SWEE HONG LIMITED AND ITS SUBSIDIARY CORPORATIONS
(Incorporated in the Republic of Singapore)
(Unique Entity No.: 198001852R)

ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2018

The directors present their statement to the members together with the audited financial statements of Swee Hong Limited (the "Company") and its subsidiary corporations (the "Group") for the financial year ended 30 June 2018 and the statement of financial position of the Company as at 30 June 2018.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 10 to 70 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, based on the assumptions and measures undertaken as described in Note 4 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Peter Moe	
Teo Boon Tieng	
Anil Dhanpatlal Agrawal	
Moorthy Varadhan	(Appointed on 15 September 2017)
Yeo Junyu	(Appointed on 15 September 2017)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations except as follows:

	Holdings registered in name of the director		Holdings in which director is deemed to have an interest	
	At 30.06.2018	At 01.07.2017	At 30.06.2018	At 01.07.2017
Company				
(No. of ordinary shares)				
Anil Dhanpatlal Agrawal[(1)]	-	-	1,485,287,706	1,485,287,706
(No. of warrants)				
Anil Dhanpatlal Agrawal[(2)]	-	-	500,000,000	500,000,000

The directors' interests in the ordinary shares of the Company as at 21 July 2017 were the same as those as at 30 June 2018.

Notes:

(1) KH Foges Pte. Ltd. holds 1,485,287,706 shares in the Company. Mr Anil Dhanpatlal Agrawal is deemed to have at least 20% of the issued share capital of KH Foges Pte. Ltd. by virtue of holding more than 50% of shareholding in Kridhan Infra Ltd., the ultimate holding corporation of KH Foges Pte. Ltd. and is therefore deemed to have an interest in the shares held by KH Foges Pte. Ltd. pursuant to section 7 of the Companies Act, Cap 50.

(2) As at 30 June 2018, 500,000,000 warrants which were issued to KH Foges Pte. Ltd. by the Company on 11 August 2016 remained outstanding and which when exercised at a price of $0.01 per share will result in 500,000,000 shares being allotted to KH Foges Pte. Ltd.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

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

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

Warrants

On 11 August 2016, the Company allotted and issued 500,000,000 warrants to KH Foges Pte. Ltd. approved by shareholders of the Company at an Extraordinary General Meeting dated 2 August 2016. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of $0.01.

The conditions under which the exercise price of the warrants may be adjusted are as follows:
(a) an issue by the Company of shares to shareholders credited as fully paid for which no consideration is payable, by way of capitalisation of profits or reserves to its shareholders;
(b) a capital distribution made by the Company to its shareholders whether on a reduction of capital or otherwise;
(c) an offer or invitation made by the Company to its shareholders under which they may acquire or subscribe for shares by way of rights;
(d) an issue by the Company of shares if the consideration receivable by the Company for each Share is less than 90% of the relevant last dealt price for each share; and
(e) any consolidation, subdivision or conversion of shares.

Audit Committee

The members of the Audit Committee (the "AC") at the date of this report were as follows:

Peter Moe	Chairman	
Teo Boon Tieng	Member	
Anil Dhanpatlal Agrawal	Member	(Appointed on 7 February 2018)

All members of the AC were non-executive directors. All members were independent, except for Mr Anil Dhanpatlal Agrawal who has deemed interest.

The AC carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, SGX Listing Manual and the Code of Corporate Governance which includes the following:

- To review the Company's independent auditor's audit plan and any recommendations on internal accounting controls arising from the statutory audit;

- To review the Company's internal auditor's internal audit scope and their evaluation of the adequacy of Company's internal control and accounting system;

- To review the consolidated financial statements;

- To review the internal control and procedures and ensure co-ordination between the independent auditor and the management, reviewing the assistance given by the management to the independent auditor, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditor may wish to discuss;

- To review and discuss with the independent auditor any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

- To consider and recommend the appointment or re-appointment of the independent auditor and matters relating to resignation or dismissal of the independent auditor;

- To review transactions falling within the scope of Chapter 9 and Chapter 10 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual;

Audit Committee (Cont'd)

- To undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;

- Generally to undertake such other functions and duties as may be required by status or the SGX-ST Listing Manual, and by such amendments made thereto from time to time;

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

- To conduct periodic review of foreign exchange transactions and hedging policies (if any) undertaken by the Group.

The Audit Committee has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

....
Moorthy Varadhan
Director

....
Yeo Junyu
Director

5 October 2018

Independent Auditor's Report to the Members of Swee Hong Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Swee Hong Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including summary of significant accounting policies, as set out on pages 10 to 70.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Nexia TS Public Accounting Corporation
UEN: 200507237N / Incorporated with limited liability
Singapore • China • Malaysia • Myanmar
Nexia TS Public Accounting Corporation is a member of Nexia International, a worldwide network of independent accounting and consulting firms.
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Independent Auditor's Report to the Members of Swee Hong Limited (Cont'd)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant 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.

Accounting for construction contracts
(Refer to Notes 2.6, 5 and 15 to the financial statements)

Risk:

The Group had recognised construction revenue of $49,108,296 for the financial year ended 30 June 2018.

The Group recognises revenue in accordance with FRS 11, which is based on the stage of completion of the contract activity derived by the proportion of the contract costs incurred for works performed up to the reporting date to the estimated total contract costs. Costs incurred in relation to future activities of a contract are excluded in determining the stage of completion of the contract.

In the event when it is probable that the total contract costs exceed the total contract revenue, a provision for foreseeable losses would be recognised as an expense immediately.

Also included in the contract revenues are certain claims on variation orders.

We considered this as key audit matter because of:

- Significant judgements and estimates are used to ensure that the costs included in the computation of the percentage of completion does not include any costs relating to future activities.
- Significant assumptions, judgements and estimates are required in preparing the estimated total contract costs.
- Significant assumptions, judgements and estimates are required to determine the likelihood of the approvals of the variation order by the customers and the final approved amounts.

Inappropriate assumptions, judgements or estimates used could result in a material variance in the amounts recognised in the income statement and/or an additional provision for foreseeable losses are required, if any.

Our response:

In obtaining sufficient audit evidence, the following procedures were carried out:

In relation to contract costs used to determine the stage of completion of contracts, we:

- Obtained an understanding and evaluated the design and implementation of key controls over the process of allocating and capturing of contract costs.
- Verified material costs to relevant supplier invoices and reviewed the accrued costs vis-à-vis the estimated cost.
- Compared the stage of completion computed by the management to customer's payment certificates to assess whether the contract costs incurred represents the works performed.

Independent Auditor's Report to the Members of Swee Hong Limited (Cont'd)

Key Audit Matters (Cont'd)

Our response: (Cont'd)

In relation to estimated total contract costs, we:

- Obtained an understanding and evaluated the design of key controls over the budgeting process in estimating the total contract costs.
- Assessed management's assumptions, judgement and estimates used to derive the budgeted cost and cost to completion.
- Compared the stage of completion computed to the customer's payment certificates to assess whether the estimated total contract cost is reasonable.

In relation to variation orders, we:

- Obtained an understanding from the Group's project managers on the process and timing of recognition of variation orders.
- Obtained and reviewed correspondences between management and customers in relation to the variations.
- Assessed management's assumptions, judgements and estimates used to determine the likelihood of the approvals of the variation orders by the customers and the final approved amount.

We have also assessed the adequacy of the provision for foreseeable losses, if any, for projects which incurred losses and those with low margin.

Our findings:

Based on our audit procedures performed, we consider management's assumptions, judgements and estimates to be within a reasonable range.

Other information

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

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

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

Independent Auditor's Report to the Members of Swee Hong Limited (Cont'd)

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Independent Auditor's Report to the Members of Swee Hong Limited (Cont'd)

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement director on the audit resulting in this independent auditor's report is Philip Tan Jing Choon.

Nexia TS

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
5 October 2018

	Note	2018 $	2017 $
Revenue	5	49,108,296	58,522,060
Cost of works		(45,052,457)	(51,009,862)
Gross profit		4,055,839	7,512,198
Other gains – net	6	489,507	24,935,046
Expenses			
- Distribution and marketing		(13,990)	(5,517)
- Administrative		(2,034,754)	(2,611,415)
- Finance	9	(1,263,924)	(42,885)
Profit before income tax		1,232,678	29,787,427
Income tax expense	10	-	-
Net profit		1,232,678	29,787,427
Other comprehensive gain/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value gains	16	3,664	1,112
Currency translation differences arising from consolidation			
- Gains/(losses)	25(b)(ii)	19,004	(3,706)
Other comprehensive gain/(loss), net of tax		22,668	(2,594)
Total comprehensive income		1,255,346	29,784,833
Net profit attributable to:			
Equity holders of the Company		1,232,678	29,787,427
Total comprehensive income attributable to:			
Equity holders of the Company		1,255,346	29,784,833
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
Basic earnings per share		0.04	1.05
Diluted earnings per share		0.04	0.89

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

	Note	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
ASSETS					
Current assets					
Cash and cash equivalents	13	2,329,296	852,521	2,321,577	818,472
Trade and other receivables	14	38,802,042	27,479,612	38,819,314	27,503,920
Construction contract work-in-progress	15	956,563	476,921	956,563	476,921
		42,087,901	28,809,054	42,097,454	28,799,313
Assets classified as held-for-sale	11	-	44,298	-	44,298
		42,087,901	28,853,352	42,097,454	28,843,611
Non-current assets					
Available-for-sale financial assets	16	15,344	11,680	15,344	11,680
Investments in subsidiary corporations	17	-	-	2,001	2,001
Property, plant and equipment	18	5,432,499	6,620,066	5,432,499	6,620,066
		5,447,843	6,631,746	5,449,844	6,633,747
Total assets		47,535,744	35,485,098	47,547,298	35,477,358
LIABILITIES					
Current liabilities					
Trade and other payables	19	13,470,089	20,118,565	14,252,954	20,863,356
Deferred income	20	142,112	-	142,112	-
Borrowings	21	15,584,768	6,425,000	15,584,768	6,425,000
		29,196,969	26,543,565	29,979,834	27,288,356
Non-current liabilities					
Deferred income	20	390,806	-	390,806	-
Borrowings	21	7,751,090	-	7,751,090	-
		8,141,896	-	8,141,896	-
Total liabilities		37,338,865	26,543,565	38,121,730	27,288,356
NET ASSETS		10,196,879	8,941,533	9,425,568	8,189,002

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

	Note	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	24	52,778,324	52,778,324	52,778,324	52,778,324
Other reserves	25	5,508	(17,160)	5,508	1,844
Accumulated losses	26	(42,586,953)	(43,819,631)	(43,358,264)	(44,591,166)
TOTAL EQUITY		10,196,879	8,941,533	9,425,568	8,189,002

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

	Share capital $	Accumulated losses $	Other reserves $	Total equity $
Group				
2018				
Beginning of financial year	52,778,324	(43,819,631)	(17,160)	8,941,533
Profit for the financial year	-	1,232,678	-	1,232,678
Other comprehensive income for the financial year	-	-	22,668	22,668
End of financial year	52,778,324	(42,586,953)	5,508	10,196,879
2017				
Beginning of financial year	28,579,529	(73,607,058)	(14,566)	(45,042,095)
Issued during the financial year	24,198,795	-	-	24,198,795
Profit for the financial year	-	29,787,427	-	29,787,427
Other comprehensive loss for the financial year	-	-	(2,594)	(2,594)
End of financial year	52,778,324	(43,819,631)	(17,160)	8,941,533

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

	2018 $	2017 $
Cash flows from operating activities		
Net profit	1,232,678	29,787,427
Adjustments for:		
- Depreciation of property, plant and equipment	1,748,688	1,969,002
- Impairment of property, plant and equipment - net	-	328,068
- (Gain)/loss on disposal of property, plant and equipment - net	(2,527)	337,628
- Loss/(gain) on disposal of assets classified as held-for-sale	44,298	(2,734,439)
- Gain on de-registration of a subsidiary corporation	(7,434)	-
- Interest income	(16,115)	(93)
- Dividend income	(560)	(5,329)
- Interest expenses	1,263,924	42,885
- Scheme creditors write-off	-	(22,390,772)
- Amortisation of deferred income	(35,528)	-
- Unrealised currency translation losses/(gains) - net	312,208	(3,706)
	4,539,632	7,330,671
Changes in working capital, net of effects from de-registration of a subsidiary corporation		
- Construction contract work-in-progress	(479,642)	(5,911)
- Trade and other receivables	(11,322,430)	(13,040,437)
- Trade and other payables	(6,698,209)	(3,825,258)
Cash flows used in operations	(13,960,649)	(9,540,935)
Interest received	16,115	93
Net cash used in operating activities	(13,944,534)	(9,540,842)
Cash flows from investing activities		
Additions to property, plant and equipment	(14,098)	(895,230)
Proceeds from disposal of property, plant and equipment	23,950	37,850
Proceeds from disposal of assets classified as held-for-sale	-	3,100,000
Dividends received	560	5,329
Net cash provided by investing activities	10,412	2,247,949
Cash flows from financing activities		
Bank balances released	-	4,052,798
Repayment of finance lease liabilities	(286,710)	(160,263)
Proceeds from borrowings	15,031,796	4,625,000
Proceeds from issuance of convertible bonds	7,000,000	-
Convertible bonds issue cost paid	(261,875)	-
Proceeds from finance lease under sale and lease back	1,423,684	-
Repayment of borrowings	(6,444,251)	(1,206,915)
Interest paid	(1,051,747)	(42,885)
Fixed deposit pledged	(1,786,232)	-
Net cash provided by financing activities	13,624,665	7,267,735

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

	2018 $	2017 $
Net decrease in cash and cash equivalents	(309,457)	(25,158)
Cash and cash equivalents		
Beginning of financial year	852,521	877,679
Effects of currency translation on cash and cash equivalents	(55,156)	-
End of financial year (Note 13)	487,908	852,521

Significant non-cash transactions

During the financial year ended 30 June 2017, (a) the Company had issued 2,463,659,507 shares amounting to $24,198,795, which included the Subscription Shares issued to KH Foges Pte. Ltd. and those pursuant to the Scheme of Arrangement ("Scheme"), for the settlement of its financial liabilities with the respective parties (Notes 24 and 31(a)); (b) the Company had disposed its building under construction and leasehold land ("Kranji Property") for the settlement of its financial obligations to United Overseas Bank ("UOB") under the Scheme pursuant to the Deed of Release and Discharge entered into with UOB on 9 June 2017. The assessed value of the Kranji Property by UOB was $3,120,000 which was net off with its financial obligations to UOB under the Scheme (Note 31(b)).

Reconciliation of assets arising from investing activities

	1 July 2017 $	Cash outflow $	Cash inflow $	Non-cash changes			30 June 2018 $
				Gain on disposal	Deferred income	Depreciation	
Property, plant and equipment	6,620,066	14,098	(23,950)	2,527	568,446	(1,748,688)	5,432,499

Reconciliation of liabilities arising from financing activities

	1 July 2017 $	Principal and interest payments $	Principal received $	Non-cash changes			30 June 2018 $
				Foreign exchange movement	Interest expense	Trade and other payable	
Convertible bonds	-	(220,833)	6,738,125	-	405,011	(29,167)	6,893,136
Loan and bank borrowings	6,425,000	(7,209,733)	15,031,796	293,204	793,482	(28,000)	15,305,749
Lease liabilities	-	(298,261)	1,423,684	-	11,550	-	1,136,973

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

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

The financial statements of the Group and the Company for the financial year ended 30 June 2018 were authorised for issue in accordance with resolution of the directors on 5 October 2018.

1 General information

Swee Hong Limited (the "Company") is listed on the Main Board of SGX-ST on 23 May 2012 and incorporated and domiciled in the Republic of Singapore. The address of its registered office is 58 Sungei Kadut Drive, PSL Building, Singapore 729572 and place of business is 60 Ubi Crescent #01-12 Level 3 Singapore 408569.

The principal activities of the Company are building construction and investment holding. The principal activities of the subsidiary corporations are set out in Note 17.

The Company's immediate holding corporation is KH Foges Pte. Ltd., a company incorporated in Singapore. The ultimate holding corporation is Kridhan Infra Ltd, a company incorporated in India and listed on Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2018

On 1 July 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 7 Statement of Cash Flows

The amendments to FRS 7 Statement of Cash Flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosure in Consolidated Statement of Cash Flows to the Financial Statements.

2 Significant accounting policies (Cont'd)

2.2 Revenue recognition

Revenue comprise of the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue are presented, net of goods and services tax, rebates and discounts, and after eliminating revenue within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Revenue from civil engineering and tunnelling

Revenue from construction contract is recognised based on the percentage of completion method as disclosed in Note 2.6.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.4 Group accounting

Subsidiaries

(a) Consolidation

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

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Significant accounting policies (Cont'd)

2.4 Group accounting (Cont'd)

Subsidiaries (Cont'd)

(a) Consolidation (Cont'd)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(b) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill.

(c) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

2 Significant accounting policies (Cont'd)

2.5 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land	16 years
Plant and machinery	10 years
Office equipment	10 years
IT equipment	3 years
Motor vehicles	5 years
Renovation	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains – net".

2 Significant accounting policies (Cont'd)

2.6 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date ("percentage-of-completion"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. Variations in contract work, claims and incentive payments are included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and they are capable of being reliably measured.

The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the reporting date, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "Trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "Trade and other payables".

Progress billing not yet paid by customers and retention by customer are included within "Trade and other receivables". Advances received are included within "Trade and other payables".

2.7 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2 Significant accounting policies (Cont'd)

2.8 Impairment of non-financial assets

Property, plant and equipment
Investments in subsidiary corporations

Property, plant and equipment and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.9 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" and "Cash and cash equivalents" on the statement of financial position.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the reporting date.

2 Significant accounting policies (Cont'd)

2.9 Financial assets (Cont'd)

(b) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Available-for-sales financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial sales are recognised separately in income. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2 Significant accounting policies (Cont'd)

2.9 Financial assets (Cont'd)

(e) Impairment (Cont'd)

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.9(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified from equity to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.10 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Borrowings

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

(a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(b) Convertible bonds

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component, which are separately presented on the statement of financial position.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bond.

The difference, if any, between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, the carrying amount of the liability and equity components is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

2 Significant accounting policies (Cont'd)

2.12 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction.

This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise they are presented as non-current liabilities.

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

2.14 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

Where the Group is the lessee:

The Group leases certain plant and machinery under finance leases and dormitories for workers, equipment and office space under operating leases from non-related parties.

(a) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

2 Significant accounting policies (Cont'd)

2.15 Leases (Cont'd)

(b) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2.16 Income taxes

Current income tax for current and prior period is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax taxes are recognised as income and expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2 Significant accounting policies (Cont'd)

2.17 Provisions for other liabilities and charges

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

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans

Defined contributions plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars ("$" or "SGD"), which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "Finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other gains - net"

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2 Significant accounting policies (Cont'd)

2.19 Currency translation (Cont'd)

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency that are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.24 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

2 Significant accounting policies (Cont'd)

2.24 Non-current assets (or disposal groups) held-for-sale and discontinued operations (Cont'd)

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary corporation acquired exclusively with a view to resale.

3 Critical accounting estimates, assumptions and judgements

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

(a) Construction contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable those costs will be recoverable or based on the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract.

Significant assumptions are required to determine the stage of completion, the extent of the contract costs incurred the estimated total contract revenue and contract cost, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making judgement, the Group evaluates by relying on past experience.

If the percentage-of-completion on uncompleted contracts at the reporting date had been higher/lower by 5% from management's estimates, the Group's revenue would have been higher/lower by $4,187,826/$7,685,052 (2017: $ 8,001,963).

If the contract costs of uncompleted contracts to be incurred had been higher/lower by 5% from management's estimates, the Group's loss before tax would have been higher/lower by $10,487,681/$3,802,625 (2017: $8,017,383).

(b) Estimated impairment of property, plant and equipment

Property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that the property, plant and equipment may be impaired.

The recoverable amounts of property, plant and equipment, where applicable, cash-generating-unit ("CGU"), have been determined based on higher of the fair value less costs to sell. If the carrying amounts exceed the recoverable amounts, an impairment loss is recognised to profit or loss for the differences.

An impairment loss of $Nil (2017: $417,500) was recognised in the current financial year ended 30 June 2018 as the fair values less cost to sell valued by independent third party valuer are higher than their carrying amounts.

3 Critical accounting estimates, assumptions and judgements (Cont'd)

(b) Estimated impairment of property, plant and equipment (Cont'd)

If the fair value of the property, plant and equipment increases/decreases by 10% (2017: 10%) from management's estimates, the Group's and Company's impairment loss will decreased/increased by $76,000 (2017: $84,000) correspondingly to profit or loss.

(c) Impairment of trade and other receivables

An allowance is made for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments and inability of the suppliers to deliver the goods. If the financial conditions of the customers and suppliers were to deteriorate, resulting in an impairment of their ability to make payments and deliver the goods, additional allowances may be required in future periods. Management generally evaluate the adequacy of allowance for impairment for trade receivables and other receivables through analysis of historical bad debt, customer and supplier concentrations, and changes in customer payment terms.

Management reviews its trade receivables and other receivables for objective evidence of impairment at least annually. Significant financial difficulties of the debtor and supplier, the probability that the debtor and supplier will enter bankruptcy, and default or significant delay in payments and deliveries are considered objective evidence that a receivable or construction contracts amount due from customers is impaired. In determining this, management makes judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the market, economic or legal environment in which the debtor and supplier operates in. Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recognised in profit or loss. The carrying amounts of trade and other receivables at the reporting date are disclosed in Note 14.

If the net present values of estimated cash flows increase/decrease by 10% from management's estimates for all past due receivables, the Group's and Company's allowance for impairment will decrease/increase by $Nil/$80,589 (2017: $2,003/$17,639) for trade and other receivables respectively.

4 Going concern assumption

The Group has secured only one new construction contracts during the financial year ended 30 June 2018. In addition, the Group incurred a net operating cash outflow of $13,944,534 (2017: $9,540,842) during the financial year ended 30 June 2018. This may indicate an existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Nonetheless, the directors of the Group believe that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 30 June 2018 is still appropriate after taking into consideration of the following:

(a) The Group's financial position has improved as at 30 June 2018, reporting a net current assets and net assets of $12.9 million and $10.2 million (2017: $2.3 million and $8.9 million) respectively.

(b) The current projects on hand are able to provide sufficient working capital to meet the Group's liabilities and obligations for the next twelve months.

(c) Subsequent to year end, the Group had managed to borrow $2.3 million (Note 21) in loans and continue to believe that the Group's ability to obtain further loans and the ability to bid for new projects.

(d) The immediate holding corporation has indicated its intention to provide continuing financial support to enable the Group to meet its obligations as and when they fall due.

5 Revenue

	Group	
	2018	2017
	$	$
Revenue from civil engineering	47,357,938	50,439,492
Revenue from tunnelling	1,750,358	8,082,568
	49,108,296	58,522,060

6 Other gains – net

	Group 2018 $	Group 2017 $
Foreign exchange (losses)/gains – net	(240,843)	2,021
Dividend income	560	5,329
Gain/(loss) on disposal of property, plant and equipment	2,527	(337,628)
(Loss)/gain on disposal of assets classified as held-for-sale	(44,298)	2,734,439
Gain on de-registration of a subsidiary corporation (Note 13)	7,434	-
Amortisation of deferred income (Note 20)	35,528	-
Bank interest income	16,115	93
Government grant:		
- Temporary employment credit	10,706	27,975
- Special employment credit	4,006	11,629
- Productivity and innovation scheme	-	26,983
- Wages credit scheme	20,778	24,895
Scheme creditors write-off (Note 31(a))	-	22,390,773
Sales of scrap	667,644	-
Other income	9,350	48,537
	489,507	24,935,046

7 Expenses by nature

	Group 2018 $	Group 2017 $
Purchase of materials	10,452,605	14,228,292
Audit fees paid/payable to auditor of the Company		
- Current year	62,000	85,000
- Prior year overprovision	(15,000)	-
Fees paid/payable to auditor of the Company for non-audit services	14,000	18,000
Depreciation of property, plant and equipment (Note 18)	1,748,688	1,969,002
Impairment loss on property, plant and equipment – net (Note 18)	-	328,068
Employee compensation (Note 8)	8,067,938	8,373,694
Worksite expenses	5,690,300	4,614,552
Write-back for impairment of trade receivables (Note 29(b)(ii))	-	(23,292)
Sub-contractors charges	20,273,177	23,423,874
Professional fees charged/(reversed)	344,103	(749,845)
Upkeep and maintenance for motor vehicles and offices	90,788	32,270
Other expenses	372,602	1,327,179
Total cost of works, distribution and marketing costs and administrative expenses	47,101,201	53,626,794

8 Employee compensation

	Group 2018 $	Group 2017 $
Wages and salaries	6,986,401	7,669,434
Employer's contribution to defined contribution plans including Central Provident Fund	266,914	374,227
Other benefits	814,623	330,033
	8,067,938	8,373,694

9 Finance expenses

	Group 2018 $	Group 2017 $
Interest expense:		
- Finance lease liabilities	11,550	14,471
- Loans from non-related parties	713,970	30,000
- Bank borrowings	133,393	(1,586)
- Convertible bonds	405,011	-
	1,263,924	42,885

10 Income tax expense

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

	Group 2018 $	Group 2017 $
Profit before income tax	1,232,678	29,787,427
Tax calculated at tax rate of 17% (2017: 17%)	209,555	5,063,863
Effects of:		
- Expenses not deductible for tax purposes	29,410	29,456
- Income not subject for tax purposes	(1,711)	(31,968)
- Utilisation of previously unrecognised tax losses	(237,254)	(5,061,351)
	-	-

10 Income tax expense (Cont'd)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profit is probable. The Group has unutilised tax losses of $13,800,000 (2017: $16,600,000), capital allowances of $2,700,000 (2017: $12,900,000) and utilised donations of $192,000 (2017: $270,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unutilised tax losses in Singapore.

There is no deferred tax assets recognised as it is not probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

11 Assets classified as held-for-sale

Details of the assets classified as held-for-sale are as follows:

	Group and Company	
	2018	2017
	$	$
Property, plant and equipment – office equipment	-	44,298

During the financial year ended 30 June 2018, the Company has written off any remaining carrying amount of assets classified as held-for-sale.

12 Earnings per share

(a) Basic earnings per share

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

	Group 2018	Group 2017
Net profit attributable to equity holders of the Company ($)	1,232,678	29,787,427
Weighted average number of ordinary shares outstanding for basic earnings per share	2,832,159,507	2,832,159,507
Basic earnings per share (cents per share)	0.04	1.05

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share warrants.

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense less the tax effect.

For share warrants, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

For the financial year ended 30 June 2018, the calculation of diluted earnings per share did not assume conversion of warrants and convertible bonds because the conversion price is anti-dilutive.

Diluted earnings per share for continuing operations attributable to equity holders of the Company is calculated as follows:

	Group 2018	Group 2017
Net profit attributable to equity holders of the Company ($)	1,232,678	29,787,427
Weighted average number of ordinary shares outstanding for basic earnings per share	2,832,159,507	2,832,159,507
Adjustment for conversion of warrants	-	500,000,000
Weighted average number of ordinary shares outstanding for diluted earnings per share	2,832,159,507	3,332,159,507
Diluted earnings per share (cents per share)	0.04	0.89

13 Cash and cash equivalents

	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Cash at bank and on hand	487,908	852,521	480,189	818,472
Fixed deposits at bank	1,841,388	-	1,841,388	-
	2,329,296	852,521	2,321,577	818,472

For the purpose of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group 2018 $	Group 2017 $
Cash and cash equivalents (as above)	2,329,296	852,521
Less: Fixed deposits pledged	(1,841,388)	-
Cash and cash equivalents per consolidated statement of cash flows	487,908	852,521

Fixed deposits are pledged to secure the bank borrowings (Note 21) and banker's guarantees on certain projects. Fixed deposits are restricted for withdrawal until the bank borrowings have been fully discharged and/or banker's guarantees expired.

De-registration of a subsidiary corporation

On 8 December 2017, Swee Hong HK Pte Limited has been dissolved by de-registration from the Companies Registry in Hong Kong. The de-registration have no any material impact on the consolidated earnings per share or net tangible assets per share of the Group for the current financial year ended 30 June 2018.

	Group 2018 $
Carrying amounts of assets and liabilities disposed of	
Trade and other payable	(7,434)
Total liabilities	(7,434)
Net liabilities derecognised and disposed of	(7,434)

The aggregated cash inflows arising from the de-registration of Swee Hong HK Pte Limited were:

	$
Net liability disposed of (as above)	(7,434)
Gain on deregistration of subsidiary corporation (Note 6)	7,434
Cash proceed from deregistration	-
Less: Cash and cash equivalents in subsidiary corporation deregistrated of	-
Net cash outflow on de-registration	-

14 Trade and other receivables

	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Trade receivables	1,037,737	784,456	1,037,737	784,456
Less: Allowance for impairment (Note 29(b)(ii))	-	(176,393)	-	(176,393)
Trade receivables – net	1,037,737	608,063	1,037,737	608,063
Construction contracts:				
- Due from customers (Note 15)	36,889,015	22,858,473	36,889,015	22,858,473
- Retention sum (Note 15)	-	1,963,350	-	1,963,350
	36,889,015	24,821,823	36,889,015	24,821,823
Non-trade receivables				
- Subsidiary corporations	-	-	17,272	24,308
- Related corporations	261,421	-	261,421	-
- Non-related parties	293,306	394,672	293,306	394,672
	554,727	394,672	571,999	418,980
- Less: Allowance for impairment (Note 29(b)(ii))	-	(106,383)	-	(106,383)
	554,727	288,289	571,999	312,597
Advances to suppliers	-	1,383,803	-	1,383,803
Deposits	228,561	349,468	228,561	349,468
Prepayments	92,002	28,166	92,002	28,166
	38,802,042	27,479,612	38,819,314	27,503,920

The non-trade amount due from subsidiary corporations and related corporations are unsecured, interest-free and receivable on demand.

15 Construction contracts work-in-progress

	Group and Company	
	2018	2017
	$	$
Construction contract work-in-progress:		
Beginning of financial year	476,921	471,010
Contract costs incurred	45,532,099	51,015,773
Contract expenses recognised in profit or loss	(45,052,457)	(51,009,862)
End of financial year	956,563	476,921
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	490,917,151	439,845,505
Less: Progress billings	(454,028,136)	(416,987,032)
	36,889,015	22,858,473
Presented as:		
Due from customers on construction contracts (Note 14)	36,889,015	22,858,473
Retentions on construction contracts (Note 14)	-	1,963,350

16 Available-for-sale financial assets

	Group and Company	
	2018	2017
	$	$
Beginning of financial year	11,680	10,568
Fair value gains recognised in other comprehensive income (Note 25(b)(i))	3,664	1,112
End of financial year	15,344	11,680
Available-for-sale financial assets are analysed as follows:		
Listed securities		
- Equity securities - Singapore	15,344	11,680

17 Investments in subsidiary corporations

	Company 2018 $	Company 2017 $
Equity investment at cost		
Beginning and end of financial year	2,001	2,001

During the financial year ended 30 June 2018, management has assessed the recoverable amount of its investments in subsidiary corporations. The recoverable amount has been determined on the basis of their value-in-use.

The Group had the following subsidiary corporations as at 30 June 2018 and 2017:

Name of Subsidiary Corporations	Principal Activities	Country of Business/ Incorporation	Proportion of ordinary shares held directly by parent 2018 %	Proportion of ordinary shares held directly by parent 2017 %
Sun Hup Development Pte Ltd	Property developer and provider of general services	Singapore	100	100
Swee Hong Dormitories Pte Ltd	Development and operation of dormitories	Singapore	100	100
Swee Hong Construction Pte Limited	Building construction	Singapore	100	100
Swee Hong HK Pte Limited [1]	Civil engineering and trenchless tunnelling	Hong Kong	-	100

[1] The Company had de-registered its subsidiary Swee Hong HK Pte Limited on 28 July 2017.

18 Property, plant and equipment

Group and Company	Plant and machinery $	Office equipment $	Motor vehicles $	Renovation $	Total $
2018					
Cost					
Beginning of financial year	19,101,822	1,346,639	3,586,391	308,968	24,343,820
Additions	1,425,688	8,979	-	3,115	1,437,782
Disposals	(3,110,796)	-	(130,629)	(308,968)	(3,550,393)
End of financial year	17,416,714	1,355,618	3,455,762	3,115	22,231,209
Accumulated depreciation and impairment losses					
Beginning of financial year	12,891,961	1,267,520	3,255,305	308,968	17,723,754
Depreciation charge	1,623,281	32,274	92,718	415	1,748,688
Disposals	(2,255,558)	-	(109,206)	(308,968)	(2,673,732)
End of financial year	12,259,684	1,299,794	3,238,817	415	16,798,710
Net book value					
End of financial year	5,157,030	55,824	216,945	2,700	5,432,499

18 Property, plant and equipment (Cont'd)

Group and Company	Building under construction $	Leasehold land $	Plant and machinery $	Office equipment $	Motor vehicles $	Renovation $	Total $
2017							
Cost							
Beginning of financial year	11,596,331	2,076,000	18,566,970	1,613,220	3,348,010	328,436	37,528,967
Reclassified as assets held-for-sale	-	-	-	(272,027)	-	-	(272,027)
Additions	40,051	-	534,852	5,446	314,881	-	895,230
Disposals	(11,636,382)	(2,076,000)	-	-	(76,500)	(19,468)	(13,808,350)
End of financial year	-	-	19,101,822	1,346,639	3,586,391	308,968	24,343,820
Accumulated depreciation and impairment losses							
Beginning of financial year	8,246,398	1,925,933	10,910,310	1,460,100	3,110,358	314,186	25,967,285
Reclassified as assets held-for-sale	-	-	-	(227,729)	-	-	(227,729)
Depreciation charge	-	129,844	1,564,151	52,587	221,447	973	1,969,002
Disposals	(8,174,404)	(2,055,777)	-	-	(76,500)	(6,191)	(10,312,872)
Impairment charge/(reversal)	(71,994)	-	417,500	(17,438)	-	-	328,068
End of financial year	-	-	12,891,961	1,267,520	3,255,305	308,968	17,723,754
Net book value							
End of financial year	-	-	6,209,861	79,119	331,086	-	6,620,066

18 Property, plant and equipment (Cont'd)

(a) The impairment loss of $417,500 of plant and machinery during the financial year ended 30 June 2017 represented the write-down of carrying amount to the recoverable amount determined by an independent professional valuer based on the DRC and MCM approach at the reporting date.

(b) For the financial year ended 30 June 2017, the reversal of impairment loss of $89,432 on building under construction and office equipment was due to the disposal and the reclassification of the assets respectively.

(c) The carrying amounts of plant and machinery and motor vehicles held under finance leases are $1,388,092 (2017: $Nil) at the report date.

19 Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Trade payables				
- Non related parties	8,682,707	7,264,179	8,682,707	7,264,179
- Holding corporation	2,696,257	8,545,739	2,696,257	8,545,739
- Related corporations	210,728	-	210,728	-
	11,589,692	15,809,918	11,589,692	15,809,918
Non-trade payables				
- Subsidiary corporations	-	-	793,694	774,343
- Non-related parties	835,869	2,730,293	835,869	2,730,293
	835,869	2,730,293	1,629,563	3,504,636
Accrued operating expenses	1,044,528	1,578,354	1,033,699	1,548,802
	13,470,089	20,118,565	14,252,954	20,863,356

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

20 Deferred income

	Group and Company 2018 $	2017 $
Current	142,112	-
Non-current	390,806	-
Total deferred income	532,918	-

Movement of deferred income is as follows:

	2018 $	2017 $
Beginning of financial year	-	-
Deferred income recognised from sale and leaseback transaction	568,446	-
Amortisation of deferred income (Note 6)	(35,528)	-
End of financial year	532,918	-

During the financial year, the Group entered into a sale and leaseback transaction for its cranes and machinery with its financer. The cranes and machinery were sold at a consideration of $1.4 million which resulted in a gain of $0.57 million being excess in sales price over the carrying amount of the machinery. The same set of cranes and machinery were purchased back via hire purchase agreement. The gain has been deferred and will be amortised in proportion to the hire purchase lease payment over the lease period.

21 Borrowings

	Group and Company 2018 $	2017 $
Current		
Bank borrowings	6,880,749	-
Finance lease liabilities (Note 23)	279,019	-
Loan from non-related parties	5,000,000	3,000,000
Loan from holding corporation	3,425,000	3,425,000
	15,584,768	6,425,000
Non-current		
Convertible bonds (Note 22)	6,893,136	-
Finance lease liabilities (Note 23)	857,954	-
	7,751,090	-
Total borrowings	23,335,858	6,425,000

The Group's and the Company's borrowings bear fixed interest rates except for bank borrowing of $6,880,749 (2017: $Nil) in which the interest rate is reprice annually.

21 Borrowings (Cont'd)

(a) Security granted

Bank borrowings

As at 30 June 2018, bank borrowing amounting to $6,880,749 (2017: $Nil) were secured by a fixed deposit of $1,706,250 (2017: $Nil) and supported by corporate guarantee provided by immediate holding corporation.

Loans from non-related parties

The Company acquired loans total amounting to $5,000,000 (2017: $3,000,000) from non-related parties as follows:

(1) The Company acquired a loan amounting to $1,500,000 (2017: $1,500,000) from a non-related party on 6 June 2017. It had obtain a further loan of $500,000 (2017: $500,000) to $2,000,000 (2017: $2,000,000) on 29 June 2017 with a supplementary agreement.

The loan amounting to $2,000,000 (2017: $2,000,000) is unsecured and has a tenor of twelve months. Interests are to be paid in advance each month at 1.5% per month and the loan was fully repaid on 9 July 2018.

(2) The loan amounting to $1,000,000 (2017: $Nil) is unsecured and has a tenor of three months. Interests are to be paid on the 15th every monthly at 9% per annum and the loan was fully repaid on 15 August 2018.

(3) The loan amounting to $1,500,000 (2017: $Nil) is unsecured and has a tenor of twelve months. Interests are to be paid on a monthly basis at 5% per annum and the loan is to be fully repaid on 2 November 2018.

(4) The loan amounting to $500,000 (2017: $Nil) is unsecured and has a tenor of three months. Interests are to be paid on a monthly basis at 1.5% per month and the loan was fully repaid on 10 August 2018.

(5) The loan amounting to $Nil (2017: $1,000,000) is unsecured and has a tenor of six months. Interests are to be paid on the 15th every monthly at 12% per annum and the loan was fully repaid on 15 December 2017.

The Company subsequently acquired loans total amounting to $2,300,000 from non-related parties as follows:

(1) The Company acquired a loan amounting to $1,000,000 on 17 August 2018. It is unsecured and has a tenor of three months. Interests are to be paid on the 15th every monthly at 9% per annum and the loan is to be fully repaid on 17 November 2018.

(2) The Company acquired a loan amounting to $1,300,000 on 13 August 2018. It is unsecured and has a tenor of three months. Interests are to be paid in advance at 1.5% per month and the loan is to be fully repaid on 13 November 2018.

Loan from holding corporation

Loan from immediate holding corporation of $3,425,000 (2017: $3,425,000) is unsecured, interest-free and repayable on demand.

21 Borrowings (Cont'd)

(b) Fair value of non-current borrowings

	Group and Company	
	2018	2017
	$	$
Convertible bonds	6,414,427	-
Finance lease liabilities	801,822	-

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the reporting date which the directors expect to be available to the Group as follows:

	Group and Company	
	2018	2017
Convertible bonds	12.35%	-
Finance lease liabilities	5.33%	-

The fair values are within Level 2 of the fair values hierarchy.

22 Convertible bonds

On 19 February 2018, the Company issued 5% convertible bonds denominated in Singapore Dollars with a nominal value of $7,000,000. The bonds are due for repayment three years from the issue date at their nominal value of $7,000,000 or may be converted into shares of the Company at the holder's option at the conversion price of $0.015 per share during the conversion period from 19 August 2018 to 18 February 2021.

The fair value of the liability component of the convertible bonds is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves, net of deferred income taxes.

The management has calculated the fair value of the liability component at the inception of the convertible bonds and has assessed that the equity conversion component is not significant and therefore not recognised.

23 Finance lease liabilities

The Group leases certain plant and machinery from non-related parties under finance lease agreements. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of lease term.

	Group and Company	
	2018	**2017**
	$	**$**
Minimum lease payments due		
– Not later than one year	338,832	-
– Between one and five years	931,788	-
	1,270,620	-
Less: Future finance charges	(133,647)	-
Present value of finance lease liabilities	1,136,973	-
Not later than one year (Note 21)	279,019	-
Between one and five years (Note 21)	857,954	-
Total	1,136,973	-

24 Share capital

	Number of shares	Amount
2018		**$**
Group and Company		
Beginning and end of financial year	2,832,159,507	52,778,324
2017		
Group and Company		
Beginning financial year	368,500,000	28,579,529
Issued during the financial year	2,463,659,507	24,198,795
End of financial year	2,832,159,507	52,778,324

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

25 Other reserves

	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
(a) Composition:				
Fair value reserve	5,508	1,844	5,508	1,844
Currency translation reserve	-	(19,004)	-	-
	5,508	(17,160)	5,508	1,844

	Group and Company 2018 $	Group and Company 2017 $
(b) Movements:		
(i) Fair value reserve		
Beginning of financial year	1,844	732
Fair value gains (Note 16)	3,664	1,112
End of financial year	5,508	1,844

	Group 2018 $	Group 2017 $
(ii) Currency translation reserve		
Beginning of financial year	(19,004)	(15,298)
Net currency translation differences of financial statements of foreign subsidiary corporation	19,004	(3,706)
End of financial year	-	(19,004)

Other reserves are non-distributable.

26 Accumulated losses

(a) Retained profits of the Group and the Company are distributable.

(b) Movement in accumulated losses of the Company is as follows:

	Company 2018 $	Company 2017 $
Beginning of financial year	(44,591,166)	(74,389,827)
Net profit	1,232,902	29,798,661
End of financial year	(43,358,264)	(44,591,166)

27 Related party transactions

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

(a) Sales and purchases of goods and subcontractor services

	Group and Company	
	2018	2017
	$	$
Purchases of goods and subcontractor services:		
- Holding corporation	14,796,766	31,594,802
- Related corporations	1,265,138	529,621
Consultancy services:		
- Related parties	5,000	-
Loan received from holding corporation	-	1,625,000

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members. Related corporations are entities with common ultimate holding corporation as the company.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group and Company	
	2018	2017
	$	$
Wages and salaries	653,925	420,054
Employer's contribution to defined contribution plans including Central Provident Fund	13,358	12,325
Directors' fees	209,848	280,807
Other benefits	67,800	101,356
	944,931	814,542

Included in the above is total compensation to directors of the Company amounting to $731,431 (2017: $380,199).

28 Commitments

Operating lease commitments

The Group leases dormitories for workers, equipment and office space under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are analysed as follows:

	Group and Company	
	2018	**2017**
	$	**$**
Not later than one year	239,100	601,428
Between one and five years	53,100	476
	292,200	601,904

29 Financial risk management

Financial risk factors

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

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. Management will set policies consistent with the principles laid down by the Board, which will cover authority levels, oversight responsibilities, risk identification, management and measurement.

The Company operates mainly in Singapore and most of its transactions are denominated in Singapore Dollar (the functional currency).

Foreign currency risk arising from transactions which are denominated in currencies other than the functional currency, relate mainly to the importation of machinery and spares. The Group manages currency risks, when it is considered significant, by entering into appropriate currency forward contracts. At the reporting date, the Group has not entered into any currency forward contracts.

29 Financial risk management (Cont'd)

(a) Market risk

(i) *Currency risk*

The Group's currency exposures were as follows:

	SGD $	EUR $	USD $	Total $
30 June 2018				
Financial Assets				
Cash and cash equivalents and available-for-sale financial assets	435,090	-	1,909,550	2,344,640
Trade and other receivables	38,710,040	-	-	38,710,040
Receivable from inter-companies	812,966	-	-	812,966
	39,958,096	-	1,909,550	41,867,646
Financial Liabilities				
Trade and other payables	13,465,453	4,636	-	13,470,089
Borrowings	16,455,109	-	6,880,749	23,335,858
Payables to inter-companies	812,966	-	-	812,966
	30,733,528	4,636	6,880,749	37,618,913
Net financial assets/(liabilities)	9,224,568	(4,636)	(4,971,199)	4,248,733
Add: Net non-financial assets	5,948,146	-	-	5,948,146
Net assets/(liabilities)	15,172,714	(4,636)	(4,971,199)	10,196,879
Currency profile including non-financial assets/(liabilities)	15,172,714	(4,636)	(4,971,199)	10,196,879
Currency exposure of financial liabilities net of those denominated in the respective entities functional currencies	-	(4,636)	(4,971,199)	(4,975,835)

29 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

The Group's currency exposures were as follows: (Cont'd)

	SGD $	HKD $	Total $
30 June 2017			
Financial Assets			
Cash and cash equivalents and available-for-sale financial assets	864,201	-	864,201
Trade and other receivables	26,067,643	-	26,067,643
Receivable from inter-companies	799,930	-	799,930
	27,731,774	-	27,731,774
Financial Liabilities			
Trade and other payables	20,117,715	850	20,118,565
Borrowings	6,425,000	-	6,425,000
Payables to inter-companies	799,930	-	799,930
	27,342,645	850	27,343,495
Net financial assets/(liabilities)	389,129	(850)	388,279
Add: Net non-financial assets	8,553,254	-	8,553,254
Net assets/(liabilities)	8,942,383	(850)	8,941,533
Currency profile including non-financial assets/(liabilities)	8,942,383	(850)	8,941,533
Currency exposure of financial liabilities net of those denominated in the respective entities functional currencies	-	(850)	(850)

29 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

The Company's currency exposures are as follows:

	SGD $	EUR $	USD $	Total $
30 June 2018				
Financial Assets				
Cash and cash equivalents and available-for-sale financial assets	427,371	-	1,909,550	2,336,921
Trade and other receivables	38,727,312	-	-	38,727,312
	39,154,683	-	1,909,550	41,064,233
Financial Liabilities				
Trade and other payables	14,248,318	4,636	-	14,252,954
Borrowings	16,455,109	-	6,880,749	23,335,858
	30,703,427	4,636	6,880,749	37,588,812
Net financial assets/(liabilities)	8,451,256	(4,636)	(4,971,199)	3,475,421
Add: Net non-financial assets	5,950,147	-	-	5,950,147
Net assets/(liabilities)	14,401,403	(4,636)	(4,971,199)	9,425,568
Currency profile including non-financial assets/(liabilities)	14,401,403	(4,636)	(4,971,199)	9,425,568
Currency exposure of financial liabilities net of those denominated in the Company's functional currencies	-	(4,636)	(4,971,199)	(4,975,835)

There is no significant foreign currency exposure by the Company for the financial year ended 30 June 2017.

29 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

If the EUR and USD change against the SGD by 5% (2017: nil) and HKD change against the SGD by nil (2017: 2%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follow:

	← Increase/(Decrease) →	
	2018	**2017**
	Profit after tax	**Profit after tax**
	$	**$**
Group and Company		
EUR against SGD		
- Strengthened	232	-
- Weakened	(232)	-
USD against SGD		
- Strengthened	248,560	-
- Weakened	(248,560)	-
HKD against SGD		
- Strengthened	-	(17)
- Weakened	-	17

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The weighted average effective interest rates for bank borrowings are 4.76% per annum. An increase/decrease in 100 basis points in interest rates would not likely to have any material effect on the financial results of the Group.

(iii) Price risks

The Group and the Company are exposed to equity securities price risks arising from investments held by the Group and the Company which are classified on the statement of financial position as available-for-sale financial assets.

Further details of these equity investments can be found in Note 16 to the financial statements.

29 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(iii) Price risks (Cont'd)

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

In respect of equity investments classified as available-for-sale financial assets, if equity prices had been 10% higher or lower, with all other variable including tax rate being held constant, the Group's and Company equity as at 30 June 2018 would increase/decrease by $1,274 (2017: $969).

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade and other receivables. As the major customers of Group are government bodies, defaults risks for trade receivables are low. As for customers who are not government bodies, the Group has in place credit control policies.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the executive directors based on a credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored by the executive directors.

As the Group does not hold any collateral, the maximum exposure to credit risk for trade receivable is the carrying amount of that class of financial instruments presented on the statement of financial position.

The trade receivables of the Group comprise of 1 debtor (2017: 2 debtors) that individually represented 78% (2017: 42% and 36% respectively) of trade receivables.

The credit risk for trade receivables based on the information provided by key management is as follows:

	Group and Company	
	2018	2017
	$	$
By geographical areas		
Singapore	1,037,737	608,063
By types of customers		
Government bodies	805,888	13,861
Other companies	231,849	594,202
	1,037,737	608,063

29 Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks registered with the Monetary Authority Singapore. Trade receivables that are neither past due nor impaired are mainly government bodies with good payment record.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade and non-trade receivables and construction contracts amount due from customers.

Trade and non-trade receivables

The age analysis of trade and non-trade receivables past due but not impaired is as follows:

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Past due < 3 months	805,888	13,861	805,888	13,861
Past due more than 3 months	-	6,169	-	6,169
	805,888	20,030	805,888	20,030

The carrying amount of trade and non-trade receivables individually determined to be impaired and the movement in the related allowance for impairment is as follows:

	Group and Company	
	2018	2017
	$	$
Past due more than 3 months	-	282,776
Less: Allowance for impairment	-	(282,776)
	-	-

29 Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

(ii) Financial assets that are past due and/or impaired (Cont'd)

Trade and non-trade receivables (Cont'd)

	Group and Company	
	2018	**2017**
	$	**$**
Beginning of financial year	282,776	306,068
Allowance utilised	(282,776)	-
Write back of allowances (Note 7)	-	(23,292)
End of financial year	-	282,776
Trade (Note 14)	-	176,393
Non-trade (Note 14)	-	106,383
	-	282,776

The impaired trade and non-trade receivables arise due to the amounts have been overdue and management is of the opinion that the recoverability is low.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities (Note 21) to enable the Group to meet its normal operating commitments. As at the reporting date, assets held by the Group and the Company for managing liquidity risks included cash and cash equivalents as disclosed in Note 13.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

29 Financial risk management (Cont'd)

(c) Liquidity risk (Cont'd)

	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $
Group			
At 30 June 2018			
Trade and other payables	13,470,089	-	-
Borrowings	15,584,768	688,832	9,296,289
At 30 June 2017			
Trade and other payables	20,118,565	-	-
Borrowings	6,425,000	-	-
Company			
At 30 June 2018			
Trade and other payables	14,252,954	-	-
Borrowings	15,584,768	688,832	9,296,289
At 30 June 2017			
Trade and other payables	20,863,356	-	-
Borrowings	6,425,000	-	-

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group has obtained a letter of undertaking from its holding corporation in the financial year ended 30 June 2018 to provide financial support to the Company in relation to its working capital purposes by exercising the Warrants Shares to subscribe for new ordinary shares of the Company when required and provide continuing financial support to enable the Group and Company to continue as going concerns.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

29 Financial risk management (Cont'd)

(d) Capital risk (Cont'd)

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Net debt	34,476,651	25,691,044	35,267,235	26,469,884
Total equity	10,196,879	8,941,533	9,425,568	8,189,002
Total capital	44,673,530	34,632,577	44,692,803	34,658,886
Gearing ratio	77%	74%	79%	76%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial year ended 30 June 2018.

(e) Fair value measurement

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) input other than quoted prices included within Level 1 there are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Group and Company				
2018				
Available-for-sale financial assets	15,344	-	-	15,344
2017				
Available-for-sale financial assets	11,680	-	-	11,680

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in level 1.

The carrying amount less impairment loss of receivables and the carrying amount of payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount of current borrowings approximates their fair value.

29 Financial risk management (Cont'd)

(f) Financial Instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position and in Note 16 to the financial statements, except for the following:

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Loans and receivables	41,039,336	26,920,164	41,048,889	26,910,429
Financial liabilities at amortised cost	36,805,947	26,543,565	37,588,812	27,288,356

30 Segment information

The management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Group's operating segments are its strategic business units which offer different services and are managed separately. The reportable segment presentation is based on the Group's management and internal reporting structure used for its strategic decision-making purposes.

The Group's activities comprise the following reportable segments:

(i) Civil Engineering – The business division of our Group that carries out civil engineering works which include road construction works, road maintenance works, sewerage rehabilitation (excluding tunnelling works), drains (excluding tunnelling works), soil improvement works and other infrastructure works.

(ii) Tunnelling – The business division of our Group that carries out micro-tunnelling works.

Management has determined the operating segments that are used to make strategic decisions. Currently, the business segments operate only in Singapore.

30 Segment information (Cont'd)

Primary reporting format – business segments:

	Civil Engineering $	Tunneling $	Common and all other segments $	Total $
30 June 2018				
Sales	47,357,938	1,750,358	-	49,108,296
Gross profit/(loss)	4,696,834	(640,995)	-	4,055,839
Other gains – net	-	-	730,350	730,350
Distribution and marketing expenses	-	-	(13,990)	(13,990)
Administrative expenses	-	-	(2,275,597)	(2,275,597)
Finance expenses	-	-	(1,263,924)	(1,263,924)
Net profit/(loss)	4,696,834	(640,995)	(2,823,161)	1,232,678
Net profit/(loss) includes:				
- Depreciation of property, plant and equipment	1,647,360	68,640	32,688	1,748,688
Segment assets	41,114,822	3,067,124	3,353,798	47,535,744
Total assets includes:				
Additions to:				
- Property, plant and equipment	1,368,660	57,028	12,094	1,437,782
Segment liabilities	11,734,823	291,493	25,312,549	37,338,865

30 Segment information (Cont'd)

Primary reporting format – business segments:

	Civil Engineering $	Tunneling $	Common and all other segments $	Total $
30 June 2017				
Sales	50,439,492	8,082,568	-	58,522,060
Gross profit	5,839,689	1,672,509	-	7,512,198
Other gains – net	-	-	24,935,046	24,935,046
Distribution and marketing expenses	-	-	(5,517)	(5,517)
Administrative expenses	-	-	(2,611,415)	(2,611,415)
Finance expenses	-	-	(42,885)	(42,885)
Net profit	5,839,689	1,672,509	22,275,229	29,787,427
Net profit includes:				
- Depreciation of property, plant and equipment	1,312,452	251,699	404,852	1,969,003
- Impairment of property, plant and equipment – net	-	-	328,063	328,063
- Write back for impairment of other receivables	-	-	(23,292)	(23,292)
Segment assets	22,634,383	8,802,440	4,048,275	35,485,098
Total assets includes:				
Additions to:				
- Property, plant and equipment	314,881	534,852	45,497	895,230
Segment liabilities	13,389,999	2,832,355	10,321,211	26,543,565

30 Segment information (Cont'd)

The management assesses the performance of the operating segments based on gross profits. Selling and distribution expenses, general and administrative expenses and other income are not allocated to segments because they are not directly attributable to the segments or cannot be allocated to the segments on a reasonable basis.

(a) Reconciliations

(i) Segment assets

For the purposes of monitoring segment performance and allocating resources between segments, the management monitors the inventories and receivables attributable to each segment. All assets are allocated to reportable segments other than cash and cash equivalents, other receivables, available-for-sale financial assets and property, plant and equipment.

	2018 $	2017 $
Segment assets for reportable segments	44,181,946	31,436,823
Unallocated:		
- Cash and cash equivalents	2,329,296	852,521
- Other receivables	950,633	1,728,448
- Available-for-sale financial assets	15,344	11,680
- Property, plant and equipment	58,525	1,455,626
	47,535,744	35,485,098

(ii) Segment liabilities

For the purposes of monitoring segment performance and allocating resources between segments, the management monitors the payables attributable to each segment. All liabilities are allocated to reported segments other than other payables, borrowings and deferred income.

	2018 $	2017 $
Segment liabilities for reportable segments	12,026,316	16,222,354
Unallocated:		
- Other payables	1,443,773	3,896,211
- Borrowings	23,335,858	6,425,000
- Deferred income	532,918	-
	37,338,865	26,543,565

30 Segment information (Cont'd)

(b) Information about major customers

Revenue from a major customer amounted to $44,958,904 (2017: $49,191,362), arising from sales of civil engineering and tunnelling segment.

	2018 $	2017 $
Civil engineering	44,958,904	48,747,144
Tunnelling	-	444,218
	44,958,904	49,191,362

(c) Geographical information

Revenue and loss of the Group are mainly derived from the civil engineering and tunnelling segments in Singapore which forms the Group's strategic business.

The non-current assets employed by the Group are located in Singapore. Accordingly, no other segmental information by geographical segment is presented.

31 Significant events

(a) *Scheme of Arrangement*

On 2 December 2015, the Company lodged a copy of the Order of Court with the Registrar. A Scheme of Arrangement ("Scheme") between the Company and the certain creditors ("Creditors") which took effect on and from 2 December 2015. Under the Scheme, certain cash payments were to be made to and new Shares to be issued to the Company's Creditors in full satisfaction and complete extinguishment and discharge of the debts owed to the Company's Creditors. In particular, new shares were to be issued to the Company's Creditors pursuant to two debt-to-equity exercises referred to as the "Start Conversion" and the "End Conversion".

On 14 June 2016, at the Eligible Creditors Meeting, the Company's Eligible Creditors unanimously approved the proposed amendment to the Scheme to extend the date by which the Start Conversion Date must occur (failing which the Scheme shall terminate) from 30 June 2016 to 31 October 2016.

In the month of June 2016, the Company disbursed a total of $6.5 million in Reverse Dutch Auction ("RDA") and Parri Passu payments.

On 11 August 2016, the Company announced that 435,739,903 Creditors Start Conversion Shares, 493,721,724 OHL Conversion Shares, 1,400,000,000 Subscription Shares, 500,000,000 Warrants and 67,766,667 Fee Shares were allotted and issued on 11 August 2016.

On 21 June 2017, the Company announced that the issuance of 66,431,213 UOB Shares pursuant to the Deed of Release and Discharge entered into with United Overseas Bank on 9 June 2017, had been completed on 21 June 2017 (Note 29(b)).

During the financial year ended 30 June 2017, the Company had disbursed the remaining of $5.7 million in Reverse Dutch Auction ("RDA") and Parri Passu payments to the Creditors to fulfill its outstanding obligations to the Creditors under the Scheme.

31 Significant events (Cont'd)

(a) Scheme of Arrangement (Cont'd)

On 20 July 2017, the Scheme had come to an end and Company is completely and absolutely released and discharged from all claims, obligations and liabilities under the Scheme.

The Company recorded a gain of $22,390,773 (Note 6) for the financial year ended 30 June 2017 due to the released and discharged from all claims, obligations and liabilities under the Scheme.

(b) Disposal of leasehold land and leasehold building under construction

On 23 March 2016, the Company announced that on 18 March 2016, the Company was notified by solicitors acting for United Overseas Bank ("UOB") that pursuant to the tender for the purchase of the Private Lot A0020500 at Plot KR0309 Kranji Link Singapore ("Kranji Property") conducted from 1 February 2016 to 1 March 2016, UOB had accepted an offer from Civil Tech Pte. Ltd. to purchase Kranji Property at the price of $4,150,000.

On 4 August 2016, the Company announced that, by way of a letter dated 3 August 2016, the Company was notified by solicitors acting for UOB that JTC has rejected the sale of Kranji Property.

On 14 March 2017, UOB accepted an offer of $3,100,000 for the purchase of the Kranji Property.

On 9 June 2017, the Company and UOB entered into a Deed of Release and Discharge pursuant to which UOB's Approve Debt was revised to $5,677,881, and the Company agreed to allot and issue 66,431,213 shares of the Company ("UOB Shares") and pay $211,012 to UOB in full and final satisfaction and discharge of UOB's Approved Debt.

The issuance of UOB Shares and the sale of the Kranji Property were completed on 21 June 2017 and 18 July 2017 respectively.

On 20 July 2017, the Scheme of Arrangement ("Scheme") had come to an end and Company is completely and absolutely released and discharged from all claims, obligations and liabilities under the Scheme.

(c) Issuance of Convertible Bonds

On 31 August 2017 the Company entered into a subscription agreement with Targa Solution Pte. Ltd. ("Subscriber") pursuant to which the Subscriber had agreed to subscribe for convertible bonds ("Bonds") aggregating to $7,000,000.

The Bonds issue was undertaken by way of private placement.

Relevant details of the Bonds are as follow:

(i) The Bonds constitute unconditional, unsubordinated and unsecured obligation of the Company and will be issued in two tranches, tranche one of principal amount $5,000,000 ("Completion Tranche 1") and tranche two of principal amount $2,000,000 ("Completion Tranche 2"). The term of the Bonds is three years from the date of issuance of the Completion Tranche.

31 Significant events (Cont'd)

(c) *Issuance of Convertible Bonds (Cont'd)*

(ii) Interest will be payable by the Company to the Subscriber in the following manner:

- at the rate of 5% per annum on the principal amount of the Bonds on a monthly basis; and
- an additional interest at the rate of 7% per annum on the principal amount of the Bonds, only payable on the date falling three years from Completion Tranche 2.

(iii) At the option of the Subscriber, the Bonds may be converted in whole or any part thereof in tranches of $500,000. The conversion of the Bonds would result in the issue of a maximum of 466,666,666 new ordinary shares ("Conversion Shares"). The conversion price shall be $0.015 per Conversion Shares.

(iv) The Company shall redeem the outstanding Bonds at 100% of the principle value together with all interest accrued and outstanding thereon comprising those mentioned in (ii) on maturity date.

On 7 September 2017, the first tranche of the Bonds aggregating to a principal amount of $5,000,000 had been completed. Subsequent to this, the remaining Bonds of an aggregate principal amount of S$2,000,000 had been completed on 19 February 2018. The maturity date is on 18 February 2021.

The Company has utilised the full amount of proceeds for the repayment of working capital loans.

32 Subsequent events

On 17 July 2018, the Company incorporated a 99.99%-owned subsidiary corporation, Swee Hong India Private Limited ("SH India"), in India to undertake construction and infrastructure projects.

On 3 August 2018, the Board of Directors of the Company entered into a non-binding memorandum of understanding with World Forum Development Limited and Gold Paradise International Limited for the proposed acquisition of the entire issued and paid-up share capital of Asiaframe Group Limited.

33 New or revised accounting standards and interpretations

Below are the mandatory standards and amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 July 2018 and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 July 2018

- FRS 109 Financial Instruments

  FRS 109 replaces FRS 39 Financial instruments: Recognition and Measurement and its relevant interpretations.

  FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

  Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

  FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

  There is also now a new expected credit losses impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

  The new standard also introduces expanded disclosure requirements and changes in presentation.

  The Group is required to adopt a new accounting framework from 1 July 2018. The new accounting framework has similar requirements of FRS 109 and the management does not expect significant adjustments to the Group's financial statements.

33 New or revised accounting standards and interpretations (Cont'd)

Effective for annual periods beginning on or after 1 July 2018 (Cont'd)

- FRS 115 Revenue from Contracts with Customers

  FRS 115 replaces FRS 11 Construction Contracts, FRS 18 Revenue, and related interpretations.

  Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises 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. An entity recognises revenue in accordance with that core principle by applying the following steps:

  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

  FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  The Group is required to adopt a new accounting framework from 1 July 2018. The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 34.

- Amendments to FRS 40: Transfers of Investment Property
- Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts
- Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers
- Improvements to FRSs (December 2016)
  - Amendment to FRS 28 Investments in Associates and Joint Ventures
  - Amendment to FRS 101 First-Time Adoption of Financial Reporting Standards
- INT FRS 122 Foreign Currency Transactions and Advance Considerations

33 New or revised accounting standards and interpretations (Cont'd)

Effective for annual periods beginning on or after 1 July 2019

- FRS 116 Leases

  FRS 116 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  Some of the commitments of the Group may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

  The new standard also introduces expanded disclosure requirements and changes in presentation.

  The Group is required to adopt a new accounting framework from 1 July 2018 (Note 33). The new accounting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

- Amendments to FRS 109: Prepayment Features with Negative Compensation

- Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures

34 Adoption of SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as "Singapore IFRS - Identical Financial Reporting Standards" ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 July 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ending 30 September 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 - First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The management has assessed that there would not be significant impact arising from the adoption of SFRS(I) on the Company's financial statements are set out as follows:

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 30 June 2019), subject to the mandatory exceptions and optional exemptions under IFRS 1. The Group is not expected to elect any relevant optional exemptions and do not expect any significant adjustments to the Group's financial statements prepared under SFRS(I).

(b) Application of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 July 2018. Accordingly, requirements of SFRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 30 June 2018.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 July 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) equivalent of IFRS 9. Management does not expect significant adjustments to the Group's statement of financial position line items.

(ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

- Trade receivables and contract assets recognised under SFRS(I) equivalent of IFRS 15; and
- Loans to related parties and other receivables at amortised cost.

Management does not expect significant adjustments to the Group's statement of financial position line items from the application of the expected credit loss impairment model.

34 Adoption of SFRS(I) (Cont'd)

(c) Application of SFRS(I) equivalent of IFRS 15

In accordance with the requirements of IFRS 1, the Group will adopt SFRS(I) equivalent of IFRS 15 retrospectively. The main adjustments are as follows:

(i) Accounting for costs incurred to fulfil a contract

Under SFRS, training costs incurred on staff working specifically on certain contracts to construct specialised equipment are expensed to the profit or loss as they do not qualify for recognition as an asset under any SFRS.

Under SFRS(I) equivalent of IFRS 15, as these costs relate directly to the Group's contracts with customers and are expected to be recovered, they will be capitalised as "contract assets - costs to fulfil a contract".

(ii) Accounting for contract will multiple performance obligations

Under SFRS, each contract for construction of specialised equipment has been assessed to be one contract with revenue recognised progressively by reference to the stage of completion of the contract activity at the reporting date.

The Group has assessed each contract under the requirements of SFRS(I) equivalent of IFRS 15 and concluded that for each of these contracts there are two distinct performance obligations which are satisfied at different timings. This will result in different timings of revenue recognition for each performance obligation under each contract.

(iii) Presentation of contract assets and liabilities

The Group is expected to change the presentation of certain amounts in the statement of financial position to reflect the terminology in SFRS(I) equivalent of IFRS 15:

- Amounts due from customers arising from construction contracts, accrued revenue and construction contract work-in-progress under SFRS will be reclassified to be presented as part of contract assets.
- The expected volume discounts and refunds to customers which have been presented as current provisions under SFRS, will be classified as contract liabilities.
- Advances received from customers arising from construction contracts and amounts due to customers arising from construction contracts under SFRS will be reclassified to be presented as part of contract liabilities.

Management does not expect significant adjustments on the Group's financial statements from the adoption of this standard.

34 Adoption of SFRS(I) (Cont'd)

(d) Summary of provisional financial impact

The line items on the Group's financial statement that may be adjusted with significant arising from the adoption of SFRS(I) as described above are summarised below:

	As at 30 June 2018 reported under SFRS $	(Provisional) As at 1 July 2018 under SFRS(I) $	As at 1 July 2017 reported under SFRS $	(Provisional) As at 1 July 2017 reported under SFRS(I) $
Trade and other receivables	38,802,042	1,913,027	27,479,612	2,657,789
Construction contract work-in-progress	956,563	-	476,921	-
Contract assets	-	37,845,578	-	25,298,744
Available-for-sale financial assets	15,344	-	11,680	-
Financial assets, at FVOCI	-	15,344	-	11,680