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CCM GROUP LIMITED

Cultivation...

Annual Report
2013

This annual report has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this annual report.

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

The contact person for the Sponsor is Mr. Mark Liew, Managing Director, Corporate Finance, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229-8088.

CCM Group Limited (the "Group") is principally engaged in building and construction, as well as property development activities.

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Corporate Profile

Incorporated in September 2009 and listed on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") since July 2010, CCM Group Limited ("CCM" or the "Group") is principally engaged in building and construction activities for the public and private sectors in Singapore.

In less than 10 years since its inception, CCM has grown from a small general contractor to a publicly-listed company offering integrated construction services in Singapore and Asia, with the capabilities to undertake large-scale construction projects. CCM's clients typically include property developers, landowners and governmental bodies.

On 20 November 2013, the Group obtained shareholders' approval to diversify into property development and investment overseas, allowing the Group to seek new areas of growth within and outside of Singapore.

At present, CCM has two core businesses:

- Construction works consisting of 3 segments – main building works, general building works and leasing and installation services

- Property development, which involves purchasing land and developing residential and commercial properties for sale. The Group has to date proposed investments in the United States and Australia.

Moving forward, the Group will continue to capitalise on its two core businesses to bolster growth and profitability.

Dear Shareholders,

This message to you is as much a scorecard of the most challenging period for CCM Group Limited since its Initial Public Offering as a blueprint for a bold new vision of growth.

It is a strategic vision involving a major fundraising that has already been set in motion, diversification to property development overseas, property investment in the United States and Australia, and significant changes to leadership at the board and management levels as we embark on an exciting new era ahead.

Bumper Harvest...

Financial Performance

Shareholders are well aware of the severe challenges facing the construction sector in Singapore in the financial year ended 31 December 2013 ("FY2013"). Compounding the highly competitive environment, the Group's construction-related activities operate in an environment with thinning margins, constant cost pressures and volatile raw material prices. While our revenue rose 71% to S$92.3 million in FY2013 from S$53.9 million in FY2012, our FY2013 bottom-line was significantly impacted by generally higher material, sub-contractors and project related costs. At the same time, overall higher personnel turnover, delays in project and threats of litigation claims also exerted pressures.

As a result, despite the increase in turnover, the net loss attributable to shareholders has increased to S$22.4 million from S$1.9 million a year ago (in line with the profit guidance announced on 8 January 2014).

The Board of Directors has chosen to take a prudent approach in provisions and write-offs (some items of which are non-cash in nature). This is the bitter medicine that we must swallow for us to heal and emerge as a stronger and better corporation.

While our FY2013 accounts reflect a negative working capital position, we are exploring various options including raising additional funds to ensure that there would be adequate working capital for the next 12 months.

Outlook of Core Construction Activity

As has been widely reported in the media and outlined above, the Singapore construction sector faces a host of challenges which will impact cashflows, margins and which could even possibly lead to consolidation within the industry. We have a situation in which the official projections are for the sector to expand to between S$31 billion to S$38 billion in 2014 on the back of strong public housing demand and higher construction demand for institutional developments and major infrastructure projects. And, on the other hand, operational costs are expected to increase further due to higher foreign workers' levy and Central Provident Fund contributions.

CCM will continue to manage costs further with a view to increasing productivity. More importantly, we have strengthened our management team. Subsequent to the financial year end, we announced: a) the appointment of Mr. Hiroaki Kobayashi as General Manager with effect from 1 March 2014. He has over 20 years of experience as a construction manager with significant local experience and a track record, having worked with several leading construction companies in Asia such as Shimizu Corporation in Japan; and b) the appointment of Mr. Goh Tcheng Hion as our new Chief Financial Officer from 7 April 2014.

As at 31 December 2013, the Group's construction order book stood at approximately S$47.5 million, after adjusting for the termination of Shenton Way Contract subsequent to the end of FY2013.

Strategic Diversification To Overseas Property Investment and Development

In view of the challenges facing the Singapore construction sector, the Directors on 9 January 2014 outlined a vision for a strategic diversification to overseas property development and investment. In so doing, we will leverage on the corporate experience and extensive network of some new members of the Board of Directors. The Group sincerely believes that this foray into property development or investment will offer an exciting new dimension of growth which is expected to enhance long-term shareholder value.

Subsequent to the close of the financial year, we announced CCM's wholly-owned property development and investment subsidiary CCM Property Pte. Ltd. ("CCMP") invested US$4.3 million (S$5.5 million) for a 136-acre parcel of land ("Land Investment") in Houston, Texas, the United States of America. CCMP incorporated a wholly-owned subsidiary in Singapore, CCMP (USA) Pte. Ltd., which holds a 60%-stake in a Texas limited partnership (the "Partnership Vehicle") created for the purpose of holding the Land Investment. The remaining 40%-stake in the Partnership Vehicle is held by independent third parties.

Apart from the United States of America, the Group is also actively looking at property investment opportunities in Australia and Spain. Compared to Asia, the USA and Australian real estate markets each appears to be in a stage of its market cycle in which investment opportunities continue to exist. We will carefully assess these opportunities with a view to enhancing shareholder value.

Fundraising

At an extraordinary general meeting on 20 November 2013, shareholders approved proposals to raise up to S$41.0 million – S$36.0 million via the issue of up to 3.42 billion warrants and a further S$5.0 million from the issue of exchangeable notes ("FY2013 Fund Raising"). Assuming full conversion of the warrants exercisable for up to three years from the date of issue, CCM's issued share capital base will increase by more than 20-fold to 3.6 billion shares from 171.22 million before the issue and conversion of the warrants.

As I write this message, aggregate proceeds of S$16 million have been raised comprising S$11 million from the conversion of the warrants and S$5.0 million from the issuance of exchangeable notes. In addition, the Company has announced a right issue which may raise up to S$143.5 million.

Changes to Board of Directors

Subsequent to the financial year end, there have been various changes to the Board of Directors. On 8 January, 2014, we announced the voluntary resignations and voluntary cessation of directorships of two Executive Directors – Ms. Chan Pui Yee ("Ms. Chan") and Mr. Chan Tien Chih ("Mr. TC Chan") – and Independent Director Mr. Aloysius Wee Meng Seng. Mr. TC Chan, who was previously in charge of overseeing the tendering, planning and budgeting for projects, remains as an executive director of our construction subsidiary, CCM Industrial Pte. Ltd.

On 1 March 2014 we announced the re-designation of Mr. Chan Heng Fai ("Mr. Fai Chan") from Non-Executive Director to Executive Director and the appointment of Mr. Basil Chan as Independent Director and Chairman of the Audit Committee.

Mr. Fai Chan is well regarded for his expertise in corporate restructuring and I deeply appreciate his willingness to join me as a fellow Executive Director. Mr. Basil Chan has more than 32 years of corporate experience. Their experience will help the Group greatly as it embarks on its strategic diversification to overseas property development.

Appreciation

It has been a very challenging and significant year. Throughout this time so many people have contributed much, including our customers, our business partners, our directors, management and staff, as well as you, our loyal shareholders. To each of you I say a big thank you for your support. To the outgoing directors and managers, I want to thank you for your immense contributions and wish you well on your future endeavours.

CCM is determined to chart an exciting new era of recovery and growth. I look forward to your continued support in this journey together.

Liew Sen Keong

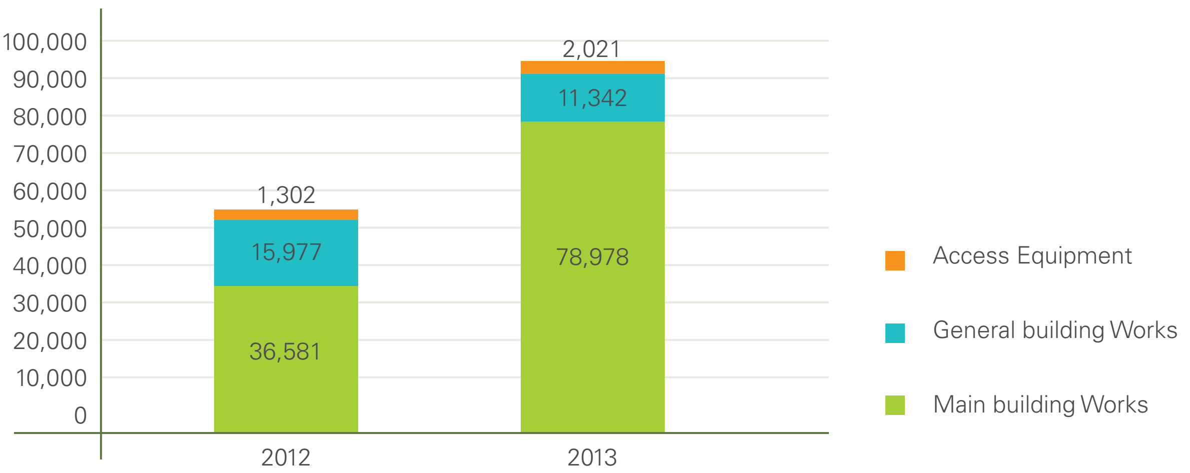
Executive Chairman and Chief Executive Officer

8 April 2014

Background

The Group has been operating in a challenging environment in the financial year ended 31 December 2013 ("FY2013"), with increasing margin pressures, operating costs and volatile raw material prices.

Segmental Revenue (S$'000)



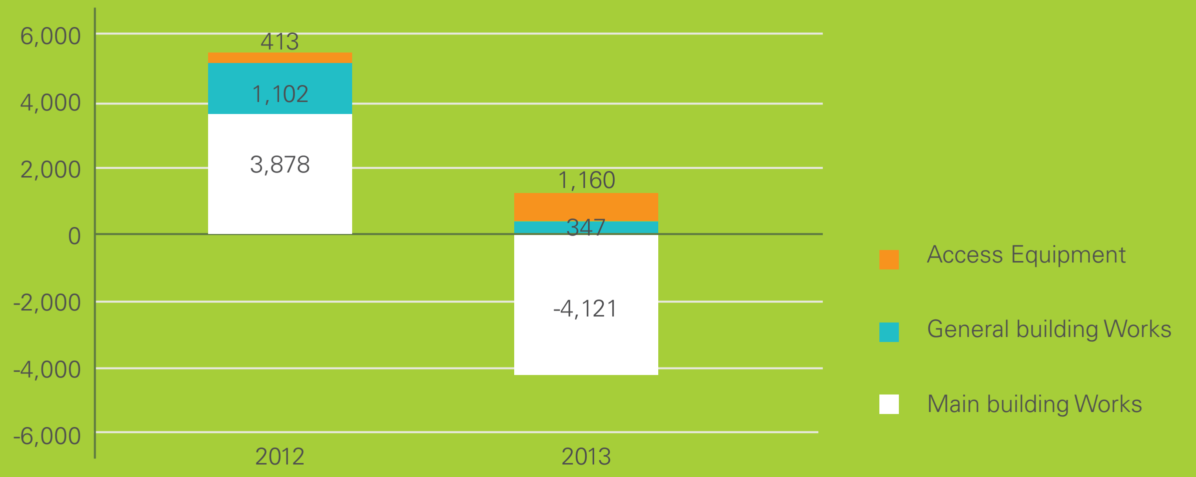
The Group's FY2013 revenue increased by 71% to S$92.3 million from S$53.9 million in the previous financial year ("FY2012"), mainly due to progress-recognition of a significant portion of revenue from two projects awarded to the Group at the end of FY2011 – namely, a Repairs and Redecoration ("R&R") contract for the Bishan-Toa Payoh Town Council worth S$2.58 million, and a S$5.9 million restoration and addition contract for the Yueh Hai Ching Temple, awarded by Ngee Ann Kongsi.

On 13 November 2013, the Group announced that it has been awarded three R&R contracts worth approximately S$5.6 million. These projects are still at their beginning stages, and hence did not make any material revenue contribution to FY2013 resulting in a S$4.7 million decrease in the general building works segment which offset the S$0.7 million revenue increase in the access equipment segment.

Following the conclusion of FY2013, the Group announced that it had acquired five out of the seven parcels in a 136-acre development in Texas, the United States of America ("Project Blackoak") for a total consideration of US$4.3 million.

Concurrently, it also announced that it has received pre-sale letters of intent from US developers to buy 285 lots out of the planned total of 545 lots, worth approximately US$28.5 million.

Segmental Gross Profit (S$'000)



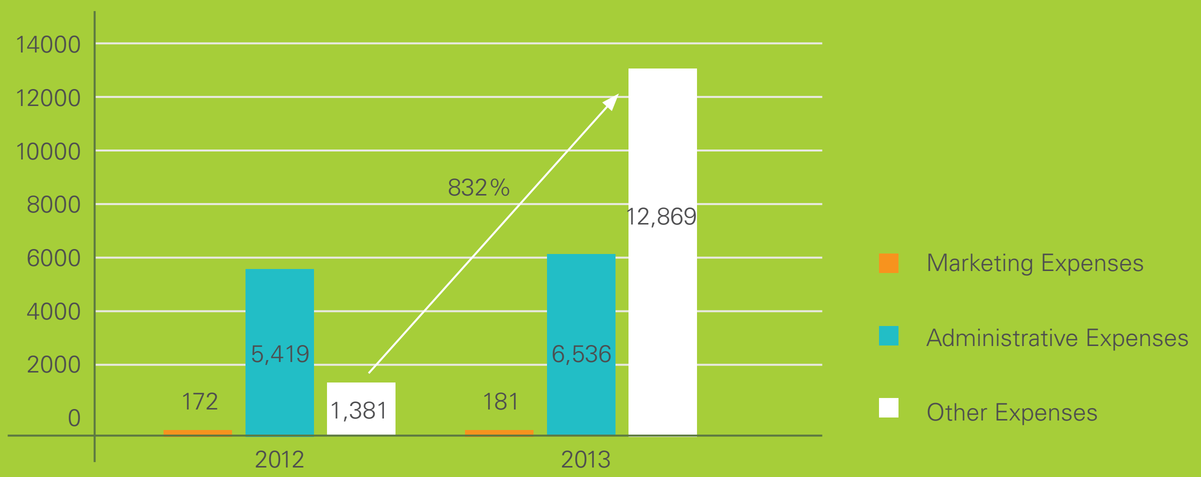
The Group recorded a gross loss of S$2.6 million in FY2013, compared to gross profit of S$5.4 million in FY2012, and a decrease in gross profit margin from 10.0% in FY2012 to a negative gross profit margin of 2.8% in FY2013.

Gross profit decreased by S$8.0 million and S$0.7 million for the main building works segment and general building segment, respectively, which was partially offset by an increase in gross profit in access equipment segment of S$0.7 million. The comparatively weaker gross profit in FY2013 was mainly due to the increase in operational costs as aforementioned – increase in costs of material, sub-contractors' engagement fees, and other project-related overheads. In contrast, there was an improvement in the access equipment segment, which was a result of better cost controls and higher margins reaped from the rental of access equipment in FY2013.

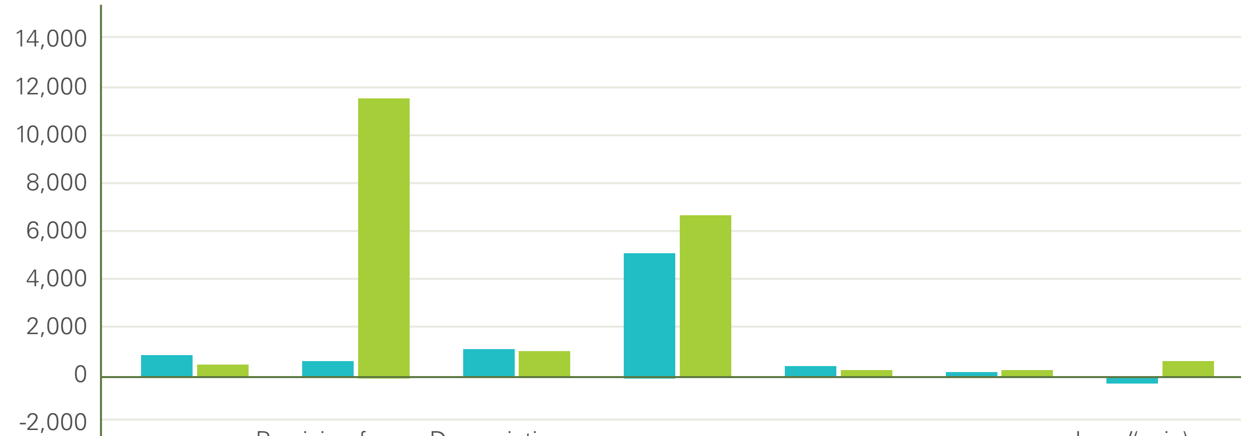
Other income increased by S$0.01 million from S$0.13 million in FY2012 to S$0.14 million in FY2013 was mainly due to incentives received from the Mechanisation Credit ("MechC") Scheme and Cash Paid Out Refund from IRAS in FY2013.

Operating Costs & Expenses

Expenses (S$'000)



Other Major Expenses (S$'000)



	Bad debts written off	Provision for foreseeable losses & legal claim	Depreciation of property, plant and equipment	Employee benefits	Interest Expense	Operating lease expense	Loss/(gain) on disposal of property, plant and equipment
2012	739	642	1,343	5,403	415	211	(21)
2013	557	11,708	1,297	6,412	359	268	604

Due to the rise in operation costs, the Group reported a 181% increase in expenses, and an approximate 17-fold increase in other expenses.

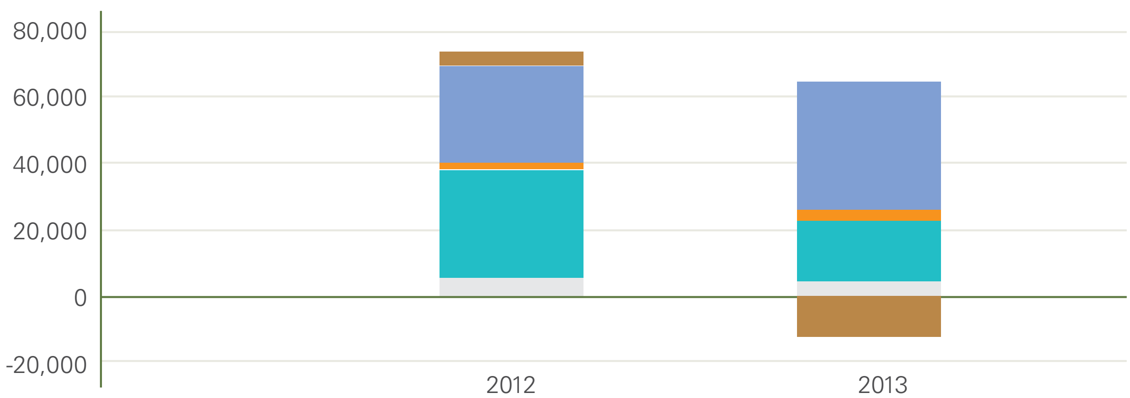
Administrative expenses increased by S$1.1 million from S$5.4 million in FY2012 to approximately S$6.5 million in FY2013. The increase was mainly due to an increase in staff costs incurred following the engagement of new staff with higher salaries as a result of high turnover.

Other expenses increased by S$11.5 million from S$1.4million in FY2012 to S$12.9 million in FY2013 mainly due to a loss on disposal of plant and equipment of S$0.6 million, an increase in provision for foreseeable losses and legal claim of S$11.1 million; and other project-related overheads and bad debts written off of S$1.2 million during FY2013 partially offset by the writing off of bad debts of S$0.7 million in FY2012.

Subsequent to the financial year end, the Group announced on 20 March 2014 the termination of a building contract worth approximately S$94.6 million, relating to the erection of a 32-storey commercial building at 70 Shenton Way.

Overall, the Group reported a net loss attributable to shareholders of approximately S$22.4 million in FY2013, against a net loss of S$1.9 million in FY2012.

Financial Position (S$'000)



	2012	2013
Equity	4,357	(11,819)
Current Liabilities	32,021	35,335
Non-current Liabilities	1,598	2,595
Current Assets	32,720	21,133
Non-current Assets	5,256	4,978

At an extraordinary general meeting on 20 November 2013, shareholders approved proposals to raise up to S$41.0 million – S$36.0 million via the issue of up to 3.42 billion warrants and a further S$5.0 million from the issue of exchangeable notes ("FY2013 Fundraising"), to raise funds for the Company's new chapter of growth in overseas property development and investment. The FY2013 Fundraising was for property development/investment in Singapore and Asian region. The Company will be seeking shareholders' approval in the coming EGM to expand its property development/investment business into USA, Australia and Spain.

The Group's non-current assets decreased by S$0.3 million to S$5.0 million as at 31 December 2013 due to a disposal of plant equipment with net book value of S$1.8 million and depreciation expenses of S$1.3 million for FY2013. The Group's current assets decreased S$11.6 million to S$21.1 million as at 31 December 2013 mainly due to a reduction in gross amount due from customers for construction work-in-progress of S$8.9 million, a decrease in trade and other receivables of S$2.5 million and a decrease in the cash and bank balances by S$0.2 million. The decrease in gross amount due from customers for construction work-in-progress was mainly attributable to a provision for foreseeable loss on gross amount due from customers for contract work-in-progress of S$8.7 million and higher costs incurred in work-in-progress during the year.

The Group's current liabilities increased by S$3.3 million to S$35.3 million as at 31 December 2013 mainly due to a S$4.3 million increase in trade and other payables and other liabilities, which was a result of an increase in materials purchased and accruals for construction project costs. The Group's non-current liabilities increased by S$1.0 million from S$1.6 million as at 31 December 2012 to S$2.6 million as at 31 December 2013 mainly due to the reduction in loan and borrowing of S$1.3 million and an increase in non-current other payable of S$2.3 million was due to the retention amount due to sub-contractors as per projects' contract.

As a result of the loss incurred in FY2013, the Group reported a negative net working capital of S$14.2 million as at 31 December 2013. The Board is aware of the reported negative working capital position of the Group and the operating challenges of the Group's construction business going forward, and would consider various options including raising additional funds or re-allocating the use of proceeds from the FY2013 Fundraising to ensure that there would be adequate working capital for the next 12 months.

Cash Flow

The Group had an operating cash outflow of S$1.7 million in FY2013 which was mainly attributable to losses before working capital changes of S$7.8 million, an increase in trade and other receivables of S$0.7 million, a reduction in construction work-in-progress in excess of progress billings of S$0.2 million, offset by an increase in other liabilities of S$0.3 million and an increase in trade and other payables of S$6.7 million.

Net cash generated from financing activities of S$2.5 million in FY2013 was mainly attributable to proceeds from loans and borrowings of S$14.5 million to finance new main building works contracts awarded, uplift of a bank deposits pledged of S$1.0 million, which is in line with the full settlement of a term loan with Standard Chartered Bank and proceeds from issuance of new ordinary shares of S$7.0 million during the financial year, mainly offset by share issuance expenses of S$0.8 million, repayments of loans and borrowings of S$17.6 million and repayments of finance lease obligations of S$1.6 million.

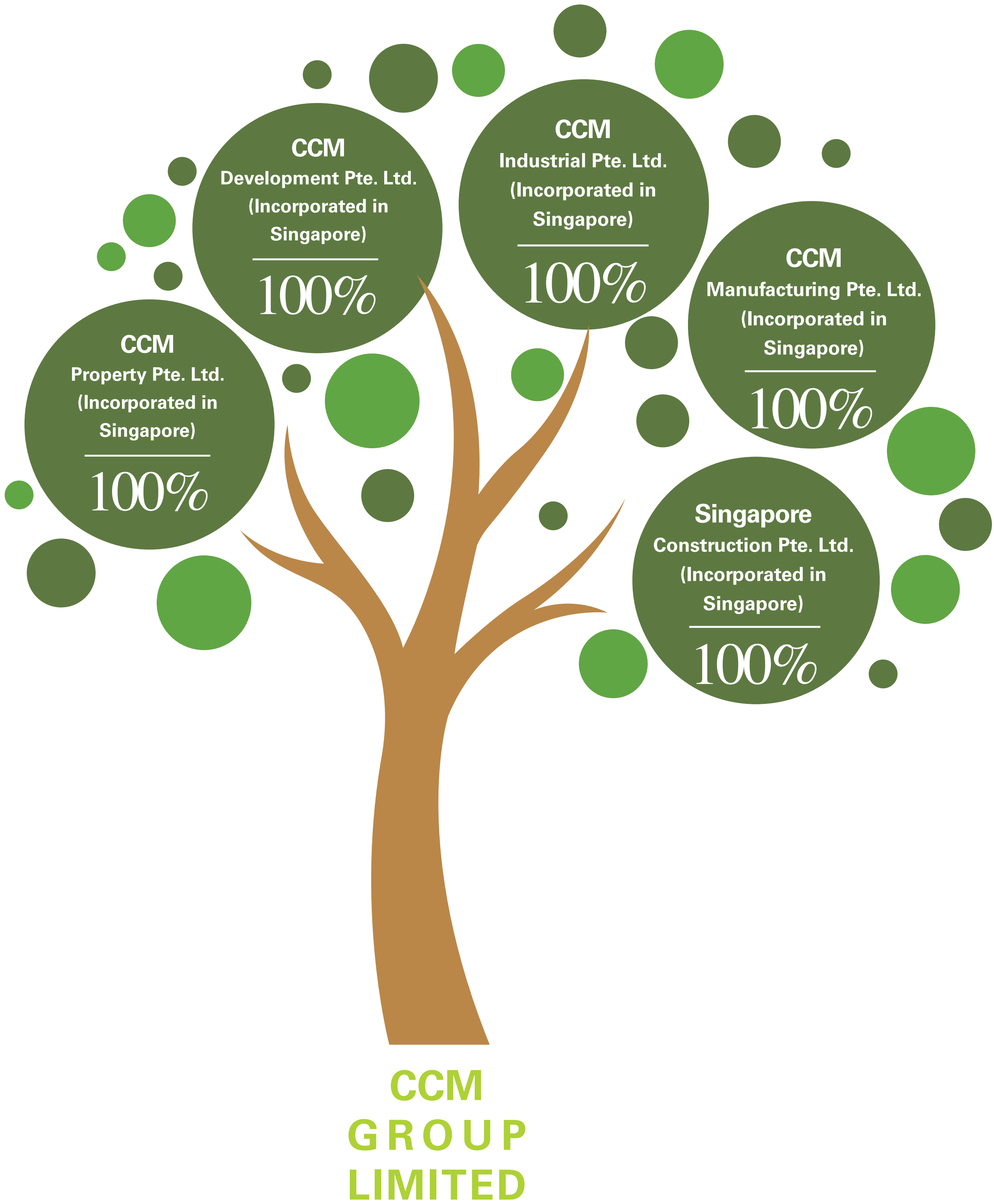
Changes in issued and paid-up share capital

The Group has a total of 171,220,000 ordinary shares as at 31 December 2013. Pursuant to the FY2013 Fundraising exercise, the Group has a total of 1,231,191,000 ordinary shares as at 1 April 2014, and a corresponding paid-up share capital of approximately S$27.982 million.

As at 4 April 2014, aggregate proceeds of S$16 million had been raised from the FY2013 Fundraising exercise, comprising S$11 million from the conversion of the warrants and S$5.0 million from the issuance of exchangeable notes.

Based on the audited consolidated financial statement of the Group for the financial year ended 31 December 2013, the Group's net asset value per share, based on the total number of issued shares as at 31 December 2013, was a negative 6.9 Singapore cents per share, compared to the positive 4.72 Singapore cents in the preceding year.

Corporate Structure



Mr. Liew Sen Keong

Mr. Liew Sen Keong is Executive Chairman of the Board and Chief Executive Officer of CCM Group Limited. As the Executive Chairman and Chief Executive Officer, he assumes overall responsibility for the Group's strategic direction, management, planning and business development. He also oversees all key aspects of Group's operations including identifying, tendering for and securing new projects.

Mr. Liew started his career with Vita Enterprise Pte. Ltd. in 1989 as a Project Manager, where he was responsible for supervising projects and managing the labour force on board vessels. In 1992, he joined CME Industries Pte. Ltd. as a Project Supervisor, where he started to gain experience in the construction industry and was tasked with project supervision. In 1996, he was promoted to General Manager of CME Industries Pte. Ltd. responsible for project and sales management. In 2000, he had a short stint with Sante Scaffolding Pte. Ltd. as a Project Director, where he was responsible for project and sales management, before he set up CCM Industrial Pte. Ltd. and became its Managing Director in 2001.

As the founder of Group, Mr. Liew contributed significantly to the development and expansion of Group over the years.

Mr. Liew holds an Advanced Diploma in Engineering Management from Auston International College Australia, and a Bachelor of Engineering Management from the University of Western Sydney.

Mr. Chan Heng Fai

Mr. Chan Heng Fai was appointed as Non-Executive Director on 31 May 2013 and re-designated as Executive Director on 1 March 2014. His experience and expertise are in the finance and banking sectors, and he has restructured over 35 companies in different industries and countries in the past 40 years.

Mr. Chan is currently the Managing Chairman of Heng Fai Enterprises Limited, a company listed on The Stock Exchange of Hong Kong Limited, and is responsible for its overall business development. He is also a Non-Executive Director of Holista Colltech Ltd, a bio- technology company listed on the Australian Stock Exchange.

Mr. Chan was formerly:

(i) the Managing Director of SingHaiyi Group Ltd ("SingHaiyi"), a company listed on the Catalist board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Under Mr. Chan's leadership, SingHaiyi was transformed from a failed store-fixture business provider with net asset value of less than S$10 million into a property trading and investment company and finally to a property development company with latest net asset value over S$150 million before Mr. Chan ceded controlling interest in late 2012;

(ii) the Executive Chairman of China Gas Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited. Under Mr. Chan's guidance and direction, China Gas was restructured from a failing fashion retail company to one of the largest participants in the investment, operation and management of city gas pipeline infrastructure, distribution of natural gas and LPG to residential, commercial and industrial users in China. The market capitalisation of China Gas in the financial year of 2002 of approximately HK$247 million (share had traded in value of HK$0.51) increased to present market capitalisation in excess of HK$40 billion (share price of HK$8.93 as at June 28, 2013);

(iii) a director of Global Med Technologies, Inc., a NASDAQ-listed medical company which is engaged in the design, developing, marketing and support of information management software products for blood banks, hospitals, centralised transfusion centres and other healthcare related facilities;

(iv) a director of Skywest Ltd, an airline company listed on the Australian Stock Exchange; and

(v) the Chairman and Director of American Pacific Bank, a commercial bank listed on NASDAQ from 1988 to 2005. Mr. Chan had acquired American Pacific Bank, a U.S. full-service commercial bank, out of bankruptcy in 1987. He recapitalised, refocused and grew the bank's operations. Under his guidance, it became a high asset quality bank, with zero loan losses for over five consecutive years before it was ultimately acquired and merged into Riverview Bancorp Inc. Prior to its acquisition and merger it was ranked #13 by the Seattle Times' "Annual Northwest's Top 100 Public Companies" and #6 in Oregon state, ahead of names such as Nike, Microsoft, Costco, AT&T Wireless and Amazon.com.

Mr. Teh Wing Kwan

Mr Teh Wing Kwan was appointed to the Board on 3 June 2013.

Mr Teh specialises in corporate finance, corporate re-structuring and merger and acquisition. He has significant experience being a financial professional, advising and investing in companies, family-owned enterprises and regional asset owners with their businesses listed or preparing to list in Singapore, Australia, Malaysia, Vietnam and Taiwan.

Mr Teh is currently the Group Chief Executive Officer and Executive Director of SGX-listed Sapphire Corporation Limited, and a non-executive and non-independent director of HKSE-listed Heng Fai Enterprises Limited and Australian Securities Exchange-listed Asian American Medical Group Limited. Mr Teh is also appointed advisor to the Board of SGX-listed Koda Ltd. He was also appointed Audit Committee Chairman and Independent Director of other SGX-listed companies.

Mr Teh is a Fellow of The Association of Chartered Certified Accountants (United Kingdom), a Chartered Accountant of the Institute of Singapore Chartered Accountants, Chartered Accountant of the Malaysian Institute of Accountants and a Full Member of Singapore Institute of Directors.

Mr. Chan Yu Meng

Mr. Chan Yu Meng was appointed as an Independent and Non-Executive Director on 27 June 2013 and Chairman of the Company's Nominating and Risk Management Committees since 1 March 2014.

Mr. Chan graduated from the University of Durham in 1995 and was called to the Singapore Bar in 1997. He is a Partner in Lee & Lee and practices in the areas of mergers and acquisitions, capital markets, joint ventures, corporate finance, corporate restructuring, securities law, stock exchange practice and corporate secretarial matters. He also has prior experience as a litigation counsel. He previously served on the board of Creative Master Bermuda Limited.

Dr Tan Eng Khiam

Dr. Tan Eng Khiam was appointed as an Independent and Non-Executive Director since 10 March 2010. He is currently an Associate Professor with the School of Design and Environment, National University of Singapore. He also acts as an overseas consultant to SMM Pte. Ltd., which is the facilities management arm of JURONG International (a wholly owned subsidiary of JTC Corporation).

He started his career in 1977 as a Senior Architecture and New Towns Zonal Coordinator with the Housing and Development Board. Since then, he has held several senior project planning and management positions in local and overseas organisations including Wallace Floyd & Associates, Turrini and Brink, Rashid Hussain Bhd., Rashid Hussain Property Management Sdn. Bhd. Malaysia, Putrade Property Management Sdn. Bhd., Poh Lian Holdings Ltd and GIC Real Estate Pte. Ltd. Dr. Tan also served as an Independent Director of Greatronic Ltd, a company which was listed on the SGX-ST, from 2003 to 2004.

Dr. Tan holds a Bachelor of Architecture from the University of Singapore, a Master of Science in Architecture Studies from the Massachusetts Institute of Technology, a Master in Landscape Architecture from the Graduate School of Design in Harvard University and a Master in City Planning from the Massachusetts Institute of Technology. In 2002, he was awarded a PhD in Business and Management from the University of South Australia. Dr. Tan is a registered architect with the Singapore Board of Architects.

Mr. Tao Yeoh Chi

Mr. Tao Yeoh Chi was appointed as an Independent and Non-Executive Director of the Company on 27 June 2013 and Chairman of the Company's Remuneration Committee since 1 March 2014.

He started his career in 1976 in the Administrative Service of the Government of Singapore where he worked in the Ministry of Defence, Ministry of Education, Ministry of Finance, Ministry of Communications and Information and Prime Minister's Office holding various senior positions. He was subsequently seconded to Temasek Holdings where he held the position of General Manager in its wholly owned Hong Kong subsidiary. From 1988 to 1999, he worked for large Singapore multinational companies such as Times Publishing Ltd, Singapore Technologies Pte Ltd and Media Corporation of Singapore. In 2002, Mr. Tao started his own education business. He was appointed as the Senior Consultant of Zuellig Insurance Brokers Ptd Ltd., Accette Holdings Ltd. and Asia Risk (HK) Ltd. where his main role was to advise these companies on the PRC government policies relevant to insurance brokers and the risk management sector. He further facilitated the introduction of key partners to these companies. In 2005, Mr. Tao was appointed the International Strategy Adviser of the China Institute of Directors.

Mr. Tao is currently the independent director of Eratat Lifestyle Ltd, Hanwell Holdings Ltd and Next Generation Satellite Communications Ltd, which are listed on the SGX-ST.

Mr. Tao graduated from the University of Newcastle, Australia, in 1974 with a Bachelor of Arts (Economics) and a Bachelor of Engineering with First Class Honours in 1975. He was awarded the INSEAD Executive Program Scholarship and completed the INSEAD Executive Program in 1983.

Mr. Basil Chan

Mr. Basil Chan was appointed as an Independent and Non-Executive Director and Chairman of the Company's Audit Committee on 1 March 2014.

He is the Founder and Managing Director of MBE Corporate Advisory Pte. Ltd., and sits on the boards of several other public listed companies in Singapore as their independent, non-executive director. Mr. Chan has more than 32 years of experience in audit, financial and general management, having held senior financial and management positions in both private and listed companies. Mr. Chan was formerly a director and member of the Governing Council of the Singapore Institute of Directors where had served for almost 12 years.

Mr. Chan also serves as an Independent Director of Yoma Strategic Holdings Limited, Global Invacom Group Limited, AEM Holdings Limited and Grand Banks Yachts Limited, all listed on the SGX-ST.

He was a member of the Corporate Governance Committee in 2001 that developed the Singapore Code of Corporate Governance, and was a former member of the Accounting Standards Committee of the Institute of Singapore Chartered Accountants ("ISCA"), formerly the Institute of Certified Public Accountants of Singapore ("ICPAS"). He currently sits on the Auditing and Assurance Standards Committee of ISCA.

Mr. Chan holds a Bachelor of Science (Economics) Honours degree majoring in Business Administration from the University of Wales Institute of Science and Technology, Cardiff, Wales, United Kingdom. He is a Chartered Accountant by training and is a member of the Institute of Chartered Accountants in England and Wales as well as a member of ISCA. He is a Fellow of the Singapore Institute of Directors.

The Board of Directors (the "**Board**" or the "**Directors**") and the management ("**Management**") of CCM Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") are strongly committed to achieving a high standards of corporate governance which is essential to the stability and sustainability of the Group's performance, protection of shareholders' interests and maximisation of long-term shareholder value.

Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**") requires an issuer to outline the corporate governance practices adopted by the Company as set out in the revised Code of Corporate Governance issued on 2 May 2012 (the "Code"), which supersedes the Code issued in July 2005.

This report describes the Company's corporate governance practices with specific reference to the Code for the financial year ended 31 December 2013 ("**FY2013**").

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

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

The primary function of the Board is to protect shareholders' interests and enhance long-term shareholder value and returns. The Board works with the Management to achieve this and the Management remains accountable to the Board.

Besides carrying out its statutory duties and responsibilities, the Board's other roles are to:

- provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls which enables the identification, assessment and management of risks;
- review management performance;
- set the Company's values and standards, and to ensure that obligations to the shareholders and others are met;
- approve major investment funding and major increase / decrease in a subsidiary company's capital;
- approve the nomination of Directors to the Board; and
- oversee the business conduct of the Company and assume responsibility for corporate governance.

The Board is of the view that it has taken objective decisions in the interests of the Company.

To assist the Board in the execution of its responsibilities, specialised committees of the Board, namely the Audit Committee ("**AC**"), Nominating Committee ("**NC**"), Remuneration Committee ("**RC**"), Investment Committee ("**IC**") and Risk Management Committee ("**RMC**") have been established and delegated certain functions (collectively, the "**Board Committees**"). If and when the Board delegates the authority (without abdicating responsibility) to make decisions to a Board Committee, such delegation is disclosed. The AC, NC and RC operate within clearly defined terms of reference and operating procedures and these terms of reference and operating procedures are reviewed on a regular basis. The IC and RMC were established on 23 October 2013. The IC was established for the purpose of reviewing the Group's investment objectives restrictions and guidelines and strategic approach for the purpose of assisting the Board in the evaluation of current or ongoing investments. The RMC was established for the purpose of reviewing the Group's risk exposure on no less than an annual basis. Further details of the scope and functions of the AC, NC and RC are provided under the sections on Principle 4, 5, 7, 8, 11 and 12 of this report.

The Board meets regularly, with at least two (2) scheduled meetings or more often as may be necessary within each financial year to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Board members are provided with complete, adequate information in a timely manner, including half-yearly (or more often) management reports and all relevant information on material events and transactions, to enable them to be fully cognisant of the decisions and actions of the Group's management team. Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from the Management on financial, business and corporate issues and are normally circulated in advance of each meeting. This enables the Directors to request for and obtain further explanations, where necessary, in order to be briefed before the meeting. Ad-hoc meetings are convened as and when deemed necessary.

Matters which are specifically reserved for Board's approval are those involving a conflict of interest for a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, financial results and interested person transactions of a material nature.

The Company's Articles of Association provide for Board meetings to be conducted by means of conference telephone, video-conferencing, audio visual or other electronic means of communication.

There were no IC and RMC meetings held in FY2013. In FY2013, the IC comprised Chan Heng Fai (Chairman), Liew Sen Keong (Member) and Teh Wing Kwan (Member), while the RMC comprised Chan Yu Meng (Chairman), Chan Heng Fai (Member), Liew Sen Keong (Member), Tao Yeoh Chi (Member) and Aloysius Wee Meng Seng (Member).

The number of the Board and AC, NC and RC meetings, and the attendance of each Director during his/her appointment, at the meetings for **FY2013** is as follows:

	Board		**Audit Committee**		**Remuneration Committee**		**Nominating Committee**	
Name of Directors	**No. of meetings held ***	**No. of meetings attended**	**No. of meetings held ***	**No. of meetings attended**	**No. of meetings held ***	**No. of meetings attended**	**No. of meetings held ***	**No. of meetings attended**
Liew Sen Keong	5	5	2	2^	1	1^	1	1^
Chan Heng Fai(1)	4	4	1	1	N.A.	N.A.	N.A.	N.A.
Chan Pui Yee(2)	5	4	2	2^	1	1^	1	1^
Chan Tien Chih(2)	5	5	2	2^	1	1^	1	1^
Teh Wing Kwan(3)	4	4	1	1^	N.A.	N.A.	N.A.	N.A.
Wong Yee Leong(4)	4	4	1	1^	N.A.	N.A.	N.A.	N.A.
Lai Chin Yee(5)	4	3	2	2	1	1	1	1
Aloysius Wee Meng Seng(8)	5	4	2	2	1	1	1	1
Dr. Tan Eng Khiam	5	5	2	2	1	1	1	1
Chan Yu Meng(6)	3	3	1	1^	N.A.	N.A.	N.A.	N.A.
Tao Yeoh Chi(7)	3	3	1	1^	N.A.	N.A.	N.A.	N.A.
Basil Chan(9)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Notes:

* during his/her appointment as a Director of the Company.

^ by invitation.

(1) Chan Heng Fai was appointed to the Board as a Non-Executive Director and a member of the AC, NC and RC with effect from 31 May 2013. He ceased to be a member of the AC, NC and RC on 8 January 2014. He was re-designated as an Executive Director with effect from 1 March 2014 and re-appointed to the NC with effect from 25 March 2014 following the resignation of Mr Wong Yee Leong.

(2) Chan Pui Yee and Chan Tien Chih resigned as Executive Directors of the Board with effect from 1 February 2014.

(3) Teh Wing Kwan was appointed to the Board as a Non-Executive Director with effect from 3 June 2013.

(4) Wong Yee Leong was appointed to the Board as a Non-Executive Director with effect from 5 June 2013 and as a member of the NC with effect from 8 January 2014. He has resigned from the Board and accordingly as a member of the NC with effect from 25 March 2014.

(5) Lai Chin Yee resigned as Independent Director from the Board and accordingly as the Lead Independent Director, the Chairman of the AC and a member of the NC and RC with effect from 15 September 2013.

(6) Chan Yu Meng was appointed to the Board as an Independent Director with effect from 27 June 2013 and as the Chairman of the NC and RMC, and a member of the AC and RC, with effect from 8 January 2014.

(7) Tao Yeoh Chi was appointed to the Board as an Independent Director with effect from 27 June 2013 and as the Chairman of the RC, and a member of the AC and NC, with effect from 8 January 2014.

(8) Aloysius Wee Meng Seng resigned as Independent Director from the Board and accordingly as the Chairman of the NC and a member of the AC, RC and RMC with effect from 1 February 2014.

(9) Basil Chan was appointed to the Board as an Independent Director and as the Chairman of the AC with effect from 1 March 2014.

All Directors are provided with regular updates on changes in the relevant laws and regulations and changes in company policies, risk management and accounting standards to enable them to make well-informed decision and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

The Company will ensure that incoming and newly appointed Directors are given guidance and orientation (which may include management presentations) to allow the Director to understand the Group's business operations, strategic directions and policies, corporate functions and governance practices. If necessary, on-site visits to the Group's premises and places of operation will be arranged. The Company will also provide training for first-time Directors in areas such as accounting, legal and industry specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company. Upon appointment, they will also be provided with formal letters, setting out their duties and obligations.

In addition, continuous and on-going training programmes are made available to the Directors, including courses on Directors' duties and responsibilities as well as seminars and talks on relevant subject fields. The Directors are conscious of the importance of the continuing education in areas such as legal and regulatory responsibilities and accounting issues, and will regularly update and refresh themselves on matters that may affect their performance as a director on the Board, or as a Board Committee Member, as and when necessary. Accordingly, further trainings for Directors will extend to relevant new laws, regulations and changing commercial risks from time to time. Such training will be arranged and funded by the Company.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

At the date of this report, the Board comprises seven (7) Directors, out of which four (4) are Independent Directors, one (1) is a Non-Executive Director and the remaining two (2) are Executive Directors. As such, the requirement of the Code that at least half the Board comprise Independent Directors, when the Chairman and Chief Executive Officer ("**CEO**") is the same person, is satisfied. There is a strong and independent element on the Board, capable of exercising objective judgment on corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making. The Independent Directors chair all Board Committees (safe for IC) which play a pivotal role in supporting the Board.

The NC reviews and determines the independence of each Director annually. The NC adopts the Code's definition of what constitutes an Independent Director in its review. The Board considers an independent director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs with a view to the best interests of the Company.

The Independent Directors, namely Mr Basil Chan, Mr Chan Yu Meng, Mr Tao Yeoh Chi and Dr. Tan Eng Khiam, have confirmed that they do not have any relationship with the Company or its related corporations or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company. The NC has reviewed and determined that the said Directors are independent.

The NC is of the view that the Board has the requisite blend of expertise, skills and attributes to oversee the Company's business. Collectively, they have competencies in areas which are relevant and valuable to the Group, such as accounting, corporate finance, business development, management, sales and strategic planning. In particular, our Executive Directors have many years of experience in the industries that we operate in.

The NC considers the Board's present size adequate for effective decision-making taking into account the nature and scope of the Company's operations. As the Company's activities continue to grow, the NC will continuously review the composition and size of the Board on an annual basis to ensure that it will have the necessary competencies for effective decision-making. The current Board members collectively possess the necessary core competencies for the effective functioning of the Board and an informed decision-making process.

The Non-Executive Directors provide constructive advice on the Group's strategic and business plans. They also review the performance of the Management in meeting set objectives and monitor the reporting of performance.

None of the Directors are appointed for any fixed term. Each Director shall retire from office at least once every three (3) years. Directors who retire are eligible to stand for re-election. There is no Independent Director who has served on the Board beyond nine (9) years from the date of his first appointment.

Information on the interests of Directors who held office at the end of the financial year in shares and debentures and share options in the Company and in related corporations (other than the wholly-owned subsidiaries) are set out in the Directors' Report on page 32 of this Annual Report.

PRINCIPLE 3: EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

In view of Mr Liew Sen Keong's appointment as the Executive Chairman and CEO of the Company, more Independent Directors have been appointed to comprise at least half the Board, pursuant to the recommendations of the Code. This is to ensure that there is a strong and independent element on the Board.

The Chairman and CEO's duties include:

- setting out the corporate directions of the Company;
- leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
- ensuring accurate, timely and clear information flow to Directors;
- ensuring effective shareholder communication;

- encouraging constructive relations between the Board and Management;
- facilitating effective contribution of Non-Executive Director(s);
- encouraging constructive relations between Executive Directors and Non-Executive Director(s); and
- promoting high standards of corporate governance.

Notwithstanding the fact that the Chairman and CEO of the Company is the same person, the Board is of the opinion that the strong presence of Independent Directors serves as an effective safeguard and checks in place to ensure that the process of decision making by the Board is independent and based on collective decisions, without any individual or group of individuals exercising any considerable power and influence. Further, all Board Committees (save for IC) are chaired by the Independent Directors, and the Board reviews all major decisions made by the Chairman and CEO. The Board will consider the appointment of a lead independent director should it see that the need arises.

PRINCIPLE 4: BOARD MEMBERSHIP

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises two (2) Independent Directors, namely, Mr Chan Yu Meng (Chairman of NC) and Mr Tao Yeoh Chi, and one (1) Executive Director, Mr Chan Heng Fai.

The principal functions of the NC, which are set out in the written terms of reference and undertaken by the NC during the financial year, are as follows:

- review and assess candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment of Directors;
- establishing the terms of reference for NC;
- re-nominating Directors for re-election in accordance with the Articles of Association of the Company at each annual general meeting ("**AGM**");
- determining annually, the independence of Directors;
- deciding the assessment process and implementing a set of objective performance criteria for evaluation of the Board's performance; and
- evaluating the Board's effectiveness as a whole and each Director's contribution to its effectiveness in accordance with the assessment process and performance criteria adopted.

The process for the selection and appointment of new Directors, which is led by the NC, is as follows:

(a) evaluating the balance of skills, knowledge and experience of the Board and, in the light of such evaluation and in consultation with Management, prepares a description of the role and the essential and desirable competencies for a particular appointment;

(b) where necessary, external help may be used to source for potential candidates. The Board and Management may also make suggestions;

(c) meets with short-listed candidates to access their suitability and to ensure that the candidates are aware of the expectations and the level of commitment required; and

(d) make recommendations to the Board for approval.

Under the Articles of Association of the Company, at each AGM at least one-third of the Directors for the time being are required to retire from office by rotation, provided always that all Directors are required to retire at least once in three (3) years. The NC assesses and recommends to the Board whether the retiring Directors are suitable for re-election, taking into consideration the range of expertise, skills and attributes of the Board and its composition. The NC also considers the attendance, level of preparedness, participation and candour of such Directors although re-nomination or replacement does not necessarily reflect the Directors' performance or contributions to the Board.

The NC has recommended to the Board that all Directors of the Company be nominated for re-election at the forthcoming AGM, in accordance with Articles 92 and 93 of the Company's Articles of Association.

Mr Chan Heng Fai will, upon re-election as a Director of the Company, remain as an Executive Director, Chairman of the IC and a member of the RMC of the Company.

Mr Basil Chan will, upon re-election as a Director of the Company, remain as Chairman of the AC. Mr Basil Chan is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr Teh Wing Kwan will, upon re-election as a Director of the Company, remain as a Non-Executive Director and a member of the IC of the Company.

Mr Tao Yeoh Chi will, upon re-election as a Director of the Company, remain as Chairman of the RC and a member of the AC, NC and RMC. Mr Tao Yeoh Chi is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr Chan Yu Meng will, upon re-election as a Director of the Company, remain as Chairman of the NC and the RMC and a member of the AC and RC. Mr Chan Yu Meng is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr Liew Sen Keong will, upon re-election as a Director of the Company, remain as the Executive Chairman and Chief Executive Officer and a member of the IC and RMC of the Company.

Dr Tan Eng Khiam will, upon re-election as a Director of the Company, remain as a member of the AC and RC. Dr Tan Eng Khiam is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

All directors are required to declare their board representations in other companies. The NC determines the independence of Directors annually in accordance with the guidelines set out in the Code and the declaration form completed by each Director disclosing the required information.

The NC does not prescribe a fixed number of listed company representations for each Director, as it believes that any maximum number established is unlikely to be representative of the participation, commitment and skills and expertise that a Director may contribute to the Board, and his or her overall effectiveness. The NC determines annually whether each Director with multiple board representations or other principal commitments is able to and has been adequately carrying out his or her duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual Director, and the respective Directors' actual conduct on the Board and its Board Committees, in making the determination, and is satisfied that all the Directors have been able to and had adequately carried out their duties notwithstanding their multiple board representations where applicable and other principal commitments.

Key information regarding the Directors is disclosed under the section on "Board of Directors" on page 10 of this Annual Report.

PRINCIPLE 5: BOARD PERFORMANCE

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

The NC has implemented a formal board evaluation process to be carried out annually to assess the effectiveness of the Board as a whole and the AC, NC and RC, and the contribution of each individual Director to the effectiveness of the Board. The objective of the annual evaluation is to identify areas for improvement and to implement appropriate action.

The areas of assessment focused on:

(a) board's conduct of meetings;

(b) board's review of corporate strategy and planning;

(c) risk management and internal controls;

(d) whistle-blowing matters;

(e) measuring and monitoring performance;

(f) recruitment and evaluation;

(g) compensation for board and key executives;

(h) succession planning;

(i) financial reporting; and

(j) communication with shareholders.

The areas of assessment under the evaluation process do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board.

During the financial year, Directors were requested to complete self-assessment checklists based on the above areas of assessment to assess their views on various aspects of Board performance, such as Board composition, information, process and accountability and the overall effectiveness of the Board. Factors considered include the suitability of the size of the Board for effective debate and decision-making, competency mix of Directors and regularity of meetings. The results of these checklists were considered by the NC. The NC Chairman acts on the results of the performance evaluation, and in consultation with the NC, proposes to the Board, where appropriate, for new members be appointed to the Board or to seek the resignation of Directors.

The NC has assessed the current Board's performance to-date, its roles and responsibilities and is of the view that the performance of the Board as a whole and its Chairman was satisfactory. No external facilitator was used in the evaluation process.

Going forward, the NC will continue to review the formal assessment processes for evaluating the Board and each Board Committee's performance, and also implement the review of the contribution of individual Directors to the effectiveness of the Board and their relevant Board Committees. The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members to be appointed to the Board or seek the resignation of Directors in consultation with the NC. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or his re-nomination as Director.

PRINCIPLE 6: ACCESS TO INFORMATION

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

To assist the Board in fulfilling its responsibilities, Board members are provided with board papers for proposals and are given regular management information prior to each Board meeting and at such other times as necessary. Information provided to the Board includes background information relating to the matters to be brought before the Board. The Directors are also entitled to request Management to provide such additional information as they may require. Relevant information on material events and transactions are circulated to Directors as and when they arise. The Board also receives regular reports pertaining to the operational and financial performance of the Group.

The Board members have separate and independent access to the Management as well as the Company Secretary at all times.

The Company Secretary and/or her colleague attends all Board and Board Committees meetings and ensures that all Board procedures are followed. The Company Secretary also ensures that the Company complies with the requirements of the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and the Catalist Rules. Minutes of the Board and various Board Committees are circulated to the Board for information. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Board Committees and between Management and the Independent Directors, as well as facilitating orientation and assisting with professional development where required.

The Board is fully involved in and responsible for the appointment and removal of the Company Secretary.

Where the Directors, either individually or collectively, in the furtherance of their duties, require professional advice, the Management will assist them in obtaining independent professional advice, at the Company's expense.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises three (3) Independent Directors, namely Mr Tao Yeoh Chi (Chairman of the RC), Mr Chan Yu Meng and Dr Tan Eng Khiam.

Under its written terms of reference, the RC recommends to the Board a framework of remuneration for the Directors and key management personnel and reviews and determines specific remuneration packages and terms of employment for each Executive Director and key management personnel. The RC considers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind and if necessary, with independent and objective expert advice inside and/or outside the Company. The Company sets out remuneration packages that are able to attract, retain and motivate employees without being excessive, thereby maximising shareholders' value. The RC also performs an annual review of the remuneration of employees related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities, and reviews the Company's obligations arising in the event of the termination of an Executive Director or key management personnel's contract of service. The RC's recommendations in respect of the Directors' remunerations are submitted for endorsement by the entire Board.

Each member of the RC will abstain from voting and discussion on any resolutions in respect of his or her own remuneration package.

In settling remuneration packages, the Company considers the remuneration and employment conditions within the industry. The expenses of any external expert advice on remuneration matters sought by the RC, where such advice is deemed necessary, shall be borne by the Company. No remuneration consultants were engaged by the Company during FY2013.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

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

The Group's remuneration policy is to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Directors and Management of the required experience and expertise.

The Company adopts a remuneration policy for key management personnel comprising a fixed and variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus which is linked to individual's performance which is assessed based on their respective key performance indicators. The key performance indicators are not disclosed due to the confidential nature of remuneration measures and competition concerns. Appraisals of the performance of key management personnel are conducted once a year. The key management personnel had not met their key performance indicators in respect of FY2013.

The Executive Directors do not receive Directors' fees. The performance-related elements of remuneration are designed to align interests of Executive Directors with those of the shareholders and link rewards to the Group's financial performance.

Under the service agreements, each of the Executive Directors and one of the key management personnel will be paid an incentive bonus based on the profit before taxation of the Group, when it exceeds S$5,000,000 for the financial year. The Board determines the appropriate amount of discretionary bonus to be awarded to the relevant Executive Director or key management personnel based on his/her performance during the financial year in review if the profit before taxation performance target is met. The Executive Directors and key management personnel had not satisfied the key performance indicators in respect of FY2013.

The service agreements of the Executive Directors do not contain onerous renewal clauses and may be terminated by giving six (6) months' prior written notice or an amount equal to six (6) months' salary in lieu of such notice. There are no termination, retirement and post-employment benefits that may be granted to Directors and key management personnel.

Independent and Non-Executive Directors are paid Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent and the responsibilities of the Directors. Such fees are pro-rated if the Directors serve for less than one (1) year on the Board. The Directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at each AGM of the Company.

The Company implemented the CCM Share Option Scheme in 2013 ("**Scheme**") as a long term incentive scheme. The objective of the Scheme is to link rewards to corporate and individual performance as the Company realises that such performance-related remuneration should be aligned with the interests of the shareholders and promote the long-term success of the Group. The share options are granted to such participants who, in the opinion of the RC (administering the Scheme as the scheme committee), have contributed or have the potential to contribute to the growth and development of the Group. Details of the Scheme were set out in the Company's circular dated 28 October 2013.

The Directors as at 31 December 2013 were granted and they accepted a total of 19,690,300 share options under the Scheme, exercisable at S$0.035 each. The share options granted to Executive Directors are exercisable after two (2) years from the date of grant and before the tenth (10^{th}) anniversary of the date of grant while share options granted to Non-Executive Directors (including Independent Directors) are exercisable after two (2) years from the date of grant and before the fifth (5^{th}) anniversary of the date of grant.

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the CCM Stock Option Scheme are as follows:

Name of director	**Options granted during financial year**	**Aggregate options granted since commencement of plan to end of financial year[(1)]**	**Aggregate options outstanding as at end of financial year**
Liew Sen Keong[(2)]	1,712,200	1,712,200	1,712,200
Chan Pui Yee[(2)]	1,712,200	1,712,200	1,712,200
Chan Tien Chih[(3)]	1,712,200	1,712,200	1,712,200
Chan Heng Fai[(2)]	3,424,400	3,424,400	3,424,400
Chan Yu Meng	1,712,200	1,712,200	1,712,200
Aloysius Wee Meng Seng	1,712,200	1,712,200	1,712,200
Dr. Tan Eng Khiam	1,712,200	1,712,200	1,712,200
Teh Wing Kwan	2,568,300	2,568,300	2,568,300
Tao Yeoh Chi	1,712,200	1,712,200	1,712,200
Wong Yee Leong	1,712,200	1,712,200	1,712,200
Total	**19,690,300**	**19,690,300**	**19,690,300**

No options had been exercised since the commencement of the Scheme to the end of FY2013.

Notes:

1. All 19,690,300 options were granted with exercise price set at a 50% discount to the average of the closing market prices of the shares of the Company over a period of five (5) consecutive market days immediately prior to the date of grant, rounded up to the nearest cent.

2. As at 31 December 2013, Liew Sen Keong, Chan Pui Yee, and Chan Heng Fai were controlling shareholders of the Company. As at the date of this report, all of the aforementioned persons have ceased to be controlling shareholders of the Company.

3. As at 31 December 2013, Chan Tien Chih was an associate of Chan Pui Yee, a controlling shareholder of the Company.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown showing the level and mix of the remuneration of the Directors and Key management personnel during FY2013 is as follows:

	Remuneration S$'000	Salary %	Variable Bonus %	Director's Fees %	Total %
(a) Directors					
Liew Sen Keong	348	100	–	–	100
Chan Heng Fai (Appointed in June 2013)	18	–	–	100	100
Chan Pui Yee (Resigned February 2014)	230	100	–	–	100
Chan Tien Chih (Resigned in February 2014)	210	100	–	–	100
Teh Wing Kwan (Appointed in June 2013)	18	–	–	100	100
Wong Yee Leong (Appointed in June 2013 and resigned in March 2014)	18	–	–	100	100
Lai Chin Yee (Resigned in September 2013)	26	–	–	100	100
Aloysius Wee Meng Seng (Resigned in February 2014)	30	–	–	100	100
Dr. Tan Eng Khiam	30	–	–	100	100
Chan Yu Meng (Appointed in June 2013)	15	–	–	100	100
Tao Yeoh Chi (Appointed in June 2013)	15	–	–	100	100
Basil Chan (Appointed in March 2014)	N.A.	N.A.	N.A.	N.A.	N.A.
(b) Key Management Personnel					
Goh Tuck Peng (Resigned in February 2014)	< 250	100	–	–	100
Low Eng What (Resigned in January 2014)	< 250	100	–	–	100
Ng Chee Seng	< 250	100	–	–	100
Poh Yock Meng (Resigned in October 2013)	< 250	100	–	–	100
Tan Choon Siong (Resigned in February 2014)	< 250	100	–	–	100

The aggregate amount of the total remuneration paid to the top five key management personnel (who are not a Director or CEO) was S$656,000 in FY2013.

Save as disclosed above, there are no employees who are immediate family members of any Director of the CEO whose remuneration exceeded S$50,000 in FY 2013.

PRINCIPLE 10: ACCOUNTABILITY

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for presenting to shareholders a balanced and clear assessment of the Company's performance, position and prospects.

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the interests of the Company.

Financial reports and other price sensitive information, press releases and presentations made are disseminated to shareholders through SGXNET on a timely basis and are also available on the Company's website at www.ccmgroup.sg. The Company's annual report is sent to all shareholders and its half and full-year financial results are available on request.

Management provides the Board with half-yearly or more frequent management accounts that keep the Board informed of the Group's performance, position and prospects. These management accounts consist of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax and attributable profit with variance analyses.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board is committed to maintaining a robust and effective system of internal controls to safeguard shareholders' investments and the Group's assets. The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis.

The Board recognises the benefit of an internal audit function and has appointed BDO LLP ("**BDO**") as its internal auditor to conduct the internal audit review for the financial year ended 31 December 2013. The internal auditor reports directly to the Chairman of AC on all internal audit matters. Between 15 September 2013 and 31 December 2013, following the resignation of Ms Lai Chin Yee, the internal auditor reported to the AC members.

Based on the the work done by the Group's external and internal auditors in relation to their annual review of the effectiveness of the Group's internal controls and risk management system, the Board, with concurrence of the AC, is satisfied that the system of internal controls and risk management that has been maintained by the Company's Management is adequate to address the financial, operational, compliance and information technology risks of the Group in its current business environment in FY2013. The Board and AC, nevertheless, have also taken steps to improve the Group's internal controls and risk management system, through the imposition of dual signatories for the Company's bank accounts and the lowering of the threshold for such requirement to apply. In view of the significant loss recognised by the Group during the financial year, the Group has also taken steps to replace personnel and strengthen project management competency and procedures, subsequent to the year end. The AC will also monitor the implementation of such measures by the Management and report its findings to the Board accordingly.

The Board has received the assurance from the CEO and the Acting Financial Controller that (i) the Group's financial records have been properly maintained and that the financial statements give a true and fair view of the Group's operations and finances; and (ii) the Company's risk management and internal control systems are effective.

PRINCIPLE 12: Audit Committee

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

The AC comprises four (4) Independent Non-Executive Directors, namely Mr Basil Chan (Chairman of the AC), Mr Chan Yu Meng, Mr Tao Yeoh Chi and Dr. Tan Eng Khiam.

The members of the AC have extensive management and/or financial experience. The Board considers them as having sufficient knowledge and experience in management and financial matters to discharge their responsibilities in the AC.

The AC has full access to, and cooperation from the Management, and has full discretion to invite any Director, executive officer or other persons to attend its meetings. It may require any such Director, executive officer or other person in attendance to leave the proceedings (temporarily or otherwise) to facilitate open discussion.

The duties and responsibilities of the AC are contained in a written terms of reference, which mainly assists the Board in discharging its statutory and other responsibilities relating to internal controls, financial and accounting matters, compliance, business and financial risk management. During the financial year under review, the AC performed the following main functions (among other duties) in accordance with its written terms of reference:

- establishing the terms of reference for AC;
- recommending to the Board, the appointment or re-appointment of the internal and/or external auditors and approving the remuneration and terms of engagement of internal and/or external auditors;
- reviewing the scope, and results of the external audit and internal audit plan and process;
- evaluating the independence of the external auditors;
- reviewing the Group's half-year and full year financial statements and related notes and announcements relating thereto, accounting principles adopted, and the external auditors' reports prior to recommending to the Board for approval;

- reviewing and evaluating, having regard to input from external and internal auditors, the adequacy of the system of internal controls and risk management functions, which include internal financial controls, operational, compliance and information technology controls and risk management policies and systems;

- reviewing the nature, scope, extent and cost-effectiveness of any non-audit services provided by the external auditors and ensuring that these do not affect the independence and objectivity of the external auditors;

- reviewing any significant financial reporting issues and judgements and estimates made by Management, so as to ensure the integrity of the financial statements of the Group;

- reviewing the adequacy and effectiveness of the Group's internal audit functions; and

- reviewing the interested person transactions falling within the scope of Chapter 9 of the Catalist Rules reported by the Management to ensure that they were carried out on normal commercial terms, and are not prejudicial to the interests of shareholders.

The AC also has express power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

The AC has met with the external auditors and internal auditors without the presence of Management in February 2014.

The AC has reasonable resources to enable it to discharge its functions properly. The members of the AC shall also take measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements as and when it, or the Board or NC, deems necessary and appropriate.

The AC will review the independence of the external auditors annually. There is no non-audit service provided by the external auditors, Ernst & Young LLP in FY2013. The AC has recommended that Ernst & Young LLP be nominated for re-appointment as the Company's auditors at the forthcoming AGM.

The Company confirms that it is in compliance with Rules 712 and 715 in relation to its external auditors.

Details of the activities of the AC are also provided under Principles 11, 12 and 13 of this Report.

Some Directors of the AC have the necessary accounting and financial expertise to deal with the matters that come before them. They will attend courses and seminars to keep abreast of changes to accounting standards and other issues which may have a direct impact on financial statements, as and when necessary. The external auditors provide, and had provided in FY2013, regular updates and periodic briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

Whistle-blowing policy

The Company has put in place a whistle-blowing policy. The policy is intended to conform to the guidance set out in the Code which encourages employees to raise concerns, in confidence, about possible irregularities to Mr Basil Chan, Chairman of the AC. It aims to provide an avenue for employees to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle-blowing in good faith within the limits of the law.

The AC exercises the overseeing functions over the administration of the policy. Periodic report will be submitted to the AC stating the number and the complaints received, the results of the investigations, follow up actions and the unresolved complaints.

PRINCIPLE 13: INTERNAL AUDIT

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

The internal audit function is currently outsourced to BDO, which reports directly to the AC on audit matters and the Executive Chairman and CEO on administrative matters. BDO has met the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal audit plans are approved by the AC, with the outcome of the internal audit presented to and reviewed by the Management, AC and the Board.

The AC reviews the scope and results of the internal audit and ensures that the internal audit function is adequately resourced. Following the review of BDO's internal audit plan and their evaluation of the system of internal controls, the AC is satisfied that the internal audit is effective, adequately resourced and has the appropriate standing within the Group.

The annual conduct of audit by the internal auditor assesses the effectiveness of the Group's internal control procedures and provides reasonable assurance to the AC and the Management that the Group's risk management, controls and governance processes are adequate and effective.

PRINCIPLE 14: SHAREHOLDER RIGHTS

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

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

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

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

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

The Board believes in regular and timely communication with shareholders as part of our organisation development to build systems and procedures that will enable us to operate transparently.

In line with the continuous disclosure obligations of the Company, pursuant to the Catalist Rules and the Companies Act, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis all material developments that impact the Group.

All announcements including the half-year and full-year financial results, distribution of notices, press release, analyst briefings, presentations, announcement on acquisitions and other major developments are released via SGXNET. The Company does not practice selective disclosure and price sensitive information to its shareholders is publicly released on an immediate basis where required under the Catalist Rules. In the event that inadvertent disclosure is made to a selected group, the Company will make the same disclosure publicly to all shareholders as soon as practicable.

The Board supports the Code's principle to encourage shareholder participation at AGMs and to allow shareholders the opportunity to communicate their views on various matters affecting the Company.

The Board encourages shareholders to attend the AGMs to ensure a greater level of shareholders' participation and to meet with the Board and Management so as to stay informed of the Group's developments. All shareholders of the Company will receive the notice of the Annual General Meeting (AGM). The notice is also advertised in the newspaper and made available via SGXNET and the Company website. At the AGM, shareholders will be given opportunities to raise issues and direct questions regarding the Group to the Directors or the Management. The Directors, including the Chairmen of each of the Board Committee, the Management, as well as the Company's external auditors will be present at the AGM to address shareholders' queries.

Shareholders can vote in person or appoint not more than two proxies to attend and vote on their behalf. There is no provision in the Company's Articles of Association that limits the number of proxies for nominee companies. Voting in absentia and electronic mail may only be possible following careful study to ensure the integrity of the information and authentication of the identity of members through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

The Company practises having separate resolutions at general meetings on each substantially separate issue.

The Company will make available minutes of general meetings to shareholders upon their requests.

DIVIDENDS

The Company currently does not have a fixed dividend policy. The form, frequency and amount of future dividends on the Company's shares will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, the Group's development plans and other factors as the Directors may deem appropriate.

The Group did not declare a dividend in FY2013 in light of the Group's net losses and net liabilities.

MATERIAL CONTRACTS

Save as disclosed in the Report of the Directors and Financial Statements, and the service agreements between the Executive Directors and the Company, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman and CEO or any Directors or controlling shareholders which are either still subsisting as at the end of FY2013 or if not then subsisting, entered into since the end of the previous financial year.

DEALING IN SECURITIES

The Company has complied with Rule 1204(19) of the Catalist Rules in relation to dealings in the Company's securities by Directors and executives of the Company.

The Company has adopted an internal compliance code to guide and advise Directors and all executives of the Company with regard to dealing in the Company's securities. The Directors and executives shall not deal in the Company's shares on short-term considerations or if they are in possession of price sensitive information and during the period commencing one (1) month prior to each announcement of half-year and full-year financial results by the Company and ending on the date of the announcement of the results. Directors and executives are also expected to observe insider-trading laws all times even when dealing in securities within permitted trading periods.

NON-SPONSOR FEE

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**").

Non-sponsor fees paid to the Sponsor in FY2013 amounted to S$74,766.

AUDIT AND NON-AUDIT FEES

Fees to the external auditors of the Company amounted to S$72,500 were solely for the audit of the financial statements of the Group and there was no non-audit fee paid to the external auditors in FY2013.

TREASURY SHARES

There are no treasury shares at the end of the financial year ended 31 December 2013.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that these transactions are conducted at arm's length basis and are not prejudicial to the interests of the Company and its minority shareholders.

There were no interested person transactions entered into during FY2013, pursuant to Rule 907 of the Listing Manual, Section B: Rules of Catalist of the SGX-ST, save as approved by Shareholders at the extraordinary general meeting of the Company held on 20 November 2013 (as detailed below).

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Liew Sen Keong	$500,000	Nil
Chan Heng Fai	$2,500,000	Nil
Teh Wing Kwan	$500,000	Nil

The Group does not have a general mandate for recurring interested person transactions.

USE OF IPO PROCEEDS

Purpose	Amount allocated S$'000	Amount used as at 31 December 2013 S$'000	Amount Unutilised as at 31 December 2013 S$'000
Purchase of new equipment and machinery	800	(800)	–
Exploration of strategic alliances and/ or joint ventures to manufacture access equipment for sale and distribution and/ or internal use	500	(161)	339
Expansion of business into the Asia-Pacific region	500	(500)	–
Obtaining a higher financial grading for building development	800	(800)	–
Exploring opportunities in mergers and acquisitions, joint ventures and strategic alliances	500	(500)	–
Working Capital	597	*(597)	–
	3,697	**(3,358)**	**339**

Note:

* Amount for working capital purposes has been utilised for the payment of operating expenses.

The above utilisation is in accordance with the intended use of the IPO proceeds as stated in the Offer Document dated 25 June 2010.

UPDATE ON USE OF PROCEEDS FROM THE NEW EXERCISED WARRANTS

*Unless otherwise defined, capitalised terms used below shall have the same meaning as ascribed to them in the Company's the circular dated 28 October 2013 (the "Circular") and the offer information statement dated 27 December 2013 in relation to the Proposed Warrants Issue, and the announcements dated 12 February 2014 and 4 April 2014, in relation to, inter alia, the reallocations of the New Exercised Shares Proceeds (collectively, the "**Reallocations**")) and.*

The Group's utilisation of the New Exercised Shares Proceeds (after the Reallocations) as at 4 April 2014, based on the aggregate amount of S$11.044 million raised as at 4 April 2014, is as follows:

Purpose	Amount of New Exercised Shares Proceeds allocated (S$ '000)	Amount of New Exercised Shares Proceeds utilised (S$ '000)	Amount of New Exercised Shares Proceeds unutilised (S$ '000)
Participation in real estate investment opportunities as may be approved by the Board and board of directors of CCM Property Pte. Ltd. ("**CCMP**")	5,456	(5,456)	–
Satisfaction of Indemnity in relation to the termination of the Shenton Way Contract	4,734	(4,734)	–
Working capital of the Company	453	(453)	
General working capital purposes of CCMP	401	–	401
Total	11,044	(10,643)	401

As at 4 April 2014, the Group had not utilised the net proceeds of S$4,839,000 (after deducting the placement fee of S$160,500) from the issue of exchangeable notes.

The directors are pleased to present their report to the members together with the audited consolidated financial statements of CCM Group Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2013.

Directors

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

Liew Sen Keong
Chan Heng Fai
Chan Yu Meng
Dr. Tan Eng Khiam
Teh Wing Kwan
Tao Yeoh Chi
Basil Chan

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

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

	Direct interest		Deemed interest	
Name of directors	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Liew Sen Keong	42,700,000	42,900,000	–	–
Chan Heng Fai	–	110,000	–	35,000,000
Teh Wing Kwan	–	100,000	–	–
Chan Pui Yee (resigned on 1 February 2014)	5,900,000	5,900,000	–	–
Chan Tien Chih (resigned on 1 February 2014)	5,900,000	5,900,000	–	–

Directors' interests in shares or debentures (cont'd)

There is no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2014:

Name of directors	Direct interest: At the beginning and the end of financial year	Direct interest: As at 21 January 2014	Deemed interest: At the beginning and the end of financial year	Deemed interest: As at 21 January 2014
Share options of the Company				
Liew Sen Keong	–	1,712,200	–	–
Chan Heng Fai	–	3,424,400	–	–
Chan Yu Meng	–	1,712,200	–	–
Dr. Tan Eng Khiam	–	1,712,200	–	–
Teh Wing Kwan	–	2,568,300	–	–
Tao Yeoh Chi	–	1,712,200	–	–
Chan Pui Yee (resigned on 1 February 2014)	–	1,712,200	–	–
Chan Tien Chih (resigned on 1 February 2014)	–	1,712,200	–	–
Aloysius Wee Meng Seng (resigned on 1 February 2014)	–	1,712,200	–	–
Wong Yee Leong (resigned on 25 March 2014)	–	1,712,200	–	–

Options of the Directors who cease to be employed by the Group may lapse, become null and void unless the Remuneration Committee acting in its absolute discretion of, allows them to exercise any unexercised option within the relevant option period.

Warrants of the Company Name of directors	Ordinary shares of the Company (as at 21 January 2014)	Bonus warrants (as at 21 January 2014)
Direct Interest		
Liew Sen Keong	42,900,000	214,512,200
Chan Heng Fai	110,000	1,100,000
Teh Wing Kwan	100,000	1,000,000
Chan Pui Yee (resigned on 1 February 2014)	5,900,000	59,000,000
Chan Tien Chih (resigned on 1 February 2014)	5,900,000	59,000,000
Deemed Interest		
Chan Heng Fai	35,000,000	350,000,000

There were no warrants of the Company outstanding at the beginning and the end of the financial year.

As at end of the financial year, by virtue of Section 7 of the Companies Act, Liew Sen Keong and Chan Heng Fai are deemed to be interested in the shares held by the Company in its subsidiaries.

Directors' interests in shares or debentures (cont'd)

Liew Sen Keong is the husband of Chan Pui Yee. As both Liew Sen Keong and Chan Pui Yee were directors, by virtue of Section 164 (15)(a) of the Companies Act, they are not deemed to be interested in the shares held by the other. Chan Pui Yee has resigned as a director on 1 February 2014.

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

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial period, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a Company in which the director has a substantial financial interest.

Options

At an Extraordinary General Meeting held on 20 November 2013, shareholders approved the CCM Share Option Scheme (the "Scheme") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible employees respectively.

The Scheme is administered by the Remuneration Committee whose members are:

Tao Yeoh Chi	(Chairman)
Chan Yu Meng	(Member)
Dr Tan Eng Khiam	(Member)

On 31 December 2013, the Company has granted 19,690,300 share options under the Scheme. These options expire on 31 December 2023 for executive directors and 31 December 2018 for non-executive directors respectively and are exercisable if the directors and employees remain in service, save as provided in the rules of the Scheme as set out in the circular of the Company dated 28 October 2013

Options (cont'd)

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company as at the end of the financial year pursuant to the Scheme are as follows:

Name of director	Options granted during financial year[1]	Aggregate options granted since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
Liew Sen Keong	1,712,200 [2]	1,712,200	1,712,200
Chan Pui Yee	1,712,200 [2]	1,712,200	1,712,200
Chan Tien Chih	1,712,200 [2]	1,712,200	1,712,200
Chan Heng Fai	3,424,400 [3]	3,424,400	3,424,400
Chan Yu Meng	1,712,200 [3]	1,712,200	1,712,200
Aloysius Wee Meng Seng	1,712,200 [3]	1,712,200	1,712,200
Dr. Tan Eng Khiam	1,712,200 [3]	1,712,200	1,712,200
Teh Wing Kwan	2,568,300 [3]	2,568,300	2,568,300
Tao Yeoh Chi	1,712,200 [3]	1,712,200	1,712,200
Wong Yee Leong	1,712,200 [3]	1,712,200	1,712,200
Total	19,690,300	19,690,300	19,690,300

(1) The options were granted by the Company on 31 December 2013 and accepted by the directors between 3 January 2014 and 20 January 2014.

(2) These options are exercisable between 31 December 2015 and 30 December 2023 at the exercise price of $0.035 if the vesting conditions are met.

(3) These options are exercisable between 31 December 2015 and 30 December 2018 at the exercise price of $0.035 if the vesting conditions are met.

Audit committee

The Audit Committee ("AC") carried out its functions in accordance with the Listing Manual and the Code of Corporate Governance. The functions performed and further details are set out in the Corporate Governance Report.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Liew Sen Keong
Director

Chan Heng Fai
Director

Singapore
3 April 2014

We, Liew Sen Keong and Chan Heng Fai, being two of the directors of CCM Group Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and

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

On behalf of the board of directors:

Liew Sen Keong
Director

Chan Heng Fai
Director

Singapore
3 April 2014

To the Members of CCM Group Limited

Report on the Financial Statements

We have audited the accompanying financial statements of CCM Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 40 to 87, which comprise the balance sheets of the Group and the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements. The Group incurred a net loss of $22,420,312 and negative operating cash flow of $1,708,619 during the financial year ended 31 December 2013 and as at that date, the Group has a net current liability position of $14,202,936, and a net capital deficit of $11,819,416. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

As disclosed in Note 2 to the financial statements, subsequent to the end of the financial year, the Group received additional funds of approximately $19 million from the exercise of Warrants, issuance of Exchangeable Notes and an interest free loan from its Executive Chairman and Chief Executive Officer. The directors believe that the Group and the Company will be able to continue as going concerns with the additional funds raised, and the Group's ability to obtain continuous financial support from bankers and able to generate sufficient cash flows from its existing business as well as through the diversification of the Group's activities into property development projects.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No adjustments have been made to these financial statements.

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 the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
3 April 2014

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2013
(Amounts in Singapore dollars)

	Note	2013	2012
		$	$
Revenue	5	92,340,847	53,860,195
Cost of sales		(94,954,386)	(48,466,752)
Gross profit		(2,613,539)	5,393,443
Other items of income			
Finance income	7	1,577	9,458
Other income	6	137,007	116,209
Other items of expense			
Marketing expenses		(180,742)	(172,050)
Administrative expenses		(6,536,229)	(5,418,953)
Finance costs	7	(359,332)	(414,611)
Other expenses	8	(12,869,054)	(1,381,409)
Loss before tax	9	(22,420,312)	(1,867,913)
Income tax expense	11	–	(235)
Loss net of tax, representing total comprehensive income for the year attributable to owners of the Company		(22,420,312)	(1,868,148)
Loss per ordinary share (cents per share)			
- Basic and diluted	27	(16.10)	(2.03)

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

As at 31 December 2013
(Amounts in Singapore dollars)

	Note	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Assets					
Non-current assets					
Property, plant and equipment	12	2,556,680	5,255,881	–	–
Investment in subsidiaries	13	–	–	4,158,702	14,740,603
Trade receivables	15	2,421,405	–	–	–
		4,978,085	5,255,881	4,158,702	14,740,603
Current assets					
Gross amount due from customers for contract work-in-progress	14	3,330,646	12,206,406	–	–
Trade and other receivables	15	15,030,999	17,520,431	7,133	87,271
Prepaid operating expenses		587,288	576,476	150,069	600
Bank deposits pledged	16	1,312,710	2,319,806	302,865	1,310,758
Cash and bank balances	16	871,070	96,574	105,929	61,574
		21,132,713	32,719,693	565,996	1,460,203
Total assets		26,110,798	37,975,574	4,724,698	16,200,806
Equity and liabilities					
Current liabilities					
Provision for legal claim	17	3,000,000	–	–	–
Trade and other payables	18	25,064,964	20,756,089	8,483,963	7,514,325
Accrued operating expenses		1,297,738	982,009	211,300	131,136
Loans and borrowings	19	5,972,947	10,283,198	115,627	169,747
		35,335,649	32,021,296	8,810,890	7,815,208
Net current (liabilities)/assets		(14,202,936)	698,397	(8,244,894)	(6,355,005)
Non-current liabilities					
Loans and borrowings	19	340,997	1,597,572	–	135,399
Trade payables	18	2,253,568	–	–	–
		2,594,565	1,597,572	–	135,399
Total liabilities		37,930,214	33,618,868	8,810,890	7,950,607
Net liabilities/assets		(11,819,416)	4,356,706	(4,086,192)	8,250,199
Equity attributable to owners of the Company					
Share capital	20	15,808,782	9,564,592	15,808,782	9,564,592
Merger reserves		(2,569,162)	(2,569,162)	–	–
Retained earnings		(25,059,036)	(2,638,724)	(19,894,974)	(1,314,393)
(Capital deficit)/total equity		(11,819,416)	4,356,706	(4,086,192)	8,250,199
Total equity and liabilities		26,110,798	37,975,574	4,724,698	16,200,806

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

For the financial year ended 31 December 2013
(Amounts in Singapore dollars)

	Attributable to owners of the Company			
	Share capital (Note 20)	Retained earnings	Merger reserves	(Capital deficit)/total equity
	$	$	$	$
Group				
2013				
Opening balance at 1 January 2013	9,564,592	(2,638,724)	(2,569,162)	4,356,706
Issuance of new ordinary shares	7,058,000	–	–	7,058,000
Share issuance expenses	(813,810)	–	–	(813,810)
Loss net of tax, representing total comprehensive income for the year	–	(22,420,312)	–	(22,420,312)
Closing balance at 31 December 2013	15,808,782	(25,059,036)	(2,569,162)	(11,819,416)
2012				
Opening balance at 1 January 2012	9,564,592	(770,576)	(2,569,162)	6,224,854
Loss net of tax, representing total comprehensive income for the year	–	(1,868,148)	–	(1,868,148)
Closing balance at 31 December 2012	9,564,592	(2,638,724)	(2,569,162)	4,356,706

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

For the financial year ended 31 December 2013
(Amounts in Singapore dollars)

	Share capital (Note 20) $	Retained earnings $	Equity total $
Company			
2013			
Opening balance at 1 January 2013	9,564,592	(1,314,393)	8,250,199
Issuance of new ordinary shares	7,058,000	–	7,058,000
Share issuance expenses	(813,810)	–	(813,810)
Loss net of tax, representing total comprehensive income for the year	–	(18,580,581)	(18,580,581)
Closing balance at 31 December 2013	15,808,782	(19,894,974)	(4,086,192)
2012			
Opening balance at 1 January 2012	9,564,592	684,424	10,249,016
Loss net of tax, representing total comprehensive income for the year	–	(1,998,817)	(1,998,817)
Closing balance at 31 December 2012	9,564,592	(1,314,393)	8,250,199

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

For the financial year ended 31 December 2013
(Amounts in Singapore dollars)

	Note	2013 $	2012 $
Operating activities			
Loss before tax		(22,420,312)	(1,867,913)
Adjustments for:			
Depreciation of property, plant and equipment	9	1,297,077	1,343,349
Loss/(gain) on disposal of property, plant and equipment	8/6	603,468	(20,584)
Write-off of gross amount due from customer for contract work-in-progress		–	621,390
Receivables written off	8	556,952	117,519
Provision for foreseeable losses on contract work-in-progress	8	8,708,634	642,499
Provision for legal claim	8	3,000,000	–
Notional interest expenses	15	251,414	–
Notional interest income	18	(179,545)	–
Finance cost	7	359,332	414,611
Finance income	7	(1,577)	(9,458)
Total adjustments		14,595,755	3,109,326
Operating cash flows before changes in working capital		(7,824,557)	1,241,413
Changes in working capital:			
Increase in trade and other receivables		(740,339)	(11,375,727)
Increase in prepaid operating expenses		(10,811)	(400,823)
Decrease/(increase) in gross amount due from customers for contract work-in-progress		167,126	(5,623,578)
Increase in trade and other payables		6,741,988	7,938,769
Increase in other liabilities		315,729	480,551
Total changes in working capital		6,473,693	(8,980,808)
Cash flows used in operations		(1,350,864)	(7,739,395)
Interest received		1,577	9,458
Interest paid		(359,332)	(414,611)
Income tax paid		–	(13,345)
Net cash flows used in operating activities		(1,708,619)	(8,157,893)
Investing activities			
Purchase of property, plant and equipment	12	(357,653)	(625,295)
Proceeds from disposal of property, plant and equipment		1,156,309	86,870
Net cash flows generated from/(used in) investing activities		798,656	(538,425)
Financing activities			
Proceeds from loans and borrowings		14,544,664	5,428,856
Proceeds from issuance of ordinary shares		7,058,000	–
Increase/(decrease) in bank deposits pledged		1,007,096	(9,440)
Repayments of loans and borrowings		(17,623,398)	(999,108)
Share issue expense		(813,810)	–
Repayments of obligations under finance leases		(1,638,924)	(683,024)
Net cash flows generated from financing activities		2,533,628	3,737,284
Net increase/(decrease) in cash and cash equivalents		1,623,665	(4,959,034)
Cash and cash equivalents at 1 January		(3,920,657)	1,038,377
Cash and cash equivalents at 31 December	16	(2,296,992)	(3,920,657)

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

1. Corporate information

CCM Group Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist Board of Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 64, Woodlands Industrial Park E9, Singapore 757833.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 13.

On 20 November 2013, the shareholders of the Company had approved, during an Extraordinary General Meeting ("EGM"), to expand the Group's principal activities relating to those of a building contractor to include acting as a developer for property projects and an investor in property development projects.

2. Fundamental accounting concept

The financial statements of the Group and the Company have been prepared on a going concern basis notwithstanding the Group incurred a loss of $22,420,312 (2012: $1,868,148) and negative operating cash flow of $1,708,619 (2012: $8,157,893) during the financial year ended 31 December 2013 and as at that date, the Company has a net current liability position of $14,202,936, and a net capital deficit of $11,819,416.

The Directors are of the view that the Group's and the Company's financial statements prepared on going concern basis are appropriate after considering the following factors:

- Subsequent to the end of the financial year, 1,231.2 million warrants were exercised and $11.04 million was received by the Group arising from the issuance of 1,712,200,000 Bonus Warrants and 1,712,200,000 Piggyback Warrants approved in during an EGM. Assuming the maximum amounts of Bonus Warrants and Piggyback Warrants are exercised, the Company expects to raise approximately $35.95 million (Notes 1 and 29);

- During the same EGM, the shareholders of the Company had also approved the issuance of Exchangeable Notes totalling $5 million. These Exchangeable Notes were fully issued and a total of $5 million had been received on 21 February 2014;

- On 22 January 2014, the Company received an interest free loan from its Executive Chairman and Chief Executive Officer, Mr Liew Sen Keong of $3 million. The Loan will be used for general working capital of the Company's construction business. The Loan is unsecured and is repayable within a period of 36 months from the date of the Loan Agreement;

- A subsidiary of the Group breached a covenant for not maintaining a minimum net worth of $3 million. Subsequent to the balance sheet date, the Group is negotiating with the bank to restructure the outstanding debts owing to the bank. The directors are of the view that the Group will be able to negotiate with its current bankers for continuous financing or/and other bankers for necessary financing (Note 19);

- The Group expects to generate positive cash flows as they do not envisage adverse events which may affect its ability to meet its contractual obligations.

- Financial impacts of the diversification of the Group activities into property developments

2. Fundamental accounting concept (cont'd)

The Group intends to expand its core business to include the Property Development Business in Singapore and Asian region, which includes actively acting as a developer for property projects and investing in property development projects.

The diversification represented an opportunity to establish a new and profitable business segment for the Group and to attain geographical diversification of its earning base as property cycles in different Asian countries and cities may not coincide with that in Singapore.

After the financial year, the Group has announced major projects include US$4.3 million ($5.5 million) in Texas, USA and A$2.2 million ($2.5 million) in Perth, Australia (Note 29); and

– The Company will conduct further fund raising in order to meet its payment obligations if necessary.

3. Summary of significant accounting policies

3.1 *Basis of preparation*

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

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

The financial statements are presented in Singapore Dollars (SGD or $).

3.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

3.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 36 *Recoverable Amount Disclosures for Non-financial Assets*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
FRS 110, FRS 112 and FRS 27 *Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities*	1 January 2014
FRS 110, FRS 111 and FRS 112 *Amendments to the transition guidance of FRS 110 Consolidated Financial Statements, FRS 111 Joint Arrangements and FRS 112 Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
INT FRS 121 *Levies*	1 January 2014
Improvements to FRSs 2014	
– Amendments to FRS 16 *Property, Plant and Equipment*	1 July 2014
– Amendments to FRS 24 *Related Party Disclosures*	1 July 2014

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

3.4 *Basis of consolidation and business combinations*

(A) *Basis of consolidation*

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

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

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

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

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

3.4 ***Basis of consolidation and business combinations (cont'd)***

(A) *Basis of consolidation (cont'd)*

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

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss; and

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(B) *Business combinations*

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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

3.4 *Basis of consolidation and business combinations (cont'd)*

(B) *Business combinations (cont'd)*

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

– The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.

– No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.

– No additional goodwill is recognised as a result of the combination.

– Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.

– The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

– Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

3.5 *Functional and foreign currency*

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

Transactions and balances

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

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

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

3.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 3.15. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

	Years
Access equipment systems	7
Yard equipment	5
Motor vehicles	10
Furniture and fittings	5
Office equipment	3-5
Plant equipment	10
Dormitory	6

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

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

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

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

3.7 *Impairment of non-financial assets*

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

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

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

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

3.8 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

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

3.9 *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

Regular way purchase or sale of a financial asset

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

3.10 *Impairment of financial assets*

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

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

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

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

3.10 ***Impairment of financial assets (cont'd)***

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

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

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

3.11 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

3.12 ***Construction contracts***

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

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

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

In applying the percentage of completion method, the stage of completion is determined by reference to professional surveys of work performed.

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

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

3.12 *Construction contracts (cont'd)*

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

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:

- Separate proposals have been submitted for each asset;
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset; and
- The costs and revenues of each asset can be identified.

A group of contracts are treated as a single construction contract when:

- The group of contracts are negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and
- The contracts are performed concurrently or in a continuous sequence.

3.13 *Provisions*

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

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

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

3.14 ***Financial liabilities***

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

3.15 ***Borrowing costs***

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

3.16 ***Employee benefits***

(a) *Defined contribution plans*

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

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

3.16 *Employee benefits (cont'd)*

(b) *Employee share option plans*

Certain employees and directors of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share option.

3.17 *Leases*

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

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

(a) *As lessee*

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

3.17 ***Leases (cont'd)***

(a) *As lessee (cont'd)*

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

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

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3.18(b). Contingent rents are recognised as revenue in the period in which they are earned.

3.18 ***Revenue***

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

(a) *Construction contract income*

Revenue from construction contracts is recognised by reference to the stage of completion at the end of the reporting period. The stage of completion is determined by reference to professional surveys of work performed. Please refer to Note 3.12 for more details.

(b) *Rental income*

Rental income arising on access equipment systems is accounted for on a straight-line basis over the lease terms.

(c) *Rendering of services*

Revenue from the installation of equipment is recognised by reference to the stage of completion at the end of the reporting period. Stage of completion is determined by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

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

3.19 ***Taxes***

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

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

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

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

– where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit not taxable profit or loss; and

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

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

3.19 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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

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

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

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

(c) *Sales tax*

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

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

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

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

3.20 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 26, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

3.21 *Share capital and share issuance expenses*

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

3.22 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

3.23 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

3.23 *Related parties*

(b) An entity is related to the Group and the Company if any of the following conditions applies :

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

4.1 *Judgments made in applying accounting policies*

Management is of the opinion that there is no critical judgement that has a significant effect on the accounts recognised in the financial statements.

4.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

4.2 ***Key sources of estimation uncertainty (cont'd)***

(a) *Useful lives of property, plant and equipment*

All items of property, plant and equipment are depreciated on a straight-line basis over their respective estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised. The carrying amount of these assets of the Group at the end of each reporting period is disclosed in Note 12 to the financial statements. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 0% (2012: 4%) variance in the Group's loss for the year.

(b) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

When there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 15.

(c) *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 depending on whether the outcome of the contract can be measured reliably. The stage of completion is measured by reference to professional surveys of work performed. Estimation is required in determining the estimated total contract revenue and estimated total contract cost, as well as the recoverability of the contract cost incurred.

Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgment, the Group relies on past experience and/or the work of relevant professionals.

Estimated total contract cost for construction contract comprises direct costs attributable to the construction of each project. In estimating the total budgeted costs for construction contracts, management makes reference to information such as current offers from contractors and suppliers, recent offers agreed with contractors and suppliers, and professional estimation on construction and material costs as well as its past experience.

In determining the provision for liquidated damages, assumptions and estimations are made in relation to the estimated time for completion of the construction contracts based on the contractual liquidated damages rate and the estimated delay in completing the project, taking into consideration any extension of time given.

The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are disclosed in Note 14.

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

4.2 *Key sources of estimation uncertainty (cont'd)*

(d) *Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.
Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group has unrecognised tax losses carried forward amounting to $11,577,000 (2012: $84,000). These losses relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiary has neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets.

If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $1,968,090 (2012:$14,280).

(e) *Legal claim*

The Group has recognised a provision of $3,000,000 (2012: nil) relating to legal claim. In the previous financial year, a sub-contractor has lodged a legal claim against the Group in relation to work done amounting to approximately $3,013,000. The Group has countersued the sub-contractor in relation to delay and defects of the work performed amounting to approximately $4,036,000.

Subsequent to the reporting period, the case has been heard in the Singapore High Court in a bifurcated trial which the Group has been found to be liable for the legal claim. The Group intends to appeal against the judgment.

5. Revenue

	Group 2013 $	Group 2012 $
Revenue from construction contracts	90,320,288	52,557,408
Revenue from rental of access equipment systems	2,020,559	1,302,787
	92,340,847	53,860,195

6. Other income

	Group 2013 $	Group 2012 $
Gain on disposal of property, plant and equipment	–	20,584
Refund of tender submission fee	–	44,400
Rebate from tax authority	89,723	22,000
Insurance compensation	–	11,800
BCA Mechanisation Credit Scheme	26,225	–
Others	21,059	17,425
	137,007	116,209

7. Finance income and costs

	Group 2013 $	Group 2012 $
Financial income:		
Interest income from bank balance	1,577	9,458
Financial costs:		
Interest expense on:		
- Bank overdraft	310,495	264,471
- Obligations under finance leases	32,918	47,679
- Bank loans	15,919	102,461
	359,332	414,611

8. Other expenses

	Group 2013 $	Group 2012 $
Loss on disposal of property, plant and equipment	603,468	–
Receivables written off	556,952	117,519
Provision for foreseeable losses on contract work-in-progress	8,708,634	642,499
Provision for legal claim	3,000,000	–
Write-off of gross amount due from customer for contract work-in-progress	–	621,391
	12,869,054	1,381,409

9. Loss before tax

The following items have been included in arriving at loss before tax:

	Note	Group 2013 $	Group 2012 $
Fees paid to auditors of the Company			
- Audit fees		72,500	66,000
- Non-audit fees		–	–
Depreciation of property, plant and equipment	12	1,297,077	1,343,349
Employee benefits *	10	6,412,226	5,402,872
Operating lease expenses		210,272	210,508
Notional interest expenses	15	251,414	–
Notional interest income	18	(179,545)	–

* Includes directors' remuneration and remuneration of key management personnel as disclosed in Note 21(b) to the financial statements.

10. Employee benefits

	Group 2013 $	Group 2012 $
Salaries, wages and bonuses	6,000,471	4,994,005
Central Provident Fund contributions	411,755	408,867
	6,412,226	5,402,872

10. **Employee benefits (cont'd)**

Share option plans

CCM Stock Option Scheme

The CCM Share Option Scheme (CSOS) was approved by the members of the Company at an Extraordinary General Meeting held on 20 November 2013. The Scheme is administered by the Company's Remuneration Committee.

The members of the Remuneration Committee as at the date of this report are as follows:

Tao Yeoh Chi	(Chairman)
Chan Yu Meng	(Member)
Dr Tan Eng Khiam	(Member)

Other information regarding CSOS are as follow:

– The subscription price of the option may be set at Market Price or at a discount up to 50% of Market Price. For the purpose of CSOS, Market Price is defined a price equal to the average of the closing market prices of the Company's share over a period of five (5) consecutive Market Days immediately prior to the relevant Date of Grant.

– Options granted at Market Price may be exercised in whole or in part after 12 month from the relevant Date of Grant and Options granted at a discount may only be exercised after 24 month after the relevant Date of Grant.

– All Options expire after 5 years for Non-Executive Directors (including independent directors) and 10 years for employees of the Company and subsidiaries.

The Group does not have a past practice of cash settlement for these share options. There has been no cancellation or modification to the CSOS during 2013.

<u>Movement of share options during the financial year</u>

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the financial year:

	2013		
	No.	WAEP ($)	Remaining Contract Lives
Outstanding at 1 January	–	–	
- Granted	19,690,300	0.035	5 to 10 years
Outstanding at 31 December	19,690,300	0.035	5 to 10 years
Exercisable at 31 December	–	–	

11. Income tax

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2013 and 2012 are:

	Group	
	2013	2012
	$	$
Consolidated statement of comprehensive income:		
Current income tax		
- Under provision in respect of previous years	–	235
Income tax expense recognised in profit or loss	–	235

Relationship between tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	Group	
	2013	2012
	$	$
Loss before tax	(22,420,312)	(1,867,913)
Tax at the applicable domestic tax rate of 17%	(3,811,453)	(317,545)
Adjustments:		
Non-deductible expenses	2,282,912	316,836
Expenses disallowed	6,267	195,254
Income not subject to taxation	–	(3,499)
Under provision in respect of previous years	–	235
Deferred tax assets not recognised	1,522,274	–
Benefits from previously unrecognised tax losses	–	(183,885)
Others	–	(7,161)
Income tax expense recognised in profit or loss	–	235

11. Income tax (cont'd)

The tax effect of the nature of expenses that are not deductible for income tax purpose are as follows:

	Group	
	2013	**2012**
	$	$
Non-statutory expenses	266,098	143,310
Provision for legal claim	510,000	–
Impairment losses on gross amount due from customers for contract work-in-progress	1,480,468	–
Depreciation expenses for non-qualifying assets	10,285	41,887
Bad debts expenses	–	109,225
Private car expenses	13,331	16,182
Others	2,730	6,232
	2,282,912	316,836

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $11,577,000 (2012: $84,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation in Singapore.

12. Property, plant and equipment

Group	Motor vehicles	Furniture and fittings	Office equipment	Yard equipment	Access equipment systems	Plant equipment	Dormitory	Total
	$	$	$	$	$	$	$	$
Cost								
At 1 January 2012	1,809,770	81,797	426,300	618,539	3,306,761	2,333,164	1,110,577	9,686,908
Additions	10,980	–	41,455	331,295	–	238,960	2,605	625,295
Disposals	(115,796)	–	–	–	–	(44,400)	–	(160,196)
At 31 December 2012 and 1 January 2013	1,704,954	81,797	467,755	949,834	3,306,761	2,527,724	1,113,182	10,152,007
Additions	–	–	19,069	12,450	296,724	28,750	660	357,653
Disposals	(39,408)	–	(6,577)	–	(46,939)	(2,127,550)	-	(2,220,474)
At 31 December 2013	1,665,546	81,797	480,247	962,284	3,556,546	428,924	1,113,842	8,289,186
Accumulated depreciation								
At 1 January 2012	679,691	68,459	161,077	256,705	2,253,236	32,448	181,968	3,633,584
Depreciation charge for the year	172,839	4,643	116,747	135,575	454,339	273,967	185,239	1,343,349
Disposals	(68,227)	–	–	–	–	(12,580)	–	(80,807)
At 31 December 2012 and 1 January 2013	784,303	73,102	277,824	392,280	2,707,575	293,835	367,207	4,896,126
Depreciation charge for the year	164,134	4,022	105,804	173,021	401,905	262,611	185,580	1,297,077
Disposals	(25,256)	–	(6,056)	–	(40,792)	(388,593)	–	(460,697)
At 31 December 2013	923,181	77,124	377,572	565,301	3,068,688	167,853	552,787	5,732,506
Net carrying amount								
At 31 December 2012	920,651	8,695	189,931	557,554	599,186	2,233,889	745,975	5,255,881
At 31 December 2013	742,365	4,673	102,675	396,983	487,858	261,071	561,055	2,556,680

12. Property, plant and equipment (cont'd)

Assets held under finance lease

As at 31 December 2013 and 2012, the carrying amount of plant and equipment held under finance leases were as follows:

	Group	
	2013	**2012**
	$	$
Motor vehicles	729,592	903,519
Plant equipment	–	1,890,000
	729,592	2,793,519

Leased assets are pledged as security for the related finance lease liabilities.

13. Investment in subsidiaries

	Company	
	2013	**2012**
	$	$
Unquoted equity shares, at cost	14,740,603	14,769,162
Issuance of shares for acquisition of subsidiary	7,000,001	1,000,000
Impairment losses	(17,581,902)	(1,028,559)
	4,158,702	14,740,603

The Company had the following subsidiaries as at 31 December:

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2013	2012
Held by the Company				
CCM Industrial Pte. Ltd. ^	Singapore	Supply and installation of access equipment systems as well as general building works for residential and commercial buildings	100	100
CCM Development Pte. Ltd. ^	Singapore	Investment holding for the Group's overseas development projects	100	100
CCM Manufacturing Pte. Ltd. ^	Singapore	Manufacturing and distribution of access equipment system	100	100
CCM Property Pte Ltd. ^	Singapore	Property development	100	–

^ Audited by Ernst & Young LLP, Singapore

13. Investment in subsidiaries (cont'd)

Impairment testing of investment in subsidiaries

During the last financial year, management performed an impairment test for the investment in subsidiaries as these subsidiaries had been persistently making losses. An impairment loss of $17,581,902 (2012: $1,028,559) was recognised for the year ended 31 December 2013 to write down to its expected recoverable amount.

14. Gross amount due from customers for contract work-in-progress

	Group	
	2013	**2012**
	$	$
Aggregate contract costs incurred to-date	152,783,142	143,093,979
Add: Attributable profit recognised to-date	2,370,254	14,974,624
Less: Provisions for foreseeable losses	(8,708,634)	(642,499)
Less: Progress billings	(143,114,116)	(145,219,698)
	3,330,646	12,206,406
Presented as:		
Gross amount due from customers for contract work	3,330,646	12,206,406
Retention sums on construction contract included in trade receivables	4,113,337	1,722,728

15. Trade and other receivables

		Group		Company	
	Note	**2013**	**2012**	**2013**	**2012**
		$	$	$	$
Trade and other receivables (current)					
Trade receivables		13,902,386	15,170,274	–	–
Other receivables		571,915	1,348,497	7,133	2,630
Refundable deposits		556,698	1,001,660	–	–
Amount due from a subsidiary (non-trade)		–	–	–	84,641
		15,030,999	17,520,431	7,133	87,271
Trade receivables (non-current)					
Trade receivables		2,421,405	–	–	–
Total trade and other receivables		17,452,404	17,520,431	7,133	87,271
Add: Cash and bank balances	16	2,183,780	2,416,380	408,794	1,372,332
Total loans and receivables		19,636,184	19,936,811	415,927	1,459,603

15. Trade and other receivables (cont'd)

Trade receivables (current)

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables (non-current)

Non-current trade receivables relate to retention sum receivables after 12 months discounted at 5.25% from its nominal amount of $2,672,819 to $2,421,405. The notional interest of $251,414 was recognised in profit and loss.

Other receivables

Other receivables mainly relate to advances made for material and labour costs to the Group's sub-contractors.

Refundable deposits

Refundable deposits mainly relate to non-interest bearing cash collateral placed with insurers for the Group's performance bonds.

Amount due from a subsidiary

Amount due from a subsidiary is non-trade related, unsecured, non-interesting bearing, repayable on demand and are to be settled in cash.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $596,801 (2012: $552,743) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2013	**2012**
	$	$
Trade receivables past due but not impaired:		
Lesser than 30 days	188,346	181,581
30 days to 60 days	28,841	5,939
61 days to 90 days	158,444	77,297
More than 90 days	221,170	287,926
	596,801	552,743

15. Trade and other receivables (cont'd)

Trade receivables that are impaired

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

	Group	
	2013	**2012**
	$	$
Movement in allowance accounts:		
At 1 January	–	(3,422)
Written off for the year	–	3,422
At 31 December	–	–

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

There is no write off for the financial year ended 31 December 2013 (2012: $3,422).

16. Cash and short-term deposits

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Cash and bank balances	871,070	96,574	105,929	61,574
Bank deposits pledged	1,312,710	2,319,806	302,865	1,310,758
Cash and short-term deposits	2,183,780	2,416,380	408,794	1,372,332

Bank deposits pledged as at 31 December 2013 of the Group and the Company amounting to $1,312,710 (2012: $2,319,806) and $302,865 (2012: $1,310,758) respectively are held in a designated bank account as a security for bank facilities. The weighted average effective interest rates as at 31 December 2013 for the Group and the Company were 0.07% (2012: 0.39%) and 0.19% (2012: 0.46%) respectively.

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

		Group	
	Note	**2013**	**2012**
		$	$
Cash and short-term deposits		2,183,780	2,416,380
Less: Bank overdraft	19	(3,168,062)	(4,017,231)
Less: Bank deposits pledged		(1,312,710)	(2,319,806)
Cash and cash equivalents		(2,296,992)	(3,920,657)

17. Provision for legal claim

In the previous financial year, a sub-contractor has lodged a legal claim against the Group in relation to work done amounting to approximately $3,013,000. The Group has countersued the sub-contractor in relation to delay and defects of the work performed amounting to approximately $4,036,000.

Subsequent to the reporting period, the case has been heard in the Singapore High Court in a bifurcated trial which the Group has been found to be liable for the legal claim. The Group intends to appeal against the judgment.

18. Trade and other payables

		Group		Company	
	Note	2013	2012	2013	2012
		$	$		$
Trade and other payables (current)					
Trade payables		21,228,180	16,375,140	–	–
Other payables		2,069,985	4,235,203	177,065	19,572
Amount due to a director (non-trade)		1,766,799	145,746	1,000,000	–
Amounts due to subsidiaries (non-trade)		–	–	7,306,898	7,494,753
		25,064,964	20,756,089	8,483,963	7,514,325
Trade payables (non-current)					
Trade payables		2,253,568	–	–	–
		27,318,532	20,756,089	8,483,963	7,514,325
Add: Accrued operating expenses		1,297,738	982,009	211,300	131,136
Add: Loans and borrowings	19	6,313,944	11,880,770	115,627	305,146
Total financial liabilities carried at amortised costs		34,930,214	33,618,868	8,810,890	7,950,607

Trade payables/other payables (current)

These amounts are non-interest bearing. Trade payables are normally settled on 60 to 90 days' terms while other payables are normally settled on 30 to 60 days' terms.

18. Trade and other payables (cont'd)

Trade payables (non-current)

Non-current trade payables relate to retention sum payables after 12 months discounted at 5.25% from its nominal amount of $2,433,113 to $2,253,568. The notional interest of $179,545 was recognised in profit and loss.

Related party balances

Amount due to a director and subsidiaries are non-trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

19. Loans and borrowings

		Group		Company	
	Maturity	2013	2012	2013	2012
		$	$	$	$
Current:					
DBS trade facility	(*)	2,539,642	1,923,648	–	–
SCB term loan	(*)	–	3,505,208	–	–
Ethoz Capital term loan	(*)	115,627	169,747	115,627	169,747
Obligations under finance leases (Note 22)	(*)	149,616	667,364	–	–
Bank overdraft (Note 16)	On demand	3,168,062	4,017,231	–	–
		5,972,947	10,283,198	115,627	169,747
Non-current:					
Ethoz Capital term loan	2014	–	135,399	–	135,399
Obligations under finance leases (Note 22)	2014 - 2018	340,997	1,462,173	–	–
		340,997	1,597,572	–	135,399
Total loans and borrowings		6,313,944	11,880,770	115,627	305,146

(*) The maturity dates of the loans and borrowings are within twelve months from the financial year end.

DBS trade facility

The trade facility for financing invoices bears interest at 0.75% to 1.00% (2012: 0.75% to 1.00%) per annum above prevailing prime rate for Singapore Dollar bills and 3.25% (2012: 3.25%) per annum above cost of funds for foreign currency denominated bills. It is secured by corporate guarantee by CCM Group Limited (Note 28) and all receivables related to the construction projects as well as the current account opened and maintained with DBS.

During the current financial year, a subsidiary of the Group breached a covenant for not maintaining a minimum net worth of $3,000,000. Subsequent to the balance sheet date, the Group is negotiating with the bank to restructure the outstanding debts owing to the bank.

19. Loans and borrowings (cont'd)

SCB term loan

As at 31 December 2013, the SCB term loan has been fully repaid.

Ethoz Capital term loan

This loan is fully repayable on 27 September 2014, bears interest at 3.80% (2012: 3.80%) per annum and is secured by a corporate guarantee by CCM Industrial Pte. Ltd.

Bank overdraft

As at 31 December 2013, the DBS Overdraft Facility bear interest range of 1.25% to 1.50% (2012: 1.25% to 1.50%) per annum above at the prevailing prime rate. It is secured by a corporate guarantee by CCM Group Limited (Note 28) and all receivables related to the Projects as well as the current accounts opened and maintained with DBS.

As at 31 December 2013, the UOB Overdraft Facility bears interest at the bank's Prime Lending Rate for the first $300,000 and 1.00% per annum above the bank's Prime Lending Rate for the remaining amount of the facility. It is secured by bank deposits and a corporate guarantee by CCM Group Limited. (Note 28)

Obligations under finance leases

These obligations are secured by a charge over the leased plant and equipment (Note 12). The average discount rate implicit in the leases is 2.89% (2012: 2.20%) per annum.

20. Share capital

	Group and Company			
	2013		2012	
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares :				
At 1 January	92,220,000	9,564,592	92,220,000	9,564,592
Issuance of ordinary shares during the year	80,000,000	7,058,000	–	–
Share issuance expenses	–	(813,810)	–	–
At 31 December	172,220,000	15,808,782	92,220,000	9,564,592

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

The Company has an employee share option plan under which options to subscribe for the Company's ordinary shares have been granted to certain directors.

21. Related party transactions

During the financial year, the Group had the following transactions with related parties, on terms agreed between the respective parties:

(a) ***Personal guarantees by directors***

As at 31 December 2013, certain directors of the Company have provided personal guarantees amounting to approximately $390,940 (2012: $911,000) to secure performance bonds and paint warranties of the Group.

(b) ***Compensation of key management personnel***

	Group	
	2013	**2012**
	$	$
Short-term employee benefits	1,489,985	1,390,023
Central Provident Fund contributions	113,988	122,480
	1,603,973	1,512,503
Comprises amounts paid to:		
Directors of the Company	884,000	734,000
Other key management personnel	719,973	778,503
	1,603,973	1,512,503

<u>Directors' interests in employee share option plan</u>

During the financial year, a total of 19,690,300 share options were granted to the Company's directors by the Company under the CSOS (Note 10) at an exercise price of $0.035.

(c) ***Loan from director***

As at 31 December 2013, a director of the Company has provided a loan to the Group amounting to $766,799 (2012: $145,745) for general operating activities.

22. Commitments

(a) ***Operating lease commitments - as lessee***

On 30 April 2010, the Group entered into an operating lease relating to the rental of office equipment for 60 months. On 5 July 2011, the Group entered into a commercial lease relating to the rental of an office premise. Future minimum lease payments under the operating lease at the end of the reporting period are as follows:

	Group	
	2013	**2012**
	$	$
Not later than one year	106,236	210,572
Later than one year but not later than five years	12,000	118,236
	118,236	328,808

22. Commitments (cont'd)

(a) ***Operating lease commitments - as lessee (cont'd)***

The lease of office premise has tenure of three years with a renewal option. The Group is restricted from subleasing the office premise to third parties without prior written consent of the landlord. In addition, either party may terminate the operating lease by giving three months' notice in writing to the other party.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2013 amounted to approximately $211,000 (2012: $211,000).

(b) ***Finance lease commitments***

The Group has finance leases for certain items of plant and equipment. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

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

	Group			
	2013		2012	
	Minimum lease payments	Present value of payments (Note 19)	Minimum lease payments	Present value of payments (Note 19)
	$	$	$	$
Not later than one year	172,487	149,616	735,232	667,364
Later than one year but not later than five years	366,116	340,997	1,540,251	1,462,173
Total minimum lease payments	538,603	490,613	2,275,483	2,129,537
Less: Amounts representing finance charges	(47,990)	–	(145,946)	–
Present value of minimum lease payments	490,613	490,613	2,129,537	2,129,537

23. Financial risk management policies and objectives

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

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

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

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

(a) ***Credit risk***

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

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

Information regarding credit enhancements for trade and other receivables is disclosed in Note 15.

Credit risk concentration profile

At the end of the reporting period, approximately 85% (2012: 79%) of the Group's trade receivables relates to five major customers located in Singapore.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15.

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

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities, as well as additional funding through the issue of exchangeable notes, warrants and short term loans from shareholders. The directors are of the view that the Group will be able to negotiate with the Group bankers for continuous financing.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with various banks. In addition, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. At the end of the reporting period, approximately 95% (2012: 86%) of the Group's loans and borrowings (Note 19) will mature in less than one year based on the carrying amount reflected in the financial statements.

As part of overall plan to improve the liquidity of the Group, the following steps have been undertaken:

– 1,231.2 million warrants were exercised and $11.04 million was received by the Group arising from the issuance of 1,712,200,000 Bonus Warrants and 1,712,,2000 Piggyback Warrants approved in during an EGM. Assuming the maximum amounts of Bonus Warrants and Piggyback Warrants are exercised, the Company expects to raise approximately $35.95 million (Notes 1 and 29);

– During the same EGM, the shareholders of the Company had also approved the issuance of Exchangeable Notes totalling $5 million. These Exchangeable Notes were fully issued and a total of $5 million had been received on 21 February 2014 (Note 29);

– On 22 January 2014, the Company received an interest free loan from its Executive Chairman and Chief Executive Officer, Mr Liew Sen Keong of $3 million. The Loan will be used for general working capital of the Company's construction business. The Loan is unsecured and is repayable within a period of 36 months from the date of the Loan Agreement (Note 29);

– A subsidiary of the Group breached a covenant for not maintaining a minimum net worth of $3 million. Subsequent to the balance sheet date, the Group is negotiating with the bank to restructure the outstanding debts owing to the bank. The directors are of the view that the Group will be able to negotiate with its current bankers for continuous financing or/and other bankers for necessary financing (Note 19); and

– The Company will conduct further fund raising in order to meet its payment obligations if necessary.

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

(b) *Liquidity risk (cont'd)*

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Analysis of financial instruments by remaining contractual maturity

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

	One year or less $	One to five years $	Total $
Group			
2013			
Financial assets:			
Trade and other receivables	15,030,999	2,672,819	17,703,818
Cash and short-term deposits	2,183,780	–	2,183,780
Total undiscounted financial assets	17,214,779	2,672,819	19,887,598
Financial liabilities:			
Trade and other payables	25,064,964	2,433,113	27,498,077
Other liabilities	4,297,738	–	4,297,738
Loans and borrowings	5,972,947	366,116	6,339,063
Total undiscounted financial liabilities	35,335,649	2,799,229	38,134,878
Total net undiscounted financial liabilities	(18,120,870)	(126,410)	(18,247,280)
Group			
2012			
Financial assets:			
Trade and other receivables	17,520,431	–	17,520,431
Cash and short-term deposits	2,416,380	–	2,416,380
Total undiscounted financial assets	19,936,811	–	19,936,811
Financial liabilities:			
Trade and other payables	20,756,089	–	20,756,089
Other liabilities	982,009	–	982,009
Loans and borrowings	10,283,198	1,679,501	11,962,699
Total undiscounted financial liabilities	32,021,296	1,679,501	33,700,797
Total net undiscounted financial liabilities	(12,084,485)	(1,679,501)	(13,763,986)

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

(b) ***Liquidity risk (cont'd)***

	One year or less $	One to five years $	Total $
Company			
2013			
Financial assets:			
Trade and other receivables	7,133	–	7,133
Cash and short-term deposits	408,794	–	408,794
Total undiscounted financial assets	415,927	–	415,927
Financial liabilities:			
Trade and other payables	8,483,963	–	8,483,963
Other liabilities	211,300	–	211,300
Loans and borrowings	115,627	–	115,627
Total undiscounted financial liabilities	8,810,890	–	8,810,890
Total net undiscounted financial liabilities	(8,394,963)	–	(8,394,963)
Company			
2012			
Financial assets:			
Trade and other receivables	87,271	–	87,271
Cash and short-term deposits	1,372,332	–	1,372,332
Total undiscounted financial assets	1,459,603	–	1,459,603
Financial liabilities:			
Trade and other payables	7,514,325	–	7,514,325
Other liabilities	131,136	–	131,136
Loans and borrowings	169,747	139,250	308,997
Total undiscounted financial liabilities	7,815,208	139,250	7,954,458
Total net undiscounted financial liabilities	(6,355,605)	(139,250)	(6,494,855)

(c) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and cash at bank balances. The Group's policy is to obtain the most favourable interest rates available.

Surplus funds are placed with reputable banks.

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

(c) *Interest rate risk (cont'd)*

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $44,000 higher/lower (2012: $38,000 higher/lower), arising mainly as a result of lower/higher interest expense on bank term loans and higher/lower interest income on cash at bank. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility compared to prior years.

24. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

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

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

	Note	2013 Carrying amount $	2013 Fair value $	2012 Carrying amount $	2012 Fair value $
Group					
Financial assets:					
Trade receivables (non-current)	15	2,421,405	2,672,819	–	–
Financial liabilities:					
Trade payables (non-current)	18	2,253,568	2,433,113	–	–
Loans and borrowings (non-current)	19				
- Obligations under finance leases		340,997	366,116	1,462,173	1,438,615
- Term loan		–	–	135,399	136,335

Determination of fair value

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

25. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, loans and borrowings, other current liabilities, less cash and short term deposits. Capital includes equity attributable to owners of the Group.

		Group	
	Note	**2013**	**2012**
		$	$
Trade and other payables	18	27,318,532	20,756,089
Accrued operating expenses		1,297,738	982,009
Loans and borrowings	19	6,313,944	11,880,770
Total debt		34,930,214	33,618,868
Less: Cash and short-term deposits	16	(2,183,780)	(2,416,380)
Net debt		32,746,434	31,202,488
Equity attributable to the owners of the Company		(11,819,416)	4,356,706
Capital and net debt		20,927,018	35,559,194
Gearing ratio		156%	88%

26. Segment reporting

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

(a) Main building works which involve the construction and development of hotel and office developments;

(b) General building works for residential and commercial buildings, such as additions and alterations, refurbishment, repairs and renovation works for residential and commercial building, lift-upgrading programmes; and

(c) Leasing and installation of access equipment system, such as metal scaffolding, gondolas, passenger hoist, tower cranes and mast climbing work platforms, for the building, marine and oil rig industries.

26. Segment reporting (cont'd)

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. Company financing (including finance costs) and income taxes are managed on a Company basis and are not allocated to operating segments.

The chief operating decision maker reviews the results of the segment using segment gross profit. Segment assets, liabilities and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

Geographical segments

There is no geographical segment information provided as the Group operates entirely in Singapore for the financial years ended 31 December 2013 and 31 December 2012.

Information about major customers

Revenue from one major customer amounted to $31,995,000 (2012: $23,379,000), being 41% (FY2012: 64%), arising from sales by the main building works segment.

Revenue from one major customer amounted to $3,499,000 (2012: $5,573,000), being 31% (FY2012: 35%), arising from sales by the general building works segment.

	Main building works	General building works	Access Equipment	Total
	$	$	$	$
2013				
Revenue	78,978,148	11,342,140	2,020,559	92,340,847
Results				
Segment (loss)/gross profit	(4,121,039)	347,299	1,160,201	(2,613,539)
2012				
Revenue	36,580,520	15,976,888	1,302,787	53,860,195
Results				
Segment gross profit	3,878,556	1,102,062	412,825	5,393,443

27. Loss per share

Basic and diluted loss per share are calculated by dividing the Group's loss net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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

	Group	
	2013	2012
Loss net of tax attributable to owners of the Company for the year ($)	(22,420,312)	(1,868,148)
Weighted average number of ordinary ('000)	139,291	92,220
Basic and diluted loss per share ($ cents)	(16.10)	(2.03)

As there were no dilutive potential ordinary shares during the financial years, the diluted loss per share were equivalents to basic loss per share.

28. Contingent liabilities

Guarantees

The Company has provided the following corporate guarantees to one of its subsidiary at the end of the reporting period:

– Bank overdraft of $3,168,062 (2012: $4,017,231) (Note 19);

– Bank loan of $2,539,642 (2012: $5,428,856) (Note 19);

– Foreign workers indemnity of $1,210,000 (2012: $1,265,000); and

– Performance bond and financial bond for various projects of $12,249,529 (2012: $12,056,865).

29. Post balance sheet date events

On 2 January 2014, the Company announced that 1,711,300,000 Bonus Warrants were issued to its existing shareholders with exercise price of $0.01 for an ordinary share of the Company. With the exercise of the bonus warrant, the warrant holder would be entitled to an additional piggyback warrant with the exercise price of $0.011 for an ordinary share of the Company. As of 2 April 2014, 615.8 million warrants and 444.2 million piggyback warrants have been exercised and the Company has received a total of $11.04 million. If all the warrants and piggyback warrants are exercised, the Company will receive gross proceeds of $35.95 million

On 22 January 2014, the Company received an interest free loan from its Executive Chairman and Chief Executive Officer, Mr Liew Sen Keong of $3 million. The Loan will be used for general working capital of the Company's construction business. The Loan is unsecured and is repayable within a period of 36 months from the date of the Loan Agreement.

29. Post balance sheet date events (cont'd)

On 12 February 2014, the Group announced that CCM Property Pte. Ltd. ("CCMP") intends to invest US$4.3 million ($5.5 million) to purchase a 136-acre parcel of land in Houston, Texas (USA) via a limited partnership domicile in Texas which will be 60% held by CCMP.

On 24 February 2014, the Group announced that $5 million, in denominations of $250,000 worth of exchangeable notes were issued on 21 February 2014. The interest rate is 18% per annum and can be exchanged for the Group's ordinary shares or its subsidiary, CCMP's ordinary shares. The notes will be used to fund the proposed property development business through the Group's subsidiary, CCMP.

On 12 March 2014, the Company announced that Singapore Construction Pte Ltd ("SCPL") was acquired on 5 March 2014 for a consideration of $2. SCPL had been incorporated on 9 July 2013 in Singapore and will be principally engaged in the business of general contractors (building construction including major upgrading works).

On 17 March 2014, a building contract worth $94.6 million for the proposed erection of a 32-storey commercial building was terminated on grounds of alleged breaches of contract. The client had informed the Group of its intention to claim against the Group for all losses and damages that it suffered as a result of the termination. The losses and damages were not quantified presently. Additionally, the client has also drawn against an unconditional performance bond amounting to $4.7 million. The Group had paid the amount drawn against the bond.

On 28 March 2014, the Group announced that its wholly-owned subsidiary, CCM Perth Pty. Ltd, had on 27 March 2014 lodged formal offers to conduct property development on the last four lots available in the Mandurah Ocean Marina development in Perth (Australia), created by Landcorp, the Western Australian Government's land and property developer. The aggregate offer price tendered for the Lots is approximately A$2.2 million ($2.5 million).

30. Comparative figures

The following comparative figures have been reclassified to conform to the current year's presentation and to better reflect the nature of the transactions.

	As previously reported 2012 $	As reclassified 2012 $
Effect on the statement of comprehensive income items:		
Administrative expenses	(6,800,362)	(5,418,953)
Other expenses	–	(1,381,409)

31. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 3 April 2014.

As at 28 March 2014

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	1	0.07	999	0.00
1,000 – 10,000	77	5.30	514,000	0.04
10,001 – 1,000,000	1,222	84.10	351,798,001	28.59
1,000,001 AND ABOVE	153	10.53	878,378,000	71.37
TOTAL	**1,453**	**100.00**	**1,230,691,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	PHILLIP SECURITIES PTE LTD	144,731,000	11.76
2.	OCBC SECURITIES PRIVATE LIMITED	97,671,000	7.94
3.	MAYBANK KIM ENG SECURITIES PTE. LTD.	39,780,000	3.23
4.	TAN CHIN WAH	30,000,000	2.44
5.	THE BANK OF EAST ASIA (NOMINEES) PRIVATE LIMITED	25,000,000	2.03
6.	WONG HAN MENG	22,000,000	1.79
7.	MRS CHAU-CHAN SUI YUNG	20,000,000	1.63
8.	HSBC (SINGAPORE) NOMINEES PTE LTD	15,270,000	1.24
9.	RAFFLES NOMINEES (PTE) LIMITED	12,006,000	0.98
10.	TAN WIC KI	11,000,000	0.89
11.	MOHAMED RAFFIK BIN MOHAMED ISHAK	10,052,000	0.82
12.	CHAN KHENG ANN	10,000,000	0.81
13.	LEE TECK LENG	10,000,000	0.81
14.	TAN XIN RONG	10,000,000	0.81
15.	ER CHENG SENG BENJAMIN	9,900,000	0.80
16.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	9,624,000	0.78
17.	TAN JUI YAK	9,403,000	0.76
18.	QUEK BEK CHOO	9,000,000	0.73
19.	CITIBANK NOMINEES SINGAPORE PTE LTD	8,570,000	0.70
20.	TAN KIM JOO NOAH	8,520,000	0.69
	TOTAL	**512,527,000**	**41.64**

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 28 March 2014, approximately 89.11% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company). Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Heng Fai Business Development Pte Ltd	85,000,000	6.91	0	0.00
Chan Heng Fai[(1)]	110,000	0.01	85,000,000	6.91

Note:

(1) Heng Fai Businesss Development Pte Ltd is wholly owned by Mr Chan Heng Fai. By virtue of Section 7 of the Companies Act, Cap 50 of Singapore, Mr Chan Heng Fai is deemed to be interested in the shares which Heng Fai Business Development Pte Ltd has an interest in.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CCM Group Limited (the "Company") will be held at Pan Pacific Singapore, Ocean 5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Monday, 28 April 2014 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$168,000 for the financial year ended 31 December 2013 (2012: S$96,000). **(Resolution 2)**

3. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 3)**

4. To re-elect the following Directors retiring pursuant to Article 92 of the Company's Articles of Association:

   Mr Chan Heng Fai **(Resolution 4)**
   Mr Basil Chan **(Resolution 5)**
   Mr Teh Wing Kwan **(Resolution 6)**
   Mr Tao Yeoh Chi **(Resolution 7)**
   Mr Chan Yu Meng **(Resolution 8)**

   Mr Chan Heng Fai will, upon re-election as a Director of the Company, remain as an Executive Director, Chairman of the Investment Committee and a member of the Risk Management Committee of the Company.

   Mr Basil Chan will, upon re-election as a Director of the Company, remain as an Independent Director and Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

   Mr Teh Wing Kwan will, upon re-election as a Director of the Company, remain as a Non-Executive Director and a member of the Investment Committee of the Company.

   *Mr Tao Yeoh Chi will, upon re-election as a Director of the Company, remain as an Independent Director and Chairman of the Remuneration Committee and a member of the Audit Committee, Nominating Committee and Risk Management Committee and will be considered independent for the purposes of Rule 704(7) of Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**").*

   Mr Chan Yu Meng will, upon re-election as a Director of the Company, remain as an Independent Director and Chairman of the Nominating Committee and the Risk Management Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

5. To re-elect the following Directors retiring pursuant to Article 93 of the Company's Articles of Association:

Mr Liew Sen Keong **(Resolution 9)**
Dr Tan Eng Khiam **(Resolution 10)**

Mr Liew Sen Keong will, upon re-election as a Director of the Company, remain as the Executive Chairman and Chief Executive Officer, a member of the Investment Committee and Risk Management Committee of the Company.

Dr Tan Eng Khiam will, upon re-election as a Director of the Company, remain as an Independent Director and a member of the Audit Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

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

AS SPECIAL BUSINESS

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

7. **Authority to allot and issue shares in the capital of the Company ("Shares") - Share Issue Mandate**

"That, pursuant to Section 161 of the Companies Act, Chapter 50. of Singapore and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company to:-

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

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

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

(b) notwithstanding that the authority conferred by this Resolution may have ceased to be in force, issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force, provided that:-

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution), to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub- paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares shall be based on the total number of issued Shares excluding treasury shares of the Company at the time this Resolution is passed after adjusting for:-

    (i) new Shares arising from the conversion or exercise of any Instruments or any convertible securities;

    (ii) new Shares arising from exercising of share options or vesting of share awards outstanding and/or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

    (iii) any subsequent bonus issue, consolidation or sub-division of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (i)]. **(Resolution 11)**

8. **Authority to grant options and issue shares under the CCM Share Option Scheme**

"THAT the Directors of the Company be and are hereby authorised to offer and grant options and share awards in accordance with the CCM Share Option Scheme (the "**Scheme**") and to issue such shares as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed twenty per cent (20%) of the issued share capital of the Company from time to time.
[See Explanatory Note (ii)] **(Resolution 12)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary
Singapore, 11 April 2014

Explanatory Note:

(i) The Ordinary Resolution 11 proposed in item 7 above, if passed, will empower the Directors from the date of the above Annual General Meeting until the date of the next annual general meeting (or such date by which it is required by law to be held, whichever is earlier), to allot and issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments. The aggregate number of Shares and convertible instruments which the Directors may allot and issue under this Resolution shall not exceed 100% of the total number of issued Shares excluding treasury shares of the Company at the time of passing this Resolution. For allotment and issue of Shares and convertible instruments other than on a pro-rata basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed 50% of the total number of issued Shares excluding treasury shares of the Company.

(ii) The Ordinary Resolution 12 proposed in item 8 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Scheme.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

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

3. The instrument appointing a proxy must be deposited at the registered office of the Company at 9 Temasek Boulevard #09-02A Suntec Tower Two, Singapore 038989 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

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CCM GROUP LIMITED

(Company Registration Number: 200916763W)

(Incorporated in Singapore with limited liability)

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy CCM Group Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

*I/We, ____ (Name)

of ____ (Address)

being *a member/members of CCM GROUP LIMITED (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Pan Pacific Singapore, Ocean 5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Monday, 28 April 2014 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

(If you wish to exercise all your votes "For" or "Against", please indicate with a [x] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2013		
2	Approval of Directors' fees amounting to S$168,000 for the financial year ended 31 December 2013		
3	Re-appointment of Ernst & Young LLP as Auditors		
4	Re-election of Mr Chan Heng Fai as a Director		
5	Re-election of Mr Basil Chan as a Director		
6	Re-election of Mr Teh Wing Kwan as a Director		
7	Re-election of Mr Tao Yeoh Chi as a Director		
8	Re-election of Mr Chan Yu Meng as a Director		
9	Re-election of Mr Liew Sen Keong as a Director		
10	Re-election of Dr Tan Eng Khiam as a Director		
11	Authority to allot and issue shares in the capital of the Company - Share Issue Mandate		
12	Authority to grant options and issue shares under the CCM Share Option Scheme		

Dated this ____________ day of ________________ 2014

Total number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete accordingly.

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

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

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **9 Temasek Boulevard #09-02A Suntec Tower Two, Singapore 038989** not less than **48** hours before the time appointed for the Meeting.

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

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Directors

Liew Sen Keong

Chan Heng Fai

Chan Yu Meng

Dr. Tan Eng Khiam

Teh Wing Kwan

Tao Yeoh Chi

Basil Chan

Company Secretary

Gwendolyn Gn Jong Yuh
(LLB Hons)

Share Registrar

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Registered Office

9 Temasek Boulevard #09-02A
Suntec Tower Two
Singapore 038989
Email: admin@ccmgroup.sg

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in charge: Low Bek Teng
(Since financial year ended 31 December 2011)

Sponsor

PrimePartners Corporate Finance Pte. Ltd.
20 Cecil Street
#21-02 Equity Plaza
Singapore 049705

創建集團
CCM GROUP LIMITED

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