
Additions	7,533	13,282	2,725	1,019,319	1,964	80,631	1,125,454
Disposals	-	(100,475)	(10,034)	(504,348)	(24,774)	(71,723)	(711,354)
At 31 December 2017	4,165,085	1,898,479	113,127	2,380,483	117,522	256,597	8,931,293
Accumulated depreciation							
At 1 January 2016	1,720,334	1,795,822	83,907	795,631	114,809	229,655	4,740,158
Charge for the year	348,045	17,786	14,954	247,690	5,420	7,816	641,711
Elimination on disposals	-	-	-	(299,702)	-	-	(299,702)
At 31 December 2016	2,068,379	1,813,608	98,861	743,619	120,229	237,471	5,082,167
Charge for the year	358,988	65,128	13,002	356,453	8,704	33,761	836,036
Elimination on disposals	-	(100,475)	(10,034)	(441,243)	(24,774)	(71,723)	(648,249)
At 31 December 2017	2,427,367	1,778,261	101,829	658,829	104,159	199,509	5,269,954
Carrying value							
At 31 December 2017	1,737,718	120,218	11,298	1,721,654	13,363	57,088	3,661,339
At 31 December 2016	2,089,173	172,064	21,575	1,121,893	20,103	10,218	3,435,026

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis with the following useful lives after taking into account the residual values:

Properties and related structures on leasehold land	Over the terms of lease of 3 – 12 years
Leasehold improvements	Shorter of 3 years or over the lease terms
Office equipment and machinery	3 years
Motor vehicles	5 years
Furniture and fittings	3 years
Computers	1 year

Included in the additions of property, plant and equipment is additions to office equipment and motor vehicles amounting to S\$118,000 (2016: S\$109,267) which were acquired under finance lease arrangements during the year ended 31 December 2017.

The carrying value of below items are assets held under finance leases:

	2017 S\$	2016 S\$
Office equipment	4,917	16,967
Motor vehicles	116,033	203,793
	120,950	220,760

17. INVESTMENT PROPERTY

	Total S\$
COST	
At 1 January 2016 and 31 December 2016	2,707,893
Additions	279,532
At 31 December 2017	2,987,425
ACCUMULATED DEPRECIATION	
At 1 January 2016 and 31 December 2016	2,707,893
Provided for the year	33,592
At 31 December 2017	2,741,485
CARRYING VALUE	
At 31 December 2017	245,940
At 31 December 2016	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

17. INVESTMENT PROPERTY *(Continued)*

The above investment property is depreciated on a straight-line basis over 3 years.

The Group's property interests are erected on a leasehold land under operating lease (less than 10 years) and held to earn rentals are measured using the costs model and are classified and accounted for as investment property.

At 31 December 2017 and 2016, the fair values of the investment property amounted to S\$2,800,000 and S\$2,800,000, respectively. The fair value as at 31 December 2017 was determined based on the management's estimation that there are no significant changes that they are aware of based on the last valuation performed on 30 April 2017 by RAVIA Global Appraisal Advisory Limited whose method of valuation has been disclosed below. The fair value as at 31 December 2016 has been arrived at by the management and based on a valuation carried out by RAVIA Global Appraisal Advisory Limited (located at Unit 10, 2/F, Fuleeloy Building, No. 9 King Wah Road, North Point, Hong Kong, a Corporate Member of The Hong Kong Institute of Sureyors (General Practice Division) for the year ended 31 December 2016. RAVIA Global Appraisal Advisory Limited is not connected with the Group.

In 2016, the fair value was determined based on the income approach, where the market rentals of all lettable bed spaces of the property are assessed and discounted at the market yield expected by investors for the type of property. The market rentals are assessed by reference to the rentals achieved in the lettable units of the property as well as other lettings of similar property in the neighbourhood. The discount rate is determined by reference to the yield derived from analysing the sales transactions of similar commercial property in the same area and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment property.

In estimating the fair value of the property, the highest and best use of the property is its current use.

Details of the Group's investment properties and information about the fair value hierarchy as at end of the reporting period are as follows:

Woodlands Industrial Park E4 on State Land Lot 5817N PT MK 13 Singapore

	Fair value Level 3 S\$
– As at 31 December 2016	2,800,000
– As at 31 December 2017	2,800,000

There was no transfer into or out of Level 3 in 2016 and 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

18. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 S\$	2016 S\$
Convertible bonds, at fair value	1,300,000	–

As at 31 December 2017, the convertible bonds issued by the counterparty in Myanmar have nominal values amounting to S\$1,300,000, with interest rate at 8% per annum and maturity date of 31 December 2022. These investments are measured at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, as it forms part of contract containing one or more embedded derivatives since the Group have the option to convert the convertible to shares from the date of issue of the bond to the maturity date. Should all the convertible bonds be converted to shares on the date of conversion, it will amount to 30% of share capital of the issuer of the convertible bonds. IAS 39 permits the entire contract to be designated as at fair value through profit or loss. The fair value of the convertible bonds approximate the amount invested because the convertible bonds was issued on 31 December 2017.

As at 31 December 2017, S\$620,000 of the bonds issued was paid with the remaining payment made on 31 January 2018.

19. TRADE RECEIVABLES

	2017 S\$	2016 S\$
Trade receivables	8,521,155	5,537,342
Less: allowance for doubtful debts	(609,766)	(641,344)
	7,911,389	4,895,998
Unbilled revenue	119,400	143,962
	8,030,789	5,039,960

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

19. TRADE RECEIVABLES *(Continued)*

The credit terms to customers is ranging from 3 to 30 days from the invoice date for trade receivables. The following is an analysis of trade receivables by age presented based on invoice date at the end of each reporting period:

	2017	2016
	S\$	S\$
Less than 30 days	3,587,974	3,228,731
31 days to 60 days	2,256,927	1,402,345
61 days to 90 days	876,649	264,922
91 days to 180 days	150,402	–
181 days to 365 days	1,039,437	–
	7,911,389	4,895,998

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period and no impairment is considered necessary for those balances which are not past due at each reporting date.

Allowances for doubtful debts are recognised against trade receivables over 90 days based on estimated irrecoverable amounts from the provision of services for each customer, taking into account their creditworthiness, past collection history and past default experience.

Included in the Group's trade receivables are aggregate carrying amounts of approximately S\$4,977,386 and S\$1,667,267, which are past due at 31 December 2017 and 2016, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

19. TRADE RECEIVABLES *(Continued)*

Aging of trade receivables which are past due but not impaired, net of allowance for doubtful debts, based on invoice date at each reporting date:

	2017	2016
	S\$	S\$
1 day to 30 days	2,692,103	1,402,345
31 days to 60 days	1,089,669	264,922
61 days to 90 days	96,715	–
91 days to 180 days	220,634	–
181 days to 365 days	878,265	–
	4,977,386	1,667,267

In the opinion of the Group management, the trade receivables at the end of each reporting period are of good credit quality which considering the high credibility of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

The Group does not charge interest or hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	2017	2016
	S\$	S\$
At beginning of year	641,344	845,748
Addition	621,517	182,611
Reversal	(81,241)	(169,488)
Written off	(571,854)	(217,527)
At end of year	609,766	641,344

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 S\$	2016 S\$
Deposits	708,344	457,816
Sundry debtors	38,103	140,793
Goods and Service Tax ("GST") receivable	784,235	715,920
Prepayments	352,570	418,604
Deferred listing expenses	-	213,892
Staff loan	160,432	37,698
Other receivables from third parties (Note)	1,020,424	-
	3,064,108	1,984,723

Note: The other receivables pertain to other income from Myanmar as disclosed in Note 7. In the opinion of Group Management, the other receivables from third party is a creditworthy counterparty.

21. AMOUNTS DUE FROM (TO) RELATED PARTIES/A DIRECTOR

a. Amounts due from related parties

	2017 S\$	2016 S\$	2015 S\$	Maximum amount outstanding during the year ended 31 December 2017 S\$	2016 S\$
Non-trade related					
Analysed as:					
Labour Solutions Pte. Ltd.	-	192,115	192,115	-	192,115
Kenta Training & Testing Services Pte. Ltd.	-	102,000	58,500	-	102,000
	-	294,115	250,615	-	294,115

The Controlling Shareholder has controlling equity interests in these related parties.

The balances as at 31 December 2016 were non-trade, unsecured, non-interest bearing and without a fixed repayment term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

21. AMOUNTS DUE FROM (TO) RELATED PARTIES/A DIRECTOR *(Continued)*

b. Amounts due to related parties

	2017	2016
	S\$	S\$
Trade related	-	412,500
Analysed as:		
Tiara Global Pte. Ltd.	-	178,500
Kenta Training & Testing Services Pte. Ltd.	-	234,000
	-	412,500

The controlling shareholder has controlling equity interests in these related parties.

The average credit period for provision of services is 30 days. The aging of trade related amounts due to related parties presented based on the invoice date at the end of the reporting period is as follows:

	2017	2016
	S\$	S\$
Over 1 year but less than 2 years	-	-
Over 2 years but less than 3 years	-	-
Over 3 years but less than 4 years	-	412,500
	-	412,500

c. Amount due to a director

The balances as at 31 December 2016 were non-trade related, unsecured, non-interest bearing and without a fixed repayment term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

22. HELD FOR TRADING INVESTMENTS

	2017	2016
	S\$	S\$
Quoted equity shares, at fair value	70,000	70,000

The investments above include investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

23. BANK BALANCES AND CASH

	2017	2016
	S\$	S\$
Cash at bank	21,745,951	15,722,373
Cash on hand	1,300	1,302
Cash and cash equivalents in the statement of cash flows	21,747,251	15,723,675

Bank balances carry interest at prevailing market interest rate of 0%-1.8% per annum for the years ended 31 December 2017 and 2016.

24. TRADE AND OTHER PAYABLES

	2017	2016
	S\$	S\$
Trade payables	1,162,457	1,728,332
Accrued operating expenses	2,750,606	2,244,439
Other payables		
GST payables	1,335,691	1,322,979
Customer deposits received	1,070,717	1,185,544
Payables for convertible bonds (Note 18)	680,000	–
Others	382,424	332,457
	7,381,895	6,813,751

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

24. TRADE AND OTHER PAYABLES *(Continued)*

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2017	2016
	S\$	S\$
Within 30 days	281,789	730,460
31 days to 90 days	161,967	64,132
Over 90 days	718,701	933,740
	1,162,457	1,728,332

The credit period on purchases from suppliers is ranging from 7 to 60 days or payable upon delivery.

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Amounts payable under finance leases:				
Within one year	18,264	38,509	15,540	36,618
In more than one year but no more than two years	20,256	8,304	17,203	7,221
In more than two years but no more than five years	42,033	14,481	35,411	12,592
More than five years	24,861	–	20,758	–
	105,414	61,294	88,912	56,431
Less: Future finance charges	(16,502)	(4,863)		
Present value of lease obligations	88,912	56,431		
Less: Amount due for settlement within one year (shown under current liabilities)			(15,540)	(36,618)
Amount due for settlement after after one year			73,372	19,813

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

25. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

Interest rates underlying all obligations under finance leases are fixed at respective contract dates from prior year:

	2017	2016
Interest rates	2.78 – 3.00%	2.85 – 2.99%

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 16).

26. BORROWINGS

	2017 S\$	2016 S\$
Bank loans – Secured	–	43,439

	2017 S\$	2016 S\$
Analysed as:		
Carrying amount repayable	–	43,439
Carrying amount repayable more than one year, but not exceeding two years	–	–
Carrying amount repayable more than two years, but not exceeding five years	–	–
Carrying amount repayable more than five years	–	–
Amount due within one year shown under liability	–	(43,439)
Amount shown under non-current liability	–	–

The secured legal mortgage leasehold properties have been discharged in January 2017 upon full settlement of loan.

27. DEFERRED TAX LIABILITIES

Deferred tax liabilities arise mainly from the excess of tax over book depreciation of plant and equipment.

	Total S\$
At 1 January 2016 and 31 December 2016	–
Charged to profit or loss during the year (Note 12)	64,400
Under provision in prior years (Note 12)	59,100
At 31 December 2017	<u>123,500</u>

Notes to the Consolidated Financial Statements

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28. SHARE CAPITAL

The issued share capital as at 1 January 2016 represented the aggregate share capital of Nichefield, KT&T Engineers, Accenovate Engineering, Kanon Global, Accenovate Consulting and KT&T Global.

The issued share capital as at 31 December 2016 represented the share capital of Real Value comprising of 10 shares at US\$1 each.

On 14 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one share was allotted and issued in nil paid form to the initial subscriber, an independent third party and the said share was transferred to Mighty One on the same date for nil consideration.

On 21 August 2017, Mighty One, the Company and Mr. Kuah entered into a sale and purchase agreement, pursuant to which the Company acquired ten shares in Real Value representing its entire issued share capital and in consideration thereof, 999 shares of the Company were issued and allotted to Mighty One, all credited as fully paid.

On 26 September 2017, the authorised share capital of the Company was increased to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each, by the creation of an additional 1,962,000,000 Shares ranking *pari passu* with the Shares then in issue in all respects.

As part of the Share Offer, the Company allotted and issued a total of 1,029,999,000 Shares (of which 107,500,000 Shares are sale shares) to Mighty One, credited as fully paid at par, by way of capitalisation of the sum of HK\$10,299,990 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**").

The Company was successfully listed on the Main Board of the Stock Exchange on 17 October 2017 by way of share offer of 307,500,000 shares (including 107,500,000 sale shares) at the price of HK\$0.52 per share (the "**Share Offer**").

Movements of the issued share capital of the Company from its date of incorporation to 31 December 2017 are as follows:

	No. of shares	S\$
Issued and fully paid ordinary shares:		
On date of incorporation	1	–
Shares issued pursuant to the Reorganisation	999	2
Shares issued under the Capitalisation Issue	1,029,999,000	1,794,052
Shares issued under the Share Offer	200,000,000	348,360
	<hr/>	<hr/>
As at 31 December 2017	1,230,000,000	2,142,414

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

29. SHARE PREMIUM

The amounts of the Group's share premium and the movements therein during the financial year ended 31 December 2017 are presented in the consolidated statement of changes in equity.

Share premium represents the excess of consideration for the shares issued over the aggregate par value.

30. OPERATING LEASE COMMITMENTS

The Group as lessee

	2017 S\$	2016 S\$
Minimum lease payments paid during each of the year under operating leases in respect of offices, staff dormitories and office equipment	4,973,526	4,249,667

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

	2017 S\$	2016 S\$
Within one year	3,226,944	4,554,856
After one year but within five years	1,055,899	3,863,943
More than five years	-	194,500
	4,282,843	8,613,299

The leases have tenures ranging from three to twelve years and no contingent rent provision included in the contracts.

The Group as lessor

	2017 S\$	2016 S\$
Minimum lease income received during each of the year under operating leases in in respect of workers dormitory and warehouse space	5,260,452	5,464,291

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For the year ended 31 December 2017

31. RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund Board of Singapore, the Group's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For each of the financial periods ended 31 December 2017 and 2016, the Group contributes up to 17% and 17% of monthly salary with the cap of S\$102,000 and S\$102,000 per annum per employee, respectively.

The total costs charged to profit or loss, amounting to S\$909,189 and S\$954,517 for the years ended 31 December 2017 and 2016 respectively, represent contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2017 and 2016, contributions of S\$71,658 and S\$524,286 were due respectively but had not been paid to the CPF. The amounts were paid subsequent to the end of the respective years.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes obligations under finance leases and borrowings, as disclosed in Notes 25 and 26, respectively, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital, reserves and accumulated profits.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

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33. FINANCIAL INSTRUMENTS

Categories of financial instruments

Financial assets

– Loans and receivables

Trade receivables

Other receivables, deposits and prepayments*

Amounts due from related parties

Bank balances and cash

– Held for trading investments

– Other financial assets at fair value through profit or loss

2017	2016
S\$	S\$
8,030,789	5,039,960
1,927,303	636,307
–	294,115
21,747,251	15,723,675
31,705,343	21,694,057
70,000	70,000
1,300,000	–
33,075,343	21,764,057

* Prepayments, GST receivables and deferred listing expenses are excluded.

Financial liabilities

– Amortised cost

Trade and other payables**

Amounts due to related parties

Amount due to a director

Dividend payables

Borrowings

2017	2016
S\$	S\$
5,924,764	5,404,751
–	412,500
–	4,205,223
–	3,000,000
–	43,439
5,924,764	13,065,913

** GST payables and advance receipts are excluded.

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, deposits and amounts due from (to) related parties, bank balances and cash, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

(a) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances. The Group is also exposed to fair value interest rate risk in relation to fixed-rate borrowings and finance leases.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

Sensitivity analysis

Bank borrowings are with variable interest rate for the year ended 31 December 2016.

If interest rate of variable-rate bank loans had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would decrease/increase by approximately S\$180.

Currency risk

The Group has certain bank balances and trade receivables denominated in US\$ and HK\$ and certain trade payable denominated in US\$ other than the functional currency of respective group entities, which expose the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies against the functional currency of each respective Group entities at the end of reporting period are as below:

	2017 S\$	2016 S\$
Bank balances and trade receivables		
– denominated in US\$	1,011,355	2,823
– denominated in HK\$	16,402,515	412,094
Trade payable		
– denominated in US\$	326,363	498,383
– denominated in HK\$	33,996	–

If the US\$ strengthens/weakens by 10% against the functional currency of each group entity, the Group's profit for the year ended 31 December 2017 would increase/decrease by S\$56,900 (2016: decrease/increase by S\$41,100).

If the HK\$ strengthens/weakens by 10% against the functional currency of each group entity, the Group's profit for the year ended 31 December 2017 would increase/decrease by S\$1,358,600 (2016: increase/decrease by S\$34,200).

(b) Credit risk

The Group's concentration of credit risk by geographical locations is mainly in Singapore, which accounted for 100% of the total financial assets as at 31 December 2017 and 2016.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

(b) Credit risk *(Continued)*

In addition, the Group reviews the recoverable amount of each individual trade debt (including trade receivables and amounts due from related parties of trade nature) at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Approximately 24% of total trade and other receivables outstanding at 31 December 2017 (2016: 24%) were due from top 5 customers which exposed the Group to concentration of credit risk.

Those 5 largest customers are with good creditworthiness based on historical settlement record. In order to minimise the concentration of credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on bank deposits and balances placed in 4 banks in which the counterparties are financially sound and on trade receivables from top 5 customers, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and obligations under finance leases. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates) of these liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

	Weighted average interest rate	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	2 to 5 years S\$	Over 5 years S\$	Total undiscounted cash flows S\$	Carrying amount S\$
31 December 2017								
<i>Non-interest bearing</i>								
Trade payables	N/A	1,162,457	-	-	-	-	1,162,457	1,162,457
Accrued operating expenses	N/A	2,750,606	-	-	-	-	2,750,606	2,750,606
Other payables	N/A	2,011,701	-	-	-	-	2,011,701	2,011,701
<i>Interest bearing</i>								
Obligations under finance leases	5 - 5.64%	3,072	5,064	10,128	62,289	24,861	105,414	88,912
		5,927,836	5,064	10,128	62,289	24,861	6,030,178	6,013,676

	Weighted average interest rate	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	2 to 5 years S\$	Over 5 years S\$	Total undiscounted cash flows S\$	Carrying amount S\$
31 December 2016								
<i>Non-interest bearing</i>								
Trade payables	N/A	1,728,332	-	-	-	-	1,728,332	1,728,332
Accrued operating expenses	N/A	2,244,439	-	-	-	-	2,244,439	2,244,439
Other payables	N/A	1,431,980	-	-	-	-	1,431,980	1,431,980
Amounts due to related parties	N/A	412,500	-	-	-	-	412,500	412,500
Amount due to a director		4,205,223	-	-	-	-	4,205,223	4,205,223
Dividend payables	N/A	3,000,000	-	-	-	-	3,000,000	3,000,000
<i>Interest bearing</i>								
Obligations under finance leases	5.47-5.64%	9,627	9,627	19,255	22,785	-	61,294	56,431
Borrowings	3%	43,586	-	-	-	-	43,586	43,439
		13,075,687	9,627	19,255	22,785	-	13,127,354	13,122,344

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

(d) Fair value

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis

The Group's held for trading investments (Note 22) are measured at fair value for financial reporting purpose. In estimating the fair value, the Group use market-observable data to the extent it is available.

As at 31 December 2017 and 2016, the held for trading investment is at Level 1 fair value hierarchy and the fair value is determined by reference to the quoted bid prices in an active market.

The Group's other financial assets at fair value through profit or loss (Note 18) are measured at fair value for financial reporting purpose. The fair value as of 31 December 2017 approximate the cost of the convertible bonds as the convertible bond was issued on as 31 December 2017.

As at 31 December 2017, the other financial assets at fair value through profit or loss is at level 3 fair value hierarchy.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	January 1, 2017	Financing cash flows	Non - cash changes							December 31, 2017	
			Equity component of convertible notes	Acquisition Of subsidiary	Disposal Of subsidiary	Fair value adjustments	New finance leases	Deferred tax	Offset of related parties receivables		Other changes
Amount due to related parties (Note)	412,500	(118,385)	-	-	-	-	-	-	(294,115)	-	-
Amount due to director	4,205,218	(4,205,218)	-	-	-	-	-	-	-	-	-
Finance leases	56,431	(85,519)	-	-	-	-	118,000	-	-	-	88,912
Dividends payable	3,000,000	(3,000,000)	-	-	-	-	-	-	-	-	-
Borrowings	43,439	(43,439)	-	-	-	-	-	-	-	-	-
	7,717,588	(7,452,561)	-	-	-	-	118,000	-	(294,115)	-	88,912

Note: In April 2017, the amount owing to/from related parties has been transferred to Marc Kuah (Director) pursuant to loan assignment entered by each entities with the above mentioned related parties.

35. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ Operation and Date of incorporation	Issued and fully paid capital	Equity interest attributable to the Company as at 31 December			Principal activities	Notes
			2017	2016	the date of this report		
<i>Directly held:</i>							
Real Value Global Limited ("Real Value")	BVI, 24 November 2016	US\$10	100%	N/A	100%	Investment holding	(a)
<i>Indirectly held:</i>							
Harbour Gold Investments Limited ("Harbour Gold")	BVI, 28 November 2016	US\$1	100%	100%	100%	Investment holding	(a)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

35. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ Operation and Date of incorporation	Issued and fully paid capital	Equity interest attributable to the Company as at 31 December			Principal activities	Notes
			2017	2016	the date of this report		
Leading Elite Global Limited ("Leading Elite")	BVI, 28 November 2016	US\$1	100%	100%	100%	Investment holding	(a)
Priceless Developments Limited ("Priceless Developments")	BVI, 13 October 2016	US\$1	100%	100%	100%	Investment holding	(a)
Promising Elite Investments Limited ("Promising Elite")	BVI, 21 September 2016	US\$1	100%	100%	100%	Investment holding	(a)
Tenshi Resources International Pte. Ltd. ("Tenshi")	Singapore, 14 January 2005	S\$50,000	100%	100%	100%	Provision of manpower services	(b), (c)
Accenovate Engineering Pte. Ltd. ("Accenovate Engineering")	Singapore, 10 May 2006	S\$100,000	100%	100%	100%	Provision of manpower services	(b), (c)
Keito Engineering & Construction Pte. Ltd. ("Keito Engineering")	Singapore, 10 August 2005	S\$500,000	100%	100%	100%	Provision of manpower services	(b), (c)
KT&T Engineers and Constructors Pte. Ltd. ("KT&T Engineers")	Singapore, 22 September 2005	S\$150,000	100%	100%	100%	Provision of manpower services	(b), (c)
KT&T Resources Pte. Ltd. ("KT&T Resources")	Singapore, 1 September 2006	S\$50,000	100%	100%	100%	Provision of manpower services	(b), (c)
Nichefield Pte. Ltd. ("Nichefield")	Singapore, 31 January 2007	S\$150,000	100%	100%	100%	Provision of dormitory services	(b), (c)
Kanon Global Pte. Ltd. ("Kanon Global")	Singapore, 8 October 2013	S\$50,000	100%	100%	100%	Provision of dormitory services	(b), (c)
Accenovate Consulting (Asia) Pte. Ltd. ("Accenovate Consulting")	Singapore, 16 May 2006	S\$200,000	100%	100%	100%	Provision of IT services and construction ancillary services	(b), (c)
<i>Indirectly held:</i> KT&T Global Pte. Ltd. ("KT&T Global")	Singapore, 16 April 2009	S\$100,000	100%	100%	100%	Provision of IT services and construction ancillary services	(b), (c)

All subsidiaries now comprising the Group are limited liability companies and have adopted December 31 as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

35. PARTICULARS OF SUBSIDIARIES *(Continued)*

Notes:

- (a) No audited financial statements of the companies have been prepared since their respective date of incorporation as these companies are incorporated in the jurisdiction where there is no statutory audit requirement.
- (b) The statutory financial statements of these companies for the years ended 31 December 2017 and 2016 were prepared in accordance with Singapore Financial Reporting Standards ("**SFRSs**") issued by Accounting Standards Council in Singapore and were audited Deloitte & Touche LLP, a Singapore certified public accountant registered in Singapore.
- (c) These are the principal subsidiaries of the Company during the years ended 31 December 2017 and 2016.

36. NON-CASH TRANSACTION

During the year ended 31 December 2016 and prior to the Reorganisation, the Controlling Shareholder, acquired Tenshi from its then immediate holding company KT&T Engineers, and Keito Engineering and KT&T Resources from their then immediate holding company Accenovate Engineering for consideration of S\$50,000, S\$500,000 and S\$50,000 respectively. These considerations have been settled by way of off-setting the amounts owing to the Controlling Shareholder.

During the years of 31 December 2017 and 2016, the additions to property, plant and equipment amounting to S\$118,000 and S\$109,267 respectively were financed by new finance leases.

During the year ended 31 December 2017, the related parties, Labour Solutions Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. have assigned all their other payables owing to the group entities to the director amounting to S\$192,115 and S\$102,000 respectively. These assignments have been settled by way of off-setting amounts owing to the director for the same amount. The related parties, Tiara Global Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. have assigned all their trade receivables due from group entities to the director amounting to S\$178,500 and S\$234,000 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December 2017
	S\$
ASSETS AND LIABILITIES	
Non-current asset	
Investment in subsidiaries	14
Current assets	
Prepayments	9,775
Bank balances	16,400,006
	16,409,781
Current liabilities	
Other payables	367,720
Amounts due to subsidiary	2,010,999
Amounts due to Controlling Shareholder	7
	2,378,726
Net current assets	14,031,055
Total assets less current liabilities, representing net assets	14,031,069
EQUITY	
Capital and reserves	
Share capital	2,142,414
Share premium	14,958,400
Reserves	(3,069,745)
Equity attributable to owners of the Company	14,031,069

Four Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the current four financial years, is set out below:

HIGHLIGHTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			
	2017 S\$	2016 S\$	2015 S\$	2014 S\$
Revenue	44,441,142	45,050,836	46,091,354	45,095,230
Gross Profit	11,721,271	15,512,476	15,288,042	16,744,269
Profit before income tax	3,146,884	7,581,541	7,413,349	4,827,738
Profit for the year, representing total comprehensive income for the year attributable to the owners of the Company	2,277,773	6,619,789	6,323,999	4,157,985
Earnings per share – basic and diluted (S\$ cents) ⁽¹⁾	0.21	0.64	0.61	0.40

HIGHLIGHTS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			
	2017 S\$	2016 S\$	2015 S\$	2014 S\$
Assets				
Non-current assets	5,207,279	3,435,026	2,793,920	4,229,537
Current assets	32,912,148	23,112,473	19,616,639	22,998,397
Total assets	38,119,427	26,547,499	22,410,559	27,227,934
Liabilities				
Non-current liabilities	196,872	19,813	63,782	552,466
Current liabilities	8,571,470	16,555,174	9,154,068	19,806,758
Total liabilities	8,768,342	16,574,987	9,217,850	20,359,224
Total equity	29,351,085	9,972,512	13,192,709	6,868,710
Net assets per share (S\$ cents)⁽²⁾	2.39	0.97	1.28	0.67

Four Years Financial Summary

KEY FINANCIAL RATIOS

		As at 31 December			
	2017	2016	2015	2014	
Current ratio (times)	3.8	1.4	2.1	1.2	
Gearing ratio (%) ⁽³⁾	0.3%	43.2%	4.6%	182.2%	
Gross profit margin (%)	26.4%	34.4%	33.2%	37.1%	
Profit for the year margin (%)	5.1%	14.7%	13.7%	9.2%	
Return on equity (%)	7.8%	66.4%	47.9%	60.5%	

Notes:

- (1) The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue. For the financial years ended 31 December 2014, 2015 and 2016, the weighted average number of ordinary shares is based on the assumption that 1,029,999,999 ordinary shares of the Company are in issue and issuable, comprising an aggregate of 999 ordinary shares in issue and 1,029,999,000 ordinary shares issuable upon capitalisation of share premium, as if the Reorganisation was effective on 1 January 2014. For the financial year ended 31 December 2017, the weighted average number of ordinary shares is 1,071,095,890. Diluted earnings per share is the same as the basic earnings per share as there are no potential dilutive ordinary shares during the years.
- (2) Net assets per share is calculated by dividing net assets by the number of ordinary shares in issue as at the respective year end. As at 31 December 2014, 2015 and 2016, the number of ordinary shares in issue is based on the assumption that 1,029,999,999 ordinary shares of the Company are in issue and issuable, comprising an aggregate of 999 ordinary shares in issue and 1,029,999,000 ordinary shares issuable upon capitalisation of share premium, as if the Reorganisation was effective on 1 January 2014. As at 31 December 2017, the number of ordinary shares in issue is 1,230,000,000 ordinary shares.
- (3) Gearing ratio is calculated by dividing total borrowings (bank borrowings, finance lease obligations and amount due to a director) by total equity as at the end of the respective year.