# S&T Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 3928

# Annual Report 2019

# Contents

# Corporate Information

## BOARD OF DIRECTORS

***Executive Directors***
Mr. Poon Soon Huat *(Chairman)*
Mr. Teo Teck Thye *(Chief Executive Officer)*

***Independent Non-Executive Directors***
Mr. Chan Kwok Wing Kelvin
Mr. May Tai Keung Nicholas
Mr. Tam Hon Fai

## AUDIT COMMITTEE
Mr. Tam Hon Fai *(Chairman)*
Mr. Chan Kwok Wing Kelvin
Mr. May Tai Keung Nicholas

## REMUNERATION COMMITTEE
Mr. Chan Kwok Wing Kelvin *(Chairman)*
Mr. Teo Teck Thye
Mr. Tam Hon Fai

## NOMINATION COMMITTEE
Mr. Poon Soon Huat *(Chairman)*
Mr. Chan Kwok Wing Kelvin
Mr. May Tai Keung Nicholas

## COMPANY SECRETARY
Ms. Leung Hoi Yan

## AUTHORISED REPRESENTATIVES
Mr. Poon Soon Huat
Ms. Leung Hoi Yan

## REGISTERED OFFICE
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE
16 Kian Teck Way
Singapore 628749

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit B, 17/F, United Centre
95 Queensway, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point, Hong Kong

## PRINCIPAL BANKERS
Maybank Banking Berhad
United Overseas Bank Limited

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

## COMPANY'S WEBSITE
www.singtec.com.sg

## STOCK CODE
3928

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of S&T Holdings Limited (the "Company", together with its subsidiaries, the "Group", "we" or "us"), I present the first annual report of the Group for the year ended 30 September 2019 following our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## LISTING ON THE STOCK EXCHANGE

The ordinary shares of the Company (the "Shares") were successfully listed (the "Listing") on the Main Board of the Stock Exchange on 19 September 2019 (the "Listing Date") which marked a significant milestone for the Group. 120 million shares were issued under the share offer, raising net proceeds of approximately HK$86.3 million (S$15.2 million) (after deducting listing expenses). The additional capital raised and a broader capital base as a result of the Listing allow us to further expand our business. It also provided the Group an opportunity to strengthen its corporate governance and further promote the Group as a well-organised establishment to the public.

The Group has an operating history of over 20 years in Singapore as a civil and building construction service provider. Throughout the last two decades, we experienced several highs and lows which tested our character and determination. While every project has its own set of challenges, the Group's principle has always been to fulfil our promises, with excellent quality and commitment. With the perseverance and dedication of our management team and employees, we strongly believe that we can overcome potential hardships that may come in our way and scale greater heights.

## FINANCIAL PERFORMANCE

The Group recorded a revenue growth of approximately 15.5% or approximately S$13.0 million, from approximately S$83.9 million for the year ended 30 September 2018 to approximately S$96.9 million for the year ended 30 September 2019 due to higher volume of ongoing projects. Overall, the Group recorded a slight increase of approximately 1.7% in gross profit margin from approximately 15.7% for the year ended 30 September 2018 to approximately 17.4% for the year ended 30 September 2019. The increase in the Group's gross profit margin was mainly due to increase in profitability of services to private customers.

The Group recorded a lower net profit after taxation of approximately S$4.9 million as compared to approximately S$6.8 million for the year ended 30 September 2018. Such decrease was mainly due to the increase in listing expenses and administrative expenses during the year. Excluding listing expenses of approximately S$0.6 million and S$3.8 million for the years ended 30 September 2018 and 30 September 2019 respectively, profit for the years ended 30 September 2018 and 30 September 2019 would have been approximately S$7.4 million and S$8.7 million respectively. This represents an increase of approximately S$1.3 million or 17.6% year-on-year.

The Group's financial position as at 30 September 2019 remained sound with bank balances and cash recorded at approximately S$20.9 million and a net debt-equity ratio of approximately 10.1%. The Group's net assets stood at approximately S$52.3 million as at 30 September 2019, translating into a net asset value of approximately S$0.11 per share.

## PROSPECTS AND BUSINESS OUTLOOK

According to the press release by the Building and Construction Authority ("BCA") of Singapore, the total construction demand (i.e. the value of construction contracts to be awarded) in 2019 is projected to range between S$27 billion and S$32 billion, comparable to the S$30.5 billion (preliminary estimate) awarded in 2018. BCA expects a steady improvement in construction demand over the medium term. Demand is projected to reach between S$27 billion and S$34 billion per year for 2020 and 2021 and could increase to between S$28 billion and S$35 billion per year for 2022 and 2023. The public sector is expected to contribute S$16 billion to S$20 billion per year from 2020 to 2023 with similar proportions of demand coming from building projects and civil engineering works. Besides public residential developments, public sector construction demand over the medium term will continue to be supported by big infrastructure projects such as the Cross-Island Line, developments at Jurong Lake District and Changi Airport Terminal 5. BCA also expects private sector construction demand to gradually increase in the medium term.

Despite the uncertainties in the global economy, we will optimise and manage our resources to seize opportunities and actively engage in those which are beneficial to the long-term development of the Group. Utilising the proceeds acquired through the Listing, the Group has more resources to grasp various opportunities and further develop its business operations. We will adhere to the Group's strategy to reinforce the Group's existing business, while exploring synergistic opportunities in other areas to grow our businesses and bring greater profits to the shareholders. We are confident that the Group will continue to stay relevant and remain competitive in the local climate.

## APPRECIATION

On behalf of the Board, I would like to express our deepest gratitude to our valued shareholders, customers, suppliers, business partners, management team as well as our employees who have worked tirelessly for the organisation throughout the years. We are confident that with your trust and support, the Group will be able to strengthen our efforts to secure the profitability and growth of our business operations in the long term.

Last but not least, I would like to thank the Board of Directors for their invaluable guidance. Together, we will continue to work hard to deliver greater value to our shareholders.

**S&T Holdings Limited**
**Poon Soon Huat**
*Chairman and Executive Director*

19 December 2019

## BUSINESS REVIEW

The Group has been established for over 20 years and is principally engaged in construction services and property investment business in Singapore. The Group specialises in providing construction services and solutions in (i) civil engineering works entailing road works, earthworks, drainage works, earth retaining stabilising structure ("ERSS") works and soil improvement works; (ii) building construction works mainly for industrial buildings which include substructure works, piling works, addition and alteration works and electrical and mechanical works; and (iii) other ancillary services which include logistics and transportation services of construction materials. The Group's property investment business primarily includes residential and industrial properties leasing.

The Group had established a solid track record over the years in undertaking a strong and diversified mix of public and private sector projects through partnering with an array of Singapore government agencies, private companies and listed corporations.

The Group recorded a revenue growth of approximately 15.5%, from approximately S$83.9 million for the year ended 30 September 2018 to approximately S$96.9 million for the year ended 30 September 2019. The recognition of listing expenses of approximately S$3.8 million for the year ended 30 September 2019 resulted in the decrease of profit for the year by approximately 27.9%, from approximately S$6.8 million for the year ended 30 September 2018 to approximately S$4.9 million for the year ended 30 September 2019.

Excluding listing expenses of approximately S$0.6 million and S$3.8 million for the years ended 30 September 2018 and 30 September 2019 respectively, profit for the years ended 30 September 2018 and 30 September 2019 would have been approximately S$7.4 million and S$8.6 million respectively and the Group's profit for the year would have increased by approximately S$1.3 million, or 17.6% year-on-year.

Even though the construction industry in Singapore expects to see modest growth in the next few years, the Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties most relevant to us. The key risks and uncertainties identified are as follows:

***(i) The Group relies on subcontractors to implement the projects and any significant increase in our subcontracting charges or any substandard subcontractor works may have adverse impacts on the Group's financial results***

The Group relies on subcontractors to carry out portions of its projects, charges from which comprise of approximately 65.3% (2018: 54.8%) of the Group's cost of services for the year. Any unexpected fluctuations in subcontracting charges during the course of execution of the Group's projects will thus have a negative impact on the Group's profitability. Besides, there is no assurance that the Group's subcontractors will always provide services at acceptable standards, and the Group may incur additional time and costs in rectifying substandard work, if any, which may cause cost overrun or delay to the projects.

***(ii) Construction works are highly labour-intensive and the Group rely on a stable supply of labour to carry out its projects***

There is no assurance that the supply of labour and average labour costs will remain stable at all times. When there is a significant increase in the cost of labour and the Group or the subcontractors have to retain labour by increasing their wages, the Group's staff costs and/or subcontracting charges will increase and as a result, the Group's profitability will be adversely affected. Furthermore, if the Group experiences any failure to attract and retain competent personnel or any material increase in labour costs as a result of the shortage of skilled labour, the Group's competitiveness and business would be damaged, thereby adversely affecting the Group's financial condition, operating results as well as our future prospects.

## FINANCIAL REVIEW

### *Revenue*

The Group's revenue was primarily derived from (i) the provision of civil engineering works, building construction works and other ancillary services which include logistics and transportation services of construction materials, for both public and private sector customers; and (ii) property investment business.

The Group's civil engineering and building construction services are widely required in new infrastructure and building developments, redevelopment, additions and alterations ("A&A") works and upgrading projects, which involve residential, commercial and industrial buildings. For property investment business, the Group leases both industrial and residential properties to earn rental income from tenants.

The following table summarises the breakdown of the Group's revenue segments:

| | **For the year ended 30 September** | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **Revenue S$ million** | **% of total revenue** | Revenue S$ million | % of total revenue |
| **Construction services** | | | | |
| Civil engineering works | **79.5** | **82.0** | 70.2 | 83.6 |
| Building construction works | **15.7** | **16.3** | 12.5 | 14.9 |
| Other ancillary services | **1.2** | **1.2** | 0.7 | 0.9 |
| | **96.4** | **99.5** | 83.4 | 99.4 |
| **Property investment** | **0.5** | **0.5** | 0.5 | 0.6 |
| **Total** | **96.9** | **100.0** | 83.9 | 100.0 |

The Group's overall revenue increased by approximately S$13.0 million or approximately 15.5% from approximately S$83.9 million for the year ended 30 September 2018 to approximately S$96.9 million for the year ended 30 September 2019. The Group's overall revenue increased due to the increase in revenue from both civil engineering works and building construction works by approximately S$9.3 million and S$3.2 million respectively, and increase in other ancillary services by approximately S$0.5 million. Revenue contributed from property investment remains relatively stable.

The following table sets out the breakdown of the Group's revenue in relation to our construction services by reference to the type of customers:

| | For the year ended 30 September | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **Revenue S$ million** | **% of total revenue** | Revenue S$ million | % of total revenue |
| Public customers | **50.8** | **52.7** | 51.8 | 62.1 |
| Private customers | **45.6** | **47.3** | 31.6 | 37.9 |
| **Total** | **96.4** | **100.0** | 83.4 | 100.0 |

The increase in the Group's revenue is mainly due to revenue contributed from private customers which has increased significantly by approximately S$14.0 million or approximately 44.3%. Further, the increase in revenue from private customers is mainly attributed to works performed for 23 new private sector projects secured during the year ended 30 September 2019, which contributed to revenue of approximately S$17.3 million. Such increase in revenue is partially offset by projects which were completed as at last financial year end and hence did not contribute to any revenue during the year ended 30 September 2019.

### *Cost of Services*

The Group's cost of services increased by approximately S$9.3 million or approximately 13.2% from approximately S$70.7 million for the year ended 30 September 2018 to approximately S$80.0 million for the year ended 30 September 2019. Such increase in cost of services was generally in line with the increase in revenue.

### *Gross Profit and Gross Profit Margin*

The gross profit of the Group for the year ended 30 September 2019 amounted to approximately S$16.9 million, representing an increase of approximately S$3.7 million or approximately 28.0% as compared with approximately S$13.2 million for the year ended 30 September 2018.

The Group recorded a slight increase of approximately 1.7% in gross profit margin from approximately 15.7% for the year ended 30 September 2018 to approximately 17.4% for the year ended 30 September 2019. The increase in the Group's gross profit margin was mainly due to increase in profitability of services to private customers.

### *Other Income*

Other income mainly included (i) rental income from renting properties executive Directors, (ii) government grants and (iii) rental income from renting equipment. During the year ended 30 September 2019, other income amounted to approximately S$0.2 million (2018: S$0.3 million). The decrease in other income was mainly due to lesser government grants received and no interest income from advances to executive Directors for the year ended 30 September 2019.

### *Other Gains or Losses*

Other gains or losses mainly included (i) net gain or loss on disposal of property, plant and equipment, (ii) gain from sale of scrap materials, (iii) fair value gains or losses on investment properties and investment properties held under joint operations and (iv) written off of payable to suppliers that are liquidated. During the year ended 30 September 2019, other gains or losses amounted to a net gain of approximately S$0.5 million (2018: S$0.7 million). The decrease in net gain was mainly due to a fall in the fair value gains on the Group's investment properties and decrease in gain from sale of scrap materials, partially offset with increase in the fair value gains on the Group's investment properties held under joint operations and the written off of payables to suppliers that are liquidated during the year.

### Administrative Expenses

The administrative expenses of the Group for the year ended 30 September 2019 amounted to approximately S$6.2 million, representing an increase of approximately S$1.3 million or approximately 26.5% compared with approximately S$4.9 million for the year ended 30 September 2018, mainly due to the increase in staff costs (including Directors' remuneration) as a result of increase in staff headcount and salary increments and increase in professional fees in relation to post-listing compliance.

### Finance Costs

The Group's finance costs increased by approximately S$0.3 million or approximately 42.9% from approximately S$0.7 million for the year ended 30 September 2018 to approximately S$1.0 million for the year ended 30 September 2019. Such increase was mainly driven by the increase in the Group's bank overdrafts and borrowings during the year ended 30 September 2019.

### Income Tax Expense

The Group's income tax expense increased by approximately S$0.5 million or approximately 41.7% from approximately S$1.2 million for the year ended 30 September 2018 to approximately S$1.7 million for the year ended 30 September 2019. Such increase was mainly driven by the increase in profit before taxation excluding listing expenses which are not deductible for tax purpose for the respective years.

### Profit for the year

Profit after taxation of the Group decreased by approximately S$1.9 million from approximately S$6.8 million for the year ended 30 September 2018 to S$4.9 million for the year ended 30 September 2019. This is mainly due to the increase in listing expenses by approximately S$3.2 million and administrative expenses by approximately S$1.3 million year-on-year.

Excluding listing expenses of approximately S$0.6 million and S$3.8 million for the years ended 30 September 2018 and 30 September 2019 respectively, profit for the years ended 30 September 2018 and 30 September 2019 would have been approximately S$7.4 million and S$8.7 million respectively and the Group's profit for the year would have increased by approximately S$1.3 million, or 17.6% year-on-year.

### Final Dividend

The Board has resolved not to recommend the declaration of a final dividend for the year ended 30 September 2019.

### Liquidity, Financial Resources and Capital Structure

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of its debt and equity balance. The Group's overall strategy remains unchanged from 2018. The capital structure of the Group consists of debt, which includes bank overdrafts and borrowings and obligations under finance leases, net of bank deposits, bank balances and cash and equity attributable to owners of the Group, comprising share capital and reserves.

The Group finances its working capital, capital expenditures and other liquidity requirements through a combination of its cash and cash equivalents, cash flows generated from operations and net proceeds from the Share Offer.

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

The Group had total bank balances and cash of approximately S$20.9 million (2018: S$3.7 million). The Group had total bank overdrafts and borrowings and obligations under finance leases of approximately S$26.2 million (2018: S$25.5 million) as at 30 September 2019.

### Pledge of Assets

The Group has pledged its bank deposits, owner-occupied properties, investment properties and investment properties held under joint operations to secure banking facilities, including bank borrowings, during the years ended 30 September 2018 and 30 September 2019.

### Treasury Policy

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

### Foreign Exchange Risk

The Group mainly operates in Singapore. Most of the operating transactions and revenue were settled in Singapore dollars and the Group's assets and liabilities are primarily denominated in Singapore dollars. However, the Group has certain bank balances and other payables denominated in Hong Kong dollars amounting to S$19.8 million and S$1.1 million respectively as at 30 September 2019 which exposes the Group to foreign currency risk. The Group manages the risk by closely monitoring the movements of the foreign currency rate.

### Gearing Ratio

Gearing ratio is calculated by dividing all borrowings by total equity at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 30 September 2019 was approximately 50.2% (2018: 101.4%).

### Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Apart from the reorganisation in relation to the Listing (as set out under the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 29 August 2019 (the "Prospectus")), there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 30 September 2019. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 30 September 2019.

### Future Plans for Material Investments or Capital Assets

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets as at 30 September 2019.

### Employees and Remuneration Policy

As at 30 September 2019, the Group had a total of 226 employees (2018: 193 employees), including two executive Directors but excluding three independent non-executive Directors. Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes for the year ended 30 September 2019 amounted to approximately S$10.7 million (2018: S$9.0 million). In order to attract and retain high quality staff and to enable smooth operations within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from contributions to the Central Provident Fund ("CPF") and job training programs, salary increments and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

### Performance Bonds

As at 30 September 2019, the Group had performance bonds of approximately S$9.1 million (2018: S$7.5 million) given in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and the customers. The performance guarantees will be released upon completion of the contracts. Subsequent to the year ended 30 September 2019, our Group has obtained additional performance bonds amounting to approximately S$1.5 million.

### Capital Expenditures and Capital Commitments

During the year ended 30 September 2019, the Group acquired items of property, plant and equipment of approximately S$2.0 million (2018: S$3.8 million).

Save for the future plans and the proceeds as set out in the Prospectus, the Group had no material capital commitments as at 30 September 2019.

### Use of Net Proceeds from the Share Offer

The net proceeds from the Share Offer were approximately HK$86.3 million (after deducting listing expenses). In line with the future plans and the proceeds as set out in the Prospectus, the Group plans to allocate the net proceeds and will implement its future plans for the purposes as outlined below:

| Purposes | *HK$ million* | Approximate Percentage of the Total Net Proceeds |
|---|---|---|
| Strengthening our financial position | 21.8 | 25.3% |
| Enhancing our machinery fleet | 31.0 | 36.0% |
| Strengthening our workforce | 11.6 | 13.4% |
| Developing production area for steel bar fabrication | 2.0 | 2.3% |
| Investing in BIM and ERP systems | 5.3 | 6.1% |
| Acquiring investment properties | 14.6 | 16.9% |

As the Shares were listed on 19 September 2019, the Company did not deploy its listing proceeds as at 30 September 2019.

## EXECUTIVE DIRECTORS

**Mr. Poon Soon Huat**, aged 66, was appointed as the Director on 17 September 2018 and re-designated as the executive Director on 10 December 2018. He also serves as the Chairman of the board of directors of the Company and is the chairman of the nomination committee of the Company. He is responsible for overall management, formulation of business strategies and supervision of operations of the Group.

Mr. Poon has over 30 years of experience in the construction industry in Singapore. He is a co-founder of the Group. He is also a director of each and every wholly-owned subsidiary of the Company. From 1984 to 1993, he was a director of Veely Construction Pte Ltd. From 1991 to 2007, he was also a director of Chang Yong Construction Pte Ltd.

Mr. Poon was educated to General Certification of Education secondary IV level in Singapore. Mr. Poon obtained a Trade Certificate in Applied Electronic from Jurong Vocational Institute in 1972 and a certificate of Construction Safety Course for Project Managers from the Ministry of Manpower of Singapore in 1998.

**Mr. Teo Teck Thye**, aged 55, was appointed as the Director on 17 September 2018 and re-designated as the executive Director on 10 December 2018. He also serves as the chief executive officer of the Company and is the member of the remuneration committee of the Company. He is responsible for overall management, formulation of business strategies and supervision of operations of the Group.

Mr. Teo has over 20 years of experience in the construction industry in Singapore. He is a co-founder of the Group. He is also a director of each and every wholly-owned subsidiary of the Company. Prior to the establishment of the Group, Mr. Teo was the owner of several sole proprietorship and partnership, which were mainly involved in retail sale of clothing and furniture and provision of food and beverage. Mr. Teo obtained a certificate of Vector Control Course for Construction Site Supervisors from the Centre for Environmental Training in 1996, a certificate of Building Construction Safety Supervisors Course from the Ministry of Labour of Singapore in 1996 and a skills evaluation certificate of Construction Plant Operation (Excavator) in 1997.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Kwok Wing Kelvin**, aged 66, was appointed as the independent non-executive Director on 23 August 2019. He is primarily responsible for providing independent judgement on the strategy, performance, resources and standard of conduct. He is the chairman of the remuneration committee and a member of the audit and nomination committee of the Company.

From October 1979 to July 1980, Mr. Chan worked with Ng Chun Man & Associates as town planner. From July 1980 to July 1981, he worked with Hong Kong Prisons Department (currently known as Hong Kong Correctional Services Department) as executive officer. From July 1981 to December 2013, he worked with the Planning Department of Hong Kong government, with his last position as chief town planner. Since January 2010, Mr. Chan has been a director of several limited companies, which are mainly engaged in provision of corporate services and properties and investment holding.

Mr. Chan obtained a degree of bachelor of arts from the University of Toronto in June 1979 and degree of master of philosophy from the University of London in July 1985. He also obtained a certificate in urban design from the University of Hong Kong in June 1992 and a postgraduate diploma in photography from the School of Professional and Continuing Education of the University of Hong Kong in June 2016. He was elected as a member of the Hong Kong Institute of Planners in July 1986 and a member of the Royal Town Planning Institute in June 1986.

# Biography of Directors and Senior Management

**Mr. May Tai Keung Nicholas**, aged 58, was appointed as the independent non-executive Director on 23 August 2019. He is primarily responsible for providing independent judgement on the strategy, performance, resources and standard of conduct. He is a member of the audit and nomination committee of the Company.

Mr. May has gained experience in areas of accounting, finance and general management since 1987. From September 1987 to October 1990, he worked with Deloitte Ross Tohmatsu (currently known as Deloitte Touche Tohmatsu), with his last position held as senior accountant in the audit department. Since then, he had worked at management level in various private companies. From October 2002 to October 2003, he worked for Kinetana International Biotech Pharma Ltd, a company listed on GEM of the Stock Exchange (stock code: 8031) and delisted from the Stock Exchange in September 2006, as the financial controller and company secretary. From March 2004 to July 2005, he worked for Zhongda International Holdings Ltd, a company listed on the Main Board of the Stock Exchange (the "Main Board") (stock code: 909), as the group financial controller and company secretary. From August 2005 to October 2006, he worked for Matsunichi Communication Holdings Limited (currently known as Goldin Properties Holdings Limited), a company listed on the Main Board (stock code: 283) and delisted from the Stock Exchange in August 2017, as the chief financial officer and company secretary and his last position as deputy general manager. From April 2007 to October 2009, he worked for Hopewell Holdings Limited, a company listed on the Main Board (stock code: 54), as the group financial controller. From May 2008 to October 2009, he also worked for Hopewell Highway Infrastructure Limited (now known as Shenzhen Investment Holdings Bay Avea Development Company Limited), a company listed on the Main Board (stock code: 737), as an alternate director. From March 2010 to March 2013, he worked for China Resources Property Management Limited as the chief financial officer and internal audit director. Since July 2013, he has been appointed as the director of Nichova Consultants Ltd.

In addition, from April 2015 to January 2018, Mr. May served in China Information Technology Development Limited, a company listed on GEM of the Stock Exchange (stock code: 8178), as an independent non-executive director.

Mr. May obtained a degree of bachelor of economics from Macquarie University in Australia in April 1986 and a degree of master of commerce in finance from the University of New South Wales in Australia in June 1995. He has been an associate of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) since June 1990.

**Mr. Tam Hon Fai**, aged 36, was appointed as the independent non-executive Director on 23 August 2019. He is primarily responsible for providing independent judgement on the strategy, performance, resources and standard of conduct. He is the chairman of the audit committee and a member of the remuneration committee of the Company.

Mr. Tam worked at Deloitte Touche Tohmatsu from September 2006 to August 2011 in the audit department. From December 2011 to July 2013, Mr. Tam was the company secretary of Zhonghua Gas Holdings Limited (formerly known as Northern New Energy Holdings Limited and Noble House (China) Holdings Limited) (stock code: 8246), a company listed on GEM of the Stock Exchange, responsible for general corporate governance affairs. From February 2014 to September 2014, Mr. Tam was the financial controller of Bamboos Health Care Holdings Limited (stock code: 2293), a company listed on GEM of the Stock Exchange in July 2014 and transferred of its listing to the Main Board in February 2017, responsible for financial operations and management. Since January 2012, Mr. Tam has acted as audit partner of CTY & Co. In August 2017, Mr. Tam joined JMG Corporate Advisory Limited, a firm principally engaged in provision of corporate advisory services, and appointed as executive director.

Mr. Tam obtained a degree of bachelor of business administration in accounting from the Hong Kong University of Science and Technology in May 2006. He has been a qualified accountant of the Hong Kong Institute of Certified Public Accountants since January 2010.

## SENIOR MANAGEMENT

**Mr. Koh Chew Chiang (alias Xu Zhouchang) (formerly also known as Faris Koh)**, aged 43, is the general manager of the Company. He joined the Group in August 2004 as site engineer. He was then promoted as project manager, construction manager and general manager since February 2005, April 2009 and December 2010, respectively. He is primarily responsible for the overall project supervision and management.

Mr. Koh has over 17 years of experience in the construction industry in Singapore. Before joining the Group, from August 2001 to November 2003, Mr. Koh worked at Thye Siang Hoe Kee Contractor Pte Ltd as site engineer. From November 2003 to July 2004, he worked at Ang Tong Seng Brothers Enterprise Pte Ltd as project engineer.

Mr. Koh obtained a degree of Bachelor of Engineering (Civil) from the Nanyang Technological University in Singapore in June 2001. He has also completed an environmental control officers' course from the Singapore Environment Institute in November 2010 and a certification course in construction law & contracts from the Building and Construction Authority of Singapore in August 2015.

**Mr. Wong Yong Xian**, aged 31, is the finance manager of the Company. He joined the Group in September 2018 and has been the finance manager since then. He is primarily responsible for overseeing the finance and accounting operation.

Mr. Wong has gained working experience in areas of auditing, accounting and financial management as well as corporate finance. Before joining the Group, from August 2012 to April 2018, Mr. Wong worked with Deloitte & Touche LLP with his last position as audit manager. From May 2018 to July 2018, he worked with Singapore Exchange Limited as assistant vice president.

Mr. Wong obtained a degree of Bachelor of Accountancy from the Nanyang Technological University in Singapore in June 2012. In September 2015, he was awarded Chartered Accountant of Singapore, registered under the Singapore Accountancy Commission (SAC) Act and was admitted as a Member of the Institute of Singapore Chartered Accountants.

**Ms. Ooi Sock Hoon**, aged 44, is the human resources and administration manager of the Company. She joined the Group in September 2007 as administrative clerk. She was then promoted as accounts assistant, human resources, administrative and finance executive and human resources and administration manager since April 2008, April 2009 and September 2018, respectively. She is primarily responsible for overseeing the human resources and administrative matters.

Before joining the Group, from 1996 to 1999, Ms. Ooi worked with Wong Liu & Partners as audit assistant. From 2001 to 2007, she worked with Lee Tiong Refrigeration Service Centre as operation & finance executive. Ms. Ooi completed the Third Level Group Diploma in Accounting from the London Chamber of Commerce and Industry in 1994 and the Foundation Stage Examination of the Association of Chartered Certified Accountants in June 2001.

# Corporate Governance Report

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and enhance its corporate value. The Company adopted all the code provisions in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code on corporate governance practices.

Throughout the period from the date of listing of the Shares of the Company on the Stock Exchange on 19 September 2019 (the "Listing Date") to 30 September 2019, the Company complied with the code provisions set out in the CG Code.

## BOARD OF DIRECTORS

The Company is governed by the Board which is responsible for overall management, formulation of business strategies and supervision of operations of the Group and providing independent judgement on the strategy, performance, resources and standard of conduct of the Group. The Board sets the overall policies, strategy and directions for the Group with a view to developing its business and enhancing the shareholders value.

The Board meets regularly throughout the year to formulate overall strategy, monitor business development as well as the financial performance of the Group. The Board has delegated certain duties and authorities to the management for overall project supervision and management, overseeing the finance and accounting operation and overseeing the human resources and administrative matters.

The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements and etc. The Board held meetings from time to time whenever necessary.

During the year, the Board reviewed the effectiveness of the risk management and internal controls systems of the Group.

The Board currently comprises, two executive Directors, namely Mr. Poon Soon Huat (chairman) and Mr. Teo Teck Thye (chief executive officer) and three independent non-executive Directors (the "INED"), namely Mr. Chan Kwok Wing Kelvin, Mr. May Tai Keung Nicholas and Mr. Tam Hon Fai.

No regular board meeting and general meeting was held during the year ended 30 September 2019 due to the short span of time after the Listing Date. A board meeting was held on 19 December 2019 to consider and approve the annual results of the Company for the year ended 30 September 2019 and to convene the annual general meeting of the Company. The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

During the year ended 30 September 2019, trainings have been attended by all Directors, Mr. Poon Soon Huat, Mr. Teo Teck Thye, Mr. Chan Kwok Wing Kelvin, Mr. May Tai Keung Nicholas and Mr. Tam Hon Fai, covering a wide range of topics including directors duties, Listing Rules, connected transaction and disclosure of inside information.

In compliance with the Listing Rules, the Company appointed INEDs with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The INEDs, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence under Rule 3.13 of the Listing Rules from each of the INEDs and believes that their independence is in compliance with the Listing Rules.

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The term of appointment pursuant to the letter of appointment of Mr. Chan Kwok Wing Kelvin, Mr. May Tai Keung Nicholas and Mr. Tam Hon Fai is for a period of three years till August 2022. The non-executive directors of the Company are subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting pursuant to the amended and restated articles of association ("Articles of Association") of the Company.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by Directors and by relevant employees of the Company. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and its code of conduct regarding directors' securities transactions throughout the period from the Listing Date to the date of this report.

## REMUNERATION COMMITTEE

The Company established a remuneration committee of the Company in August 2019 with written terms of reference in compliance with the CG Code of the Listing Rules. The remuneration committee of the Company comprises one executive Director, namely Mr. Teo Teck Thye, and two INEDs, namely Mr. Chan Kwok Wing Kelvin and Mr. Tam Hon Fai. The remuneration committee of the Company is chaired by Mr. Chan Kwok Wing Kelvin.

The primary duties of the remuneration committee of the Company are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; review and approve the management's remuneration proposals and make recommendations to the Board on remuneration of non-executive Directors. The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance, other companies in the industry in which the Group operates and current market practice. The remuneration committee of the Company adopted the model under the CG Code to determine, with the delegated responsibility, the remuneration packages of individual executive Directors and senior management.

No remuneration committee meeting was held during the year ended 30 September 2019 due to the short span of time after the Listing Date.

A remuneration committee meeting of the Company was held on 19 December 2019 to review and approve all disclosure statements in the annual report of the Company in relation to the remuneration committee.

Details of emoluments of the Directors for the year are disclosed in Note 12 to the consolidated financial statements and the retirement benefit scheme is disclosed in Note 29 to the consolidated financial statements.

## NOMINATION COMMITTEE

The Company established a nomination committee of the Company (the "NC") in August 2019 with written terms of reference in compliance with the CG Code of the Listing Rules. The NC comprises one executive Director, namely Mr. Poon Soon Huat, and two INEDs, namely Mr. Chan Kwok Wing Kelvin and Mr. May Tai Keung Nicholas. The NC is chaired by Mr. Poon Soon Huat.

The primary duties of the NC are to review the structure, size and composition of the Board, consider inter alia the skills, knowledge and experience, length of service and the breadth of the Board as a whole; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; make recommendations to the Board on the appointment or re-appointment of Directors and formulate nomination policy for consideration of the Board.

The NC is to identify and evaluate a candidate for nomination to the Board for appointment or the shareholders of the Company for election, as a director of the Company. The NC shall consider a number of factors in making nominations, including but not limited to the following:

– Skills and experience: The candidate should possess the skills, knowledge and experience which are relevant to the operations of the Company and its subsidiaries;

– Diversity: Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company and the balance of skills and experience in board composition;

– Commitment: The candidate should be able to devote sufficient time to attend board meetings and participate in induction, trainings and other board associated activities. In particular, if the proposed candidate will be nominated as an INED and will be holding his/her seventh (or more) listed company directorship, the NC should consider the reason given by the candidate for being able to devote sufficient time to the Board;

– Standing: The candidate must satisfy the Board and the Stock Exchange that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company; and

– Independence: The candidate to be nominated as an INED must satisfy the independence criteria set out in Listing Rules.

If the NC determines that an additional or replacement director is required, the NC may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate. The NC may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board. On making recommendation, the NC may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate(s) as director(s) to fill a casual vacancy(ies) or as an addition to the Board or recommend such candidate to shareholders for election or re-election (where appropriate) at the general meeting.

Each of the executive Directors entered into a service agreement for his appointment with the Company for an initial term of three years commencing from September 2019. Each of the INEDs has entered into a letter of appointment for his appointment with the Company for an initial term of three years commencing from August 2019. All Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

According to Article 84(1)–(2) of the Articles of Association, at each annual general meeting one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

According to Article 83(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

No NC meeting was held during the year ended 30 September 2019 due to the short span of time after the Listing Date.

A NC meeting of the Company was held on 19 December 2019 to review and approve all disclosure statements in the annual report of the Company in relation to the NC.

## AUDIT COMMITTEE

The Company established an audit committee of the Company in August 2019 with written terms of reference in compliance with the CG Code of the Listing Rules. The audit committee of the Company comprises three INEDs, namely Mr. Tam Hon Fai, Mr. Chan Kwok Wing Kelvin and Mr. May Tai Keung Nicholas. The audit committee of the Company is chaired by Mr. Tam Hon Fai.

The primary duties of the audit committee of the Company are to review the risk management and internal control systems of the Group, the Group's financial and accounting policies and practices and the financial statements and reports of the Company and the external auditors' fees; and discuss the scope of audit with the auditor.

No audit committee meeting was held during the year ended 30 September 2019 due to the short span of time after the Listing Date.

An audit committee meeting of the Company was held on 19 December 2019 to review and approve the annual results of the Company for the year ended 30 September 2019 and all disclosure statements in the annual report of the Company in relation to the audit committee.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for overseeing the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Group on a going concern basis and which are in compliance with the relevant accounting standard and principles, applicable laws and disclosure provisions of the Listing Rules. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

## AUDITOR AND THEIR REMUNERATION

For the year ended 30 September 2019, Deloitte & Touche LLP was engaged as the Group's independent auditor. Apart from the provision of annual audit services, Deloitte & Touche LLP and its foreign member firm provided the audit and non-audit services in connection with the listing of the Company's Shares on the Stock Exchange. The statement of the auditor of the Company about their reporting responsibilities on the Group's consolidated financial statements for the year ended 30 September 2019 is set out in the section "Independent Auditor's Report" of this annual report. During the year, remuneration paid and payable to the Group's independent auditor and its foreign member firm in respect of the year ended 30 September 2019 are S$245,000 for annual audit fee, and S$356,000 and S$292,000 for audit and non-audit fees in connection with the listing of the Company respectively.

## BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "Board Diversity Policy") to continuously seeks to enhance the effectiveness of its Board by maintaining the highest standards of corporate governance and recognising and embracing the benefits of diversity in the boardroom. The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximise the Board's effectiveness.

The Company sees diversity as a wide concept and believes that a diversity of perspectives can be achieved through consideration of a number of factors, including skills, regional and industry experience, background, race, gender and other qualities etc. In forming its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time.

Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Board believes that such merit-based appointments will best enable the Company to serve its shareholders and other stakeholders going forward. The Board will give adequate consideration to the Board Diversity Policy when it identifies suitably qualified candidates to become members of the Board.

The Board will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness. The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. While we recognise that gender diversity at the Board level can be improved given its current composition of all-male Directors, the Company will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Company is aiming to develop a sound and good internal control system and build risk awareness and control responsibility into the Group. The Board acknowledges its responsibility for maintaining a sound and effective risk management and internal control systems in order to safeguard the interests of the shareholders and the assets of the Company against unauthorized use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Group has written down the internal control processes in Company Standard Operating Procedures ("SOP") and Policies. Written policies and procedures with defined limits of delegated authority facilitates effective segregation of duties and controls. The annual budget of the Group with financial targets provides a foundation for the allocation of Group's resources. Variance analyses are regularly performed and reported to the managements and the Board in order to identify deficiencies and enable timely remedial actions. The annual budgeting and planning process have been refined to take into consideration of risk factors. All operating units prepared with their operating plans is required to identify material risks which may have impact on the achievement of business objectives. Action items to mitigate the identified risks are developed for implementation. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The procedures and internal controls of the Company for handling and dissemination of inside information includes conducting the affairs of the Company with close regard to the Guidelines on Disclosure of Inside Information published by Securities and Futures Commission and the Listing Rules and reminding the Directors and employees of the Group regularly about due compliance with all polices regarding the inside information.

Risk management and internal control systems are reviewed on an annual basis. During the year, the Board reviewed the effectiveness of the Group's risk management and internal control systems such as review of internal control report from the auditor of the Company, SOP & Policies, physical control activities in the day-to-day operation, segregation of duties applied in the day-to-day operation of the Group and training for all staff of the Group and top management review on the review of the day-to-day operation of the Group. Staffs were trained to ensure that all staff of the Group had known the importance of internal control and risk management and the Company's control activities. The Company considered the Group's risk management and internal control systems are effective and adequate.

The Company does not have an internal audit function. The Company is currently of the view that there is no immediate need to set up an internal audit function in light of the Group's simple corporate and operation structure. Review on the need for an internal audit function will be performed from time to time.

## COMPANY SECRETARY

The Company engages Ms. Leung Hoi Yan, who has been working with BPO Global Services Limited, as its company secretary. Its primary corporate contact person at the Company is Mr. Wong Yong Xian, the finance manager of the Company.

## SHAREHOLDERS' RIGHTS

Pursuant to the Articles of Association, any one or more shareholders of the Company (the "Shareholder(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner.

The Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph. The written requisition should be signed by the requisitionist(s) and deposited at the Company's principal place of business in Hong Kong, specifying the Shareholders' contact details and the resolution intended to be put forward at general meeting.

For including a resolution to propose a person for election as a Director at general meeting, the Shareholders are requested to follow the Articles of Association. A written notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a written notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong or at the Hong Kong branch share registrar and transfer office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for the Shareholders to propose a person for election as a Director are posted on the Company's website.

The Shareholders should direct their questions about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong. The Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. The Shareholders may also make enquiries to the Board by writing to the company secretary of the Company at the Company's principal place of business in Hong Kong at Unit B, 17/F, United Centre, 95 Queensway, Hong Kong.

## INVESTOR RELATIONS

The objective of the Shareholders' communication is to provide the Shareholders with information about the Company and enabling them to engage actively with the Company and exercise their rights as the Shareholders in an informed manner. Effective and timely dissemination of information to the Shareholders shall be ensured at all times.

Information shall be communicated to the Shareholders mainly through the Company's financial reports (half-year and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the corporate communication documents submitted to the Stock Exchange on the Company website and the Stock Exchange website. Information on the Company website (www.singtec.com.sg) is updated on a regular basis.

The amended and restated memorandum and articles of association of the Company was adopted on 23 August 2019 (the "Adoption Date"). There had been no significant change in the Company's constitutional documents since the Adoption Date.

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 30 September 2019.

## CORPORATE REORGANISATION

The Company was incorporated with limited liability in Cayman Islands on 17 September 2018.

Pursuant to a reorganisation scheme (the "Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Stock Exchange of Hong Kong Limited, the Company became the holding company of the companies now comprising the Group on 18 December 2018.

Details of the Reorganisation are set out in Note 2 to the consolidated financial statements.

The Shares of the Company were listed on the Stock Exchange with effect from 19 September 2019.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its operating subsidiaries are mainly engaged in provision of construction services primarily including (i) civil engineering works e.g. road works, earthworks, drainage works, earth retaining stabilising structures works and soil improvement works; (ii) building construction works mainly for industrial buildings which include substructure works, piling works, addition and alteration works and electrical and mechanical works; and (iii) other ancillary services which include logistics and transportation services of construction materials (collectively referred to as "Construction services"), and properties investment business including residential and industrial properties leasing ("Property investment"). There were no significant changes to the Group's principal activities during the year ended 30 September 2019.

## RESULTS/BUSINESS REVIEW

A review of the business of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position can be found in Management Discussion and Analysis set out on pages 5 to 10 of this annual report. This discussion forms part of this report of the Directors.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 30 September 2019, as far as the Directors are aware, the Company did not have any non-compliance with relevant laws and regulations that is material or systemic in nature.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 28 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 59 and Note 31 to the consolidated financial statements.

## DIVIDEND POLICY

The Company has adopted a dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed, as dividends to the shareholders of the Company. The Board adopted the dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

The Company does not have any pre-determined dividend distribution ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the provisions of the Articles of Association and all applicable laws and regulations and the factors set out below.

The Board shall also take into account the factors of the Group when considering the declaration and payment of dividends such as operations, earnings, financial condition, cash requirements and availability, capital expenditure, future development requirements, business conditions and strategies, interests of shareholders, any restrictions on payment of dividends, and any other factors that the Board may consider relevant.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend, and any distribution of profits that the Board may deem appropriate. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles of Association.

## DIVIDEND

The Board has resolved not to recommend the declaration of a final dividend for the year ended 30 September 2019.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme (as defined below) the Company did not enter into any equity-linked agreement during the year or subsisted at the end of the year ended 30 September 2019.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

## SUBSIDIARIES

Details of subsidiaries of the Company are set out in Note 35 to the consolidated financial statements.

## CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 14 to 20 in this annual report.

## ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on 27 February 2020.

## DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

***Executive Directors:***

| | |
|---|---|
| Mr. Poon Soon Huat *(Chairman)* | (appointed on 17 September 2018) |
| Mr. Teo Teck Thye *(Chief Executive Officer)* | (appointed on 17 September 2018) |

***Independent Non-Executive Directors:***

| | |
|---|---|
| Mr. Chan Kwok Wing Kelvin | (appointed on 23 August 2019) |
| Mr. May Tai Keung Nicholas | (appointed on 23 August 2019) |
| Mr. Tam Hon Fai | (appointed on 23 August 2019) |

In accordance with articles 83–84 of the Articles of Association, all the Directors will retire by rotation and, being eligible, will offer themselves for election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of the independent non-executive Directors as required under Rule 3.13 of Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Company considered all independent non-executive Directors to be independent.

Biographical information of the directors of the Company and the senior management of the Group are set out on pages 11 to 13 of this annual report.

## DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 19 September 2019 (the date of listing of the shares of the Company on the Main Board of the Stock Exchange) (the "Listing Date") and renewable automatically for successive terms of three years each commencing from the day next after the expiry of the current term of his appointment, unless and until terminated in accordance with the service agreement, or by either party giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a fixed term of three years commencing from 23 August 2019 subject to retirement and rotation and re-election in accordance with the Articles of Association.

None of the Directors, including those to be re-elected at the AGM, has a service contract or letter of appointment with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director or other officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

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

As at 30 September 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### *(a) Long positions in the shares of HK$0.01 each of the Company ("Shares")*

| Name of Director | Nature of interest | Number of Shares held | Percentage of issued share capital |
|---|---|---|---|
| Mr. Poon Soon Huat ("Mr. Poon") *(Note)* | Interest in controlled corporation | 360,000,000 | 75% |
| Mr. Teo Teck Thye ("Mr. Teo") *(Note)* | Interest in controlled corporation | 360,000,000 | 75% |

*Note: 360,000,000 Shares are held by HG TEC Holdings Limited ("HG TEC") which is beneficially owned as to 50% by Mr. Poon and as to 50% by Mr. Teo. Mr. Poon, Mr. Teo and HG TEC are regarded as a group of controlling shareholders of the Company under the Listing Rules acting in concert to exercise their voting rights in the Company and they together will be interested in a total of 75% of the issued share capital of the Company. Mr. Poon and Mr. Teo is deemed to be interested in the Shares held by HG TEC pursuant to the SFO.*

### *(b) Long positions in the shares of associated corporations*

| Name of Director | Name of associated corporation | Nature of interest | Number of shares held | Percentage of interest in associated corporation |
|---|---|---|---|---|
| Mr. Poon *(Note)* | HG TEC | Beneficial owner | 1 | 50% |
| Mr. Teo *(Note)* | HG TEC | Beneficial owner | 1 | 50% |

*Note: The Company is owned as to 75% by HG TEC. HG TEC is beneficially owned as to 50% by Mr. Poon and as to 50% by Mr. Teo.*

Save as disclosed above, as at 30 September 2019, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

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

As at 30 September 2019, the following persons had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

***Long positions in the Shares***

| Name of shareholder | Nature of Interest | Number of Shares held | Percentage of issued share capital |
|---|---|---|---|
| HG TEC *(Note 1)* | Beneficial owner | 360,000,000 | 75% |
| Mr. Poon *(Note 1)* | Interest in controlled corporation | 360,000,000 | 75% |
| Mr. Teo *(Note 1)* | Interest in controlled corporation | 360,000,000 | 75% |
| Ms. Yeo Siew Lan *(Note 2)* | Interest of spouse | 360,000,000 | 75% |
| Ms. Ng Kwee Bee *(Note 3)* | Interest of spouse | 360,000,000 | 75% |

*Notes:*

1. *HG TEC is beneficially owned as to 50% by Mr. Poon and as to 50% by Mr. Teo. Mr. Poon, Mr. Teo and HG TEC are regarded as a group of controlling shareholders of the Company under the Listing Rules acting in concert to exercise their voting rights in the Company and they together will be interested in a total of 75% of the issued share capital of the Company. Mr. Poon and Mr. Teo is deemed to be interested in the Shares held by HG TEC pursuant to the SFO.*

2. *Ms. Yeo Siew Lan is the spouse of Mr. Poon. Accordingly, Ms. Yeo Siew Lan is deemed to be interested in all the Shares in which Mr. Poon is interested under the SFO.*

3. *Ms. Ng Kwee Bee is the spouse of Mr. Teo. Accordingly, Ms. Ng Kwee Bee is deemed to be interested in all the Shares in which Mr. Teo is interested under the SFO.*

Save as disclosed above, as at 30 September 2019, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

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

During the year ended 30 September 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the sole Shareholder passed on 23 August 2019 are set out below:

### (1) *Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and motivate the contributions that Participants (as defined below) have made or may make to the Group.

The Share Option Scheme will give the Participants an opportunity to have a personal stake in the Company and will help achieve the following objectives:

(a) motivate the Participants to optimise their performance and efficiency; and

(b) attract and retain the Participants whose contributions are important to the long term growth and profitability of the Group.

### (2) *Determination of Eligibility*

"Participants" refer to:

(a) any full-time or part-time employee of any member of the Group;

(b) any consultant or adviser of any member of the Group;

(c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group;

(d) any substantial shareholder of the Group; and

(e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group,

and for the purposes of the Scheme, the Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants. For avoidance of doubt, the grant of any options of the Company for the subscription of Shares or any other securities of the Group to any person who fall within any of the above classes of Participants shall not, by itself, unless the Board otherwise determined, be construed as a grant of Option under this Scheme.

The basis of eligibility of any Participant to be granted any option shall be determined by the Directors (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

### (3) *Total Number of Shares Available for Issue*

A maximum of 48,000,000 Shares, being 10% of the total number of Shares in issue as at the date of this annual report, may be issued upon exercise of all options to be granted under the Share Option Scheme.

**(4) Maximum Entitlement of Each Eligible Person**

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

(a) approval of the Shareholders of the Company at general meeting, with such Eligible Participant and its close associates (or its associates if such Eligible Participant is a connected person) abstaining from voting;

(b) a circular in relation to the proposal for such further grant must be sent by the Company to its Shareholders with such information from time to time as required by the Listing Rules;

(c) the number and terms of the options to be granted to such proposed grantee shall be fixed before the Shareholders' approval mentioned in (i) above; and

(d) for the purpose of calculating the minimum exercise price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

**(5) Option Period**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Directors may in their absolute discretion determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof, and provided that the Directors may in their discretion determine the minimum period for which an Option has to be held or other restrictions before its exercise.

**(6) Minimum Vesting Period**

No minimum period for which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

**(7) Payment on Acceptance of the Option**

Participants of the Share Option Scheme are required to submit to the Company a duly signed offer letter within 7 days from the offer date together with a payment in favour of the Company of HK$1.00 per option as the consideration of the grant.

**(8) Basis of Determining the Exercise Price**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "Offer Date"), which must be a business day, on which the Board passes a resolution approving the making of an offer of grant of an option to a Participant;

(b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(c) the nominal value of a Share on the Offer Date.

***(9) Remaining Life***

Subject to any prior termination by the Company in a general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further options shall be granted. All options granted and accepted and remaining unexercised immediately prior to the expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during the year ended 30 September 2019 and there was no outstanding option as at 30 September 2019.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

## COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Grande Capital Limited (the "Compliance Adviser") as at 30 September 2019, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 10 December 2018, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

## COMPETING INTERESTS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the year ended 30 September 2019, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contract of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

## CONNECTED AND RELATED PARTY TRANSACTIONS

The Group had not entered into any connected transaction during the year ended 30 September 2019, which is required to be disclosed under Chapter 14A of the Listing Rules. Related party transactions entered into by the Group during the year, are disclosed in Note 34 to the consolidated financial statements. Upon Listing, certain related party transactions set out in Note 34 to the consolidated financial statements are regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of such transactions are set out in the section headed "Connected Transactions" in the Prospectus. As disclosed in the Prospectus, such continuing connected transactions as from the Listing Date and are fully exempt from the connected transaction requirements of Chapter 14A of the Listing Rules.

## RETIREMENT SCHEME

The Group participates in the central provident fund, which is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement. Save as the aforesaid, the Group did not participate in any other pension schemes during the year ended 30 September 2019.

## EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the years ended 30 September 2019 and 30 September 2018 are set out in Note 12 to the consolidated financial statements.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the consolidated financial statements.

## AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Deloitte & Touche LLP as auditor of the Company.

## EVENT AFTER 30 SEPTEMBER 2019

Save as disclosed in Notes 34 and 37 to the consolidated financial statements, there is no material subsequent event undertaken by the Group after 30 September 2019 and up to the date of this annual report.

On behalf of the Board
**Mr. Poon Soon Huat**
*Chairman and Executive Director*
19 December 2019

## INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

S&T Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "we") has a well-established presence in the construction industry for over 20 years and is engaged in construction services and property investment business in Singapore.

In particular, its construction services include: (i) civil engineering works entailing road works, earthworks, drainage works, earth retaining stabilising structures works and soil improvement works; (ii) building construction works mainly for industrial buildings which include substructure works, piling works, addition and alteration works and electrical and mechanical works; and (iii) other ancillary services which include logistics and transportation services of construction materials.

The Group holds firm belief that the employees are its most valuable asset. Therefore, the Group ensures constant development of our employees to present our customers with service of the highest calibre and relevance in the construction industry.

This Environmental, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

## THE ESG GOVERNANCE STRUCTURE

The Group has established the ESG working taskforce (the "Taskforce"). The Taskforce comprises full-time staff from relevant departments and is responsible for collecting relevant information on our ESG aspects for compiling the ESG Report. The Taskforce periodically reports to the Board of Directors (the "Board"), assists in identifying and assessing the Group's ESG risks and the effectiveness of the internal control mechanisms. The Taskforce also examines and evaluates the Group's performances in different aspects, such as environmental protection, labour practices, and other ESG aspects. The Board sets the general direction for the Group's ESG strategies, ensuring the effectiveness of risks management and internal control mechanisms.

## SCOPE OF REPORTING

The ESG Report covers the Group's business activities in Singapore where its principal business operations are located, thus represents the Group's major sources of revenue. The ESG key performance indicator ("KPI") data is gathered and includes, but not limited to, Sing Tec Development Pte. Ltd. and Sing Tec Construction Pte Ltd which are under the Group's direct operational control. The KPIs are shown in the ESG Report and are supplemented by explanatory notes to establish benchmarks. The Group will extend the scope of disclosures when and where applicable.

## REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited.

Information relating to the Group's corporate governance practices can be found in the Corporate Governance Report on pages 14 to 20 of the 2019 Annual Report.

## REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures taken by the Group during the year ended 30 September 2019.

## STAKEHOLDER ENGAGEMENT

The Group values our stakeholders and their feedback regarding our businesses and ESG aspects. To understand and address their key concerns, the Group has maintained close communication with our key stakeholders, including but not limited to shareholders and investors, employees, suppliers, subcontractors, customers such as government authorities and construction contractors, media and the public.

In formulating operational and ESG strategies, the Group takes stakeholders' expectations into consideration by utilising diversified engagement methods and communication channels as shown below.

| Stakeholders | Communication Channel | Expectations |
|---|---|---|
| Shareholders and investors | • Annual general meetings and other shareholder meetings<br>• Annual reports and interim reports<br>• Announcements and circulars<br>• Company website | • Sustainable profitability and shareholder return<br>• Transparent reporting<br>• Sound corporate governance practices<br>• Long-term business growth |
| Government authorities | • Written or electronic correspondences | • Reliable and consistent project delivery<br>• Compliance with local laws and regulations |
| Employees | • Trainings, seminars, and briefing sessions<br>• Performance reviews<br>• Intranet | • Remuneration and benefits<br>• Fair and competitive employment practices and policies<br>• Safe and healthy work environment |
| Suppliers and subcontractors | • Supplier management meetings and events<br>• Supplier audit | • Fair competition<br>• Win-win cooperation |
| Customers | • Customer satisfaction survey | • Customer information and privacy protection |
| Media and the public | • ESG report | • Corporate social responsibility<br>• Environmental topics |

The Group aims to collaborate with our stakeholders to improve our ESG performance and continuously create greater value for the wider community.

## MATERIALITY ASSESSMENT

The respective management and employees responsible for key functions of the Group have participated in the preparation of the ESG Report. They have assisted the Group in reviewing its operations, identified key ESG issues and its importance to our businesses and stakeholders. The Group has compiled a questionnaire in reference to the identified material ESG aspects to collect the information from relevant departments and business units of the Group.

The following table is a summary of the Group's material ESG issues included in the ESG Report:

| The ESG Reporting Guide | | Material ESG aspects of the Group | |
|---|---|---|---|
| **A.** | **Environmental** | | |
| A1. | Emissions | Greenhouse Gas ("GHG") Emissions | P. 33 |
| | | Waste Management | P. 36 |
| A2. | Use of Resources | Energy Efficiency | P. 37 |
| | | Water Consumption | P. 38 |
| A3. | The Environment and Natural Resources | Noise Control | P. 39 |
| | | Vibration Control | P. 40 |
| **B.** | **Social** | | |
| B1. | Employment | Recruitment, Promotion and Remuneration | P. 41 |
| | | Other Benefits and Welfare | P. 42 |
| B2. | Health and Safety | Provision of Safe Environment to Employees | P. 43 |
| | | Safety Trainings and Inspections | P. 43 |
| B3. | Development and Training | Training and Development | P. 43 |
| B4. | Labour Standards | Prevention of Child and Forced Labour | P. 44 |
| B5. | Supply Chain Management | Fair and Open Tendering | P. 44 |
| B6. | Product Responsibility | Quality Control of Projects | P. 45 |
| B7. | Anti-corruption | Whistle-blowing Mechanism | P. 46 |
| B8. | Community Investment | Community Participation | P. 46 |

For the year ended 30 September 2019, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

## CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of the ESG Report or our performances in sustainable development by email at info@singtec.com.sg.

# A. ENVIRONMENTAL

## *A1. Emissions*

*General Disclosure and KPIs*

The Group is engaged in construction services and property investment business in both private and public sectors in Singapore. One of our five competitive strengths identified is our stringent quality control, high safety standard and environmental impact control.

Operations at work sites are subject to certain environmental requirements pursuant to Singaporean laws. In addition to complying with legally binding regulations, the Group is committed to minimising any adverse impact on the environment as a result of our business activities. The Group has actively responded by establishing environmental management systems in accordance with ISO 14001:2015. The said management systems include measures and work procedures governing environmental protection compliance that our employees and subcontractors are obliged to follow.

Since 2015, the Group has recorded growth in cost in complying with applicable environmental requirements, such as but not limited to, subcontracting charges for filtering water discharge, implementing noise monitoring and engaging in pest control services. The said cost is, and is predicted to continue being, consistent with our scale of operation. Slight fluctuations of the compliance cost might occur depending on the agreements signed between the Group and its customers and subcontractors since the party responsible for bearing the relevant costs is decided on a case-by-case basis.

The Group has implemented the Environmental Management Policy which commits to, among other things, periodically reviewing the Environmental System and continuously improving the Environmental Improvement Programme. Objectives and their respective targets on Environmental Management have been set. The actual figure for waste disposal and other construction waste is recorded to be lower than the target set, showing that the current measures are effective.

During the year ended 30 September 2019, the Group was not aware of any material non-compliance with laws and regulations including but not limited to, Environmental Public Health Act (Chapter 95 of Singapore) and Earth Control Measures under the Sewerage and Drainage Act (Chapter 294 of Singapore), relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

*Air Emissions*

Due to our business nature, the Group considers that the relevant air emission generated is of an insignificant level.

To further reduce dust generation in the construction sites, the Group has implemented the following into the Green and Gracious Project Management Plan 2019:

- Covering exposed earth with sheets and erosion control blanket to reduce dust and prevent silt discharge; and
- Covering dust generating materials during transportation.

Summary of exhaust gases emissions performances:

| **Exhaust Gases Emissions** | **Unit** | **2019** |
|---|---|---|
| Nitrogen oxides ("NOx") | Tonnes | 5.57 |
| Sulphur oxides ("SOx") | Tonnes | 0.0081 |
| Particulate Matter ("PM") | Tonnes | 0.40 |

*GHG Emissions*
The principal GHG emissions of the Group are generated from the petrol and diesel consumption of vehicles (Scope 1) and purchased electricity (Scope 2).

Scope 1 – Direct GHG Emissions
The Group has adopted the following measures to mitigate the direct GHG emissions from petrol and diesel consumption in our operations:

- Purchase motor vehicles of EURO 6 Emission Standard;
- Plan routes well ahead of time to optimise fuel consumption;
- Switch off the engine whenever the vehicle is idling;
- Examine and obtain certification for the vehicles per section 90 of Road Traffic Act; and
- Provide regular maintenance service to the vehicles to ensure optimal engine performance and fuel use.

Scope 2 – Indirect GHG Emissions
Electricity consumption accounts for the largest indirect GHG emissions within the Group. The Group has implemented measures to reduce energy consumption, said measures are mentioned in Aspect A2 Use of Resources.

As a result, the employees' awareness of reducing GHG emissions has been increased through these measures.

Summary of GHG emissions performances:

| Indicator[1] | Unit | 2019 |
|---|---|---|
| Scope 1 – Direct GHG emissions | | |
| • Petrol and diesel consumption | $tCO_2e$[2] | 5,973.28 |
| Scope 2 – Indirect GHG emissions | | |
| • Purchased electricity | $tCO_2e$ | 28.15 |
| Total GHG emissions | $tCO_2e$ | 6,001.43 |
| Intensity | $tCO_2e$/employee[3] | 26.57 |
| | $tCO_2e$/million revenue (S$)[4] | 61.95 |

*Notes:*

1. *GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Bank Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2015 (AR5) and the Electricity Grid Emission Factors and Upstream Fugitive Methane Emission Factor issued by the Energy Market Authority of Singapore.*

2. *$tCO_2e$ is defined as tonnes of carbon dioxide equivalent.*

3. *As at 30 September 2019, the Group had 226 full-time employees. The data is also used for calculating other intensity data.*

4. *During the year ended 30 September 2019, the Group recorded a revenue of S$96,872,098. The data is also used for calculating other intensity data.*

*Sewage Discharge*

The water and sewage discharge at the construction sites were borne by the subcontractors of the Group, therefore the discharge pertaining to activities in construction sites were not included in this ESG Report. The Group's office did not consume a significant and disproportional amount of water through business activities.

*Waste Management*

Hazardous Waste Handling Method

No material hazardous waste, according to the list of waste considered as being hazardous under the Schedule of the Environmental Public Health (Toxic Industrial Waste) Regulations 1988 of Singapore, has been generated by the Group during the year ended 30 September 2019. The Group hires subcontractors to dispose of construction waste; the treatment for any hazardous waste complies with strict local regulations.

Non-hazardous Waste Handling Method

The Group's wastes came from office and construction sites. The wastes generated in construction sites are removed by subcontractors. The Group proactively commits to reducing waste by upcycling.

In construction sites, decommissioned construction materials such as lorry containers and galvanised iron pipes were upcycled into shoe racks or stands for drinking water. Milled waste was recycled to cover access road and site office car park to reduce dust pollution on site.

In the office, a number of green measures are encouraged, such as double-sided printing or photocopying, printing electronic correspondences only when necessary, recycling one-sided printed paper and avoiding the use of single-use disposable items.

As a result, the employees' awareness of waste management has been increased through these implementations.

Summary of major non-hazardous waste discharge performance:

| **Category of Waste** | **Unit** | **2019** |
|---|---|---|
| Office paper[1] | Tonnes | 0.59 |
| Intensity | Tonnes/employee | 0.0026 |
| | Tonnes/million revenue (S$) | 0.0061 |

*Note:*

1. *Only A4 paper was used, the consumption was approximately 134,335 sheets.*

## A2. Use of Resources

*General Disclosure and KPIs*

The Group takes initiatives to introduce measures to increase energy and resource efficiency and adopt eco-friendly approaches in the Group's business operations.

The Group takes pride in the implementation of the Green and Gracious Policy, the Group is committed to promoting more efficient use of resources. The said policy aims to help create a green and gracious workplace for our staff and workers as well as to maintain a clean and safe living environment for the nearby communities.

*Energy Efficiency*

The Group aims to minimise environmental impacts in our operations by identifying and adopting appropriate measures in our operations. Related policies and initiatives on energy conservation and resource utilisation have been developed. All employees are duly notified of the implementation of such policies and measures. Regular review is conducted on our energy objectives and targets to seek continuous improvement in the Group's energy performance. Should the usage of energy in any of the Company's operations increase unreasonably, the Group will send reminders via email to remind relevant departments of energy conservation.

During the year ended 30 September 2019, the Group has performed the following measures to increase energy efficiency:

- Use solar energy to power machines;
- Use AC grid power supply instead of diesel generators for site office;
- Switch off unnecessary lightings and electrical appliances when not in use;
- Set up procedures for on-site energy consumption monitoring system; and
- Adopt higher energy-efficiency office equipment in our workplace.

As a result, the employees' awareness of energy conservation has been increased through these energy-saving measures.

Summary of energy consumption:

| Type of Energy | Unit | 2019 |
|---|---|---|
| Diesel | kWh | 4,977,021.35 |
| Intensity | kWh/employee | 22,022.22 |
| | kWh/million revenue (S$) | 51,377.24 |
| Petrol | kWh | 152,691.55 |
| Intensity | kWh/employee | 675.63 |
| | kWh/million revenue (S$) | 1,576.22 |
| Electricity | kWh | 68,490.00 |
| Intensity | kWh/employee | 303.05 |
| | kWh/million revenue (S$) | 707.01 |

*Water Consumption*

The Group is committed to reducing water usage by promoting awareness of water conservation amongst its employees. The procedure for water conservation measures has been enforced. As a result, the employees' awareness of water conservation has been increased through these energy-saving measures.

The data on water consumption listed below only included water used in the office, since the said consumption at construction sites are normally billed to the subcontractors and the Group does not have direct control over the water consumption at the construction sites. With the exception of small-scale construction sites, where the Group transports water tanks with water originated and billed from the registered address of the Group's office.

To develop the habit of water conservation, reminders in the form of posters can be seen around construction sites and the office. Other actions taken by the Group also include:

- Installation of dual flush water cistern in toilets and water-saving thimble in sinks in washrooms; and

- Utilisation of recycled water for washing of vehicles, cleaning of dirty roads and site vicinity and wetting of roads to reduce dust pollution.

Due to our business nature, the Group did not encounter any problem in sourcing water that is fit for purpose.

Summary of water consumption performance:

| Indicator | Unit | 2019 |
|---|---|---|
| Total water consumption | $m^3$ | 1,188.10 |
| Intensity | $m^3$/employee | 5.26 |
| | $m^3$/million revenue (S$) | 12.26 |

*Use of Packaging Material*
The use of packaging materials is not considered as a material ESG aspect of the Group; the Group does not have business activities concerning industrial production or any factory facilities.

### *A3. The Environment and Natural Resources*

*General Disclosure and KPIs*
The Group is committed to minimising negative environmental impacts occasioned by our business operations and has been very proactive in reducing any environmental impacts by adopting a multi-faceted approach.

*Noise Control*
The Group recognises that noise pollution may be generated as a result of our business nature. Therefore, the Group has implemented a number of measures to reduce noise level and ensure that the quality of life of the neighbours would not be severely disrupted. They are as follows:

- Guidelines are set for construction projects according to the regulations of the National Environment Agency of Singapore;
- Noise level is regularly monitored to ensure that constructions do not generate noise levels higher than prescribed;
- A Noise Management Plan is drafted for each construction project, its measures include restricting piling work at certain hours of the day;
- Machinery sound barriers are set up; and
- Noise barriers are erected at the construction sites where residential buildings are in close proximity.

*Vibration Control*
The Group recognises vibration as a potential issue to the environment. Measures have been strictly enforced and are as follows:

- Vibration level is limited to 7 mm/s or less; and
- Vibration monitoring instruments are installed at the construction sites.

Recent monitoring reports conducted by an independent organisation showed that the vibration threshold was not triggered.

Apart from the known potential negative environmental impacts, the Group regularly assesses the potentiality of other impacts pertaining to our business activities and adopts preventive measures to reduce potential risks. These can include hanging banners at the vicinity of the construction sites with designated hotlines visibly displayed should the public wish to file a complaint on non-compliance, as well as fostering public communication with residents, tenants and town council around the construction sites.

*Managing over environmental impact*
The Group aims to promote environmental protection and gracious practices during the construction phase. The Group procures environmentally friendly products such as energy-efficient printing machines and toiletry products on site, with the hopes of advocating our workers on the importance of environmental protection and that even the effort of an individual is of importance. Furthermore, environmental posters are displayed around the office and construction sites to remind the workers to take action.

External vendors are employed to conduct vector control regularly at the sites, on top of our pre-existing in-house vector inspection on site.

Sing Tec Development Pte Ltd was awarded the BCA Green and Gracious Builder Award in 2018, signifying that our effort in building a safe and sustainable built environment has been recognised by the Building and Construction Authority.

## B. SOCIAL

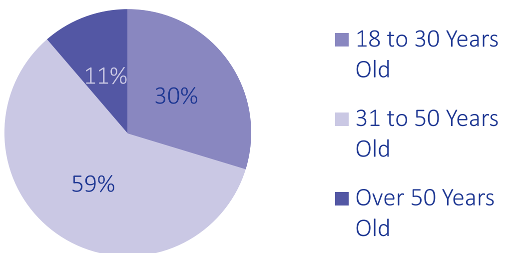
### B1. Employment

*General Disclosure*

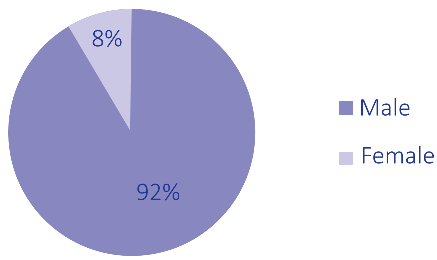
Human resources are the cornerstone of the Group. The Group recognises that sustainable growth of the Group relies on recruitment and retention of talent regardless of their age, gender and ethnic backgrounds, etc.

As at 30 September 2019, the Group had 226 full-time employees and did not hire part-time employees. The age distribution of the Group's employees was approximately 30% for 18 to 30 years old, 59% for 31 to 50 years old and 11% for above 50 years old. Due to the Group's extensive construction business, 92% of the Group's employees were male. The employee turnover rate among the Group's full-time employees is 22.9%.

Employee Age Distribution




Employee Gender Distribution




Relevant employment policies are formally documented in the Employee Handbook, covering recruitment and remuneration, compensations, working hours and rest periods, diversity and equal opportunities, etc. The Group reviews these policies and our employment practices periodically to ensure continuous improvement of our employment standards and competitiveness against companies in the similar industry.

During the year ended 30 September 2019, the Group was not aware of any material non-compliance with employment-related laws and regulations including but not limited to the Employment Act (Chapter 91 of Singapore) and the Employment of Foreign Manpower Act (Chapter 91A of Singapore).

*Recruitment, Promotion and Remuneration*

The Group is committed to promoting equal opportunities and diversity in recruitment. Our employees are recruited via a robust, transparent and fair recruitment process based on their merits and their potential to fulfil the Group's current and future needs.

Our basis for remuneration is job-related skills, qualifications and performances. The Group will conduct annual performance and salary review to determine any salary adjustments and/or promotion opportunities. Remuneration packages include variable bonuses, annual leave, maternity leave, childcare leave, adoption leave, compassionate leave and medical reimbursement, etc.

*Working Hours and Rest Periods*

The Group has formulated policies in determining the working hours and rest periods for employees following local employment laws.

*Compensation and Dismissal*
The Group compensates employees through the provision of Workmen's Injury Compensation Insurance Policy under the Workmen's Injury Compensation Act (Chapter 354 of Singapore), which covers employees who sustain personal injury by accident or disease arising out of the course of employment.

Unreasonable dismissal under any circumstances is prohibited; a detailed list of major offences regarded as just reasons for dismissal can be found in the Employee Handbook. Where necessary, the Group may specify additional major offences as just cause for dismissal, based on operational requirements unique to the Company.

*Equal Opportunities, Diversity and Anti-discrimination*
Sustainable growth of the Group relies on the diversity of talents, regardless of their gender, age, sexual orientation or religious backgrounds. The Group is committed to creating and maintaining an inclusive and collaborative workplace culture. Furthermore, the Group is dedicated to providing equal opportunities in all aspects of employment and protecting our employees from discrimination, physical or verbal harassment based on race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation. The Group also strives to ensure that complaints, grievances and concerns, including whistle-blowing, are being dealt with promptly and confidentially. The Group does not tolerate sexual harassment or abuse in the workplace in any form.

*Other Benefits and Welfare*
Sponsorship for Continuous Learning is available for employees pursuing a course related to the employee's job scope or the Group's objectives. Also, employees are eligible for reimbursement for their medical bills.

Each year, the Group hosts various events to boost employees' sense of belonging and enhance their well-being, such as festive celebrations for employees of different ethnic backgrounds, and annual family day.

### B2. Health and Safety

*General Disclosure*
The Group places high priority in providing employees with a safe and healthy working environment. An occupational health and safety management system has been established to mitigate the occurrence of accidents through safety inspections, which is OHSAS 18001:2007 certified. Relevant policies are reviewed annually, or soon after an incident arises, to make sure the said policies continue to be updated. The Group is also certified with BizSafe Level Star and SS 506 Part 1:2009.

During the year ended 30 September 2019, the Group was not aware of any material non-compliance with health and safety-related laws and regulations including but not limited to Workplace Safety and Health Act (Chapter 354A of Singapore) that would impact the Group significantly.

*Provision of Safe Environment to Employees*

The Group realises that the employees are the Company's most valuable assets, therefore the Group is keen on providing a safe and healthy working environment to retain talents and ensure that their well-being is taken care of.

The Group has provided the following, among other things, to its employees:

- Clean, ventilated dormitory rooms with proper sanitary facilities;
- Proper transportation to and from construction sites and the dormitories;
- Hot and cold water points;
- Recreational area and site canteen;
- Dedicated female changing room and washrooms;
- Morning exercises and fitness area; and
- Proper work and footwear.

*Safety Training and Inspections*

Our employees are aware of the importance of strict compliance with safety requirements. Personnel, whether employed directly or indirectly by the Group, is required to abide by all applicable laws, regulations and safety requirements imposed by relevant government authorities.

Mass Tool Box Meetings are regularly conducted to educate all workers on the relevant health hazards, safe working practices and proper use of personal protective equipment. Local legislation and in-house rules are clearly displayed in construction sites.

In 2018, the Group achieved better Average Severity Rate scores than the average of the Construction Industry. During the year ended 30 September 2019, there were no work-related fatalities.

### B3. Development and Training

General Disclosure

*Training and Development*

The Group aspires to unleash the potential of its employees. Furthermore, training and continuous development are indispensable to our staff to keep abreast of the latest trend in the industry.

Thus, the Group takes a proactive approach to provide employees with opportunities to advance their careers. The employees are encouraged to apply for internal and external training courses to refresh prior knowledge, familiarise themselves with newly updated guidelines and maintain their competitiveness within the industry.

Internally, the Group provides its employees with workshops, conferences, and seminars that are related to the works. Training contents are regularly updated to be in line with the industrial standard and provide maximum benefit to the employees.

70.5% of male and 57.9% of female employees have undergone training organised internally and externally by the Group, totaling 2,869 hours. Percentage of middle management participated in training is recorded at 50% and 72% for other employees. Average training hours completed per employee by gender is 13.6 hours for male and 8.45 hours for female and 10.4 hours for middle management and 13.6 hours for other employees by employee category.

Moreover, the Group realises that the willingness of taking external courses may be deterred by financial burden. Therefore, the Group provides sponsorship and study bonds for employees who are interested in undertaking further education outside of normal working hours. Employees are also entitled to apply for exams and study leaves subject to approval from their supervisors.

### B4. Labour Standards

*General Disclosure*

*Prevention of Child and Forced Labour*

Child and forced labour are strictly prohibited during the recruitment process as prescribed by laws and regulations. The Group strictly complies with local laws and does not provide employment to children before they reach the legal age to work as defined by the International Labour Organisation ("ILO") Convention and Ministry of Manpower ("MOM") in Singapore. Personal data such as identification cards will be collected during the recruitment process. If violation is involved, it will be dealt with in the light of circumstances. No employee shall be compelled to work against his or her will through force or intimidation of any form or subjected to corporal punishment or coercion of any type related to work.

During the year ended 30 September 2019, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, including but not limited to the Employment Act (Chapter 91 of Singapore) that would have a significant impact on the Group.

### B5. Supply Chain Management

*General Disclosure*

*Basis of Selecting Suppliers*

The Group takes into account suppliers' job reference, technical submission, prevailing market price, delivery time and reputation. The Group strives not to over-rely on a specific supplier in order to ensure the stability of the supply chain. Currently, the Group has more than 255 approved suppliers, providing flexibility to engage with alternative suppliers should there be instances where engagement with original suppliers becomes unsuccessful. The Group is keen on supporting its local economy, 100% of the procurement is sourced locally in Singapore.

To ensure consistency in the quality of the work received, the Group's suppliers and sub-contractors are assessed according to four criteria: Delivery, Quality, Response and Price. Suppliers' work will be evaluated after the first order and annually by the purchasers, as for sub-contractors, their work will be evaluated both quarterly and during the post-mortem assessment by relevant Quantity Surveyors and Project Managers. Contracts with suppliers or sub-contractors may be de-activated or terminated if the expectation of the Company is not met.

*Fair and Open Tendering*

New businesses are secured mainly through two approaches, 1) tender opportunities published on the GeBIZ (the Singapore government's one-stop e-procurement portal) or 2) direct invitation for tender or quotation requests by customers. The Group does not expect to rely on our Controlling Shareholders and/or their associates for operational resources of suppliers. The Group prohibits discrimination against certain vendors and strictly monitors and prevents all types of business bribery.

## B6. Product Responsibility

*General Disclosure*

The Group is dedicated to producing high-quality projects, not only is it crucial to construction safety but it also attracts future business opportunities. Projects are subjected to strict inspection regularly by different levels of management.

During the year ended 30 September 2019, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group, including but not limited to Personal Data Protection Act 2012 of Singapore, concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress.

*Quality Control of Projects*

The Group has obtained ISO 9001:2015 accreditation since 2007. The existing quality management system is set up with clear procedures of management system planning, support, operation and performance evaluation. Workers and subcontractors are duly notified of the management system and are required to follow such procedures.

*Customer Privacy Protection*

The Group respects the values and rights of customers' information assets and strictly complies with the customers' information security management systems and standards. Our employees are trained to respect the confidentiality of our customers' information. The Group has also implemented firewall, anti-virus, and anti-spam solutions for our IT systems to safeguard confidential information and are routinely upgraded.

*Customer Services*

Feedbacks from customers are welcomed as it is the key to enhancing our service. Procedures for handling feedbacks have been set up. Feedbacks are recorded in detail and appropriate follow-up actions are taken. Should the feedback bear significant weight to the improvement of the Group, the feedback will be considered as a case study to prevent re-occurrence.

*Protection of Intellectual Property Rights*

The logo of the Group has been registered as a trademark in both Hong Kong and Singapore. The domain name is also registered. For any infringement of our intellectual property, the Group will urge infringers to cease such action. The Human Resources Department of the Group shall take further action should infringement continue.

### B7. *Anti-corruption*

*General Disclosure*

The Group emphatically affirms its zero-tolerance policy regarding corruption, fraud and all other behaviours that severely violate professionalism and work ethics. The Group places a high priority on integrity, honesty and fairness. Two major policies are of relevance to this section, namely the whistle-blowing policy and code of conduct for directors and employees.

During the year ended 30 September 2019, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering, including but not limited to the Prevention of Corruption Act (Chapter 241 of Singapore).

*Whistle-blowing Mechanism*

The Group has set out a detailed reporting and investigative procedure to encourage employees to report fraudulent activities. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation. Therefore, the employee reporting in good faith under this procedure shall be assured of the protection against unfair dismissal or victimization, even if the reports are subsequently proved to be unsubstantiated.

*Code of Conduct*

In the Code of Conduct of Directors, a conflict of interest policy is established, detailing the disclosure procedures should any material personal interest be present in a proposed transaction involving the Group and the relevant director. Furthermore, directors are required to respect confidentiality whilst facilitating an open exchange of true views between the directors and committee members of the Group.

In the Code of Conduct of Employees, a section on bribery has been included to remind employees that receiving gifts in any form that are intended to influence a business decision are unacceptable. A list of misconduct examples is included, in particular, 'soliciting or collecting contributions for any purpose at any time in the Group without the permission of Supervisor' is explicitly specified.

### B8. *Community Investment*

*General Disclosure*

*Community Participation*

The Group believes in giving back to society through social participation and monetary contribution. The Group holds annual community day where the employees are encouraged to give back to the community.

During the year ended 30 September 2019, the Group has donated charity goodies bags and spent time with senior citizens at the NTUC Health SilverACE. The Group has also made temple donation contributions to Long Xian Shan Gong Temple and Boo Choong Hoi and seventh-month prayer donation to Seng Chai Musical Instrument Centre, totalling approximately at S$27,000.

## THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Declaration |
|---|---|---|
| **Aspect A1: Emissions** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Emissions |
| KPI A1.1 ("comply or explain") | The types of emissions and respective emissions data. | Emissions – Air Emissions, GHG Emissions, Sewage Discharge, Waste Management |
| KPI A1.2 ("comply or explain") | GHG emissions in total (in tonnes) and intensity. | Emissions – GHG Emissions |
| KPI A1.3 ("comply or explain") | Total hazardous waste produced (in tonnes) and intensity. | Emissions – Waste Management (Not applicable – Explained) |
| KPI A1.4 ("comply or explain") | Total non-hazardous waste produced (in tonnes) and intensity. | Emissions – Waste Management |
| KPI A1.5 ("comply or explain") | Description of reduction initiatives and results achieved. | Emissions – Air Emissions, GHG Emissions, Waste Management |
| KPI A1.6 ("comply or explain") | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | Emissions – Waste Management |
| **Aspect A2: Use of Resources** | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Use of Resources |
| KPI A2.1 ("comply or explain") | Direct and/or indirect energy consumption by type in total and intensity. | Use of Resources – Energy Efficiency |
| KPI A2.2 ("comply or explain") | Water consumption in total and intensity. | Use of Resources – Water Consumption |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Declaration |
|---|---|---|
| KPI A2.3 ("comply or explain") | Description of energy use efficiency initiatives and results achieved. | Use of Resources – Energy Efficiency |
| KPI A2.4 ("comply or explain") | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | Use of Resources – Water Consumption |
| KPI A2.5 ("comply or explain") | Total packaging material used for finished products (in tonnes) and with reference to per unit produced. | Use of Resources – Use of Packaging Material (Not applicable – Explained) |
| **Aspect A3: The Environment and Natural Resources** | | |
| General Disclosure | Policies on minimizing the issuer's significant impact on the environment and natural resources. | The Environment and Natural Resources |
| KPI A3.1 ("comply or explain") | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | The Environment and Natural Resources – Noise Control, Vibration Control |
| **Aspect B1: Employment** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Employment |
| KPI B1.1 (Recommended Disclosure) | Total workforce by gender, employment type, age group and geographical region. | Employment |
| KPI B1.2 (Recommended Disclosure) | Employee turnover rate by gender, age group and geographical region. | Employment |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Declaration |
|---|---|---|
| **Aspect B2: Health and Safety** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Health and Safety |
| KPI B2.1 (Recommended Disclosure) | Number and rate of work-related fatalities. | Health and Safety – Safety Training and Inspections |
| **Aspect B3: Development and Training** | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Development and Training |
| KPI B3.1 (Recommended Disclosure) | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Development and Training |
| KPI B3.2 (Recommended Disclosure) | The average training hours completed per employee by gender and employee category. | Development and Training |
| **Aspect B4: Labour Standards** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | Labour Standards |
| KPI B4.1 (Recommended Disclosure) | Description of measures to review employment practices to avoid child and forced labour. | Labour Standards |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Declaration |
|---|---|---|
| **Aspect B5: Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Supply Chain Management |
| KPI B5.1 (Recommended Disclosure) | Number of suppliers by geographical region. | Supply Chain Management |
| **Aspect B6: Product Responsibility** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility |
| **Aspect B7: Anti-corruption** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Anti-corruption |
| **Aspect B8: Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Community Investment |
| KPI B8.1 (Recommended Disclosure) | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Community Investment |
| KPI B8.2 (Recommended Disclosure) | Resources contributed (e.g. money or time) to the focus area. | Community Investment |

**TO THE SHAREHOLDERS OF S&T HOLDINGS LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of S&T Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 126, which comprise the consolidated statement of financial position as at 30 September 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS *(continued)*

| Key audit matter | How the matter was addressed in the audit |
| --- | --- |
| *Recognition and accounting for revenue from civil engineering works and building construction works (Note 6)*<br>The Group is involved, amongst others, in the provision of civil engineering works and building construction works for which input method (i.e. based on actual costs incurred to date as a percentage of total budgeted costs to complete the project) is applied to measure the Group's progress towards satisfaction of a performance obligation and recognises revenue over time in accordance with IFRS 15 *Revenue from Contracts with Customers*.<br><br>The revenue and profit recognised in a year on these services is dependent, amongst others, on the assessment of the Group's efforts or inputs to the projects (i.e. contract costs incurred for work performed) relative to the expected inputs to the projects (i.e. estimated total budgeted contract costs committed for the projects).<br><br>The uncertainty and subjectivity involved in determining the budgeted costs to complete and foreseeable losses may have a significant impact on the revenue and profit of the Group.<br><br>The Group's revenue recognition policy and key sources of estimation uncertainty are set out in Notes 4 and 5 to the consolidated financial statements. | We obtained an understanding of the projects under construction, evaluated the design and implementation of relevant key controls put in place by the Group in respect of revenue recognition including budgeted costs to complete and tested the operating effectiveness of key controls over the recognition of actual cost incurred, including cost allocations among projects.<br><br>We assessed the Group's revenue recognition practices to determine that they are in compliance with IFRS 15 *Revenue from Contracts with Customers* including the Group's efforts or inputs to the projects (i.e. contract costs incurred for work performed) relative to the expected inputs to the construction projects (i.e. estimated total budgeted contract costs committed for the projects) and conducted site visits for major construction sites in-progress.<br><br>We obtained a complete list of projects from management and selected certain projects for detailed assessment. For selected projects, our audit procedures included the following:<br><br>i. agreed projects contract sum to signed contracts and variation orders;<br><br>ii. vouched the actual cost incurred during the year to the details of suppliers' delivery orders and invoices and subcontractors' progress certificates to ensure the validity and accuracy of the costs;<br><br>iii. performed cut-off testing to verify contract costs incurred are taken up in the appropriate financial year;<br><br>iv. assessed the estimated cost to complete by substantiating costs that have been committed to quotations and contracts entered;<br><br>v. performed retrospective review by comparing total actual contract costs incurred at completion against the total budgeted contract costs to assess the reasonableness of the estimates used by the management; |

## KEY AUDIT MATTERS *(continued)*

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| | vi. for projects in progress, re-computed the percentage of completion of the contract based on input method to test the accuracy of the percentage of completion to determine the revenue to be recognised for the year; and<br><br>vii. for projects completed during the year, obtained certificates of completion and verified that the remaining revenue was captured.<br><br>We then compared the total contract revenue to actual cost incurred plus estimated cost to complete and assessed for foreseeable losses.<br><br>We also examined the project documentation (including contracts effective during the financial year, terms and conditions) and discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns which may result in liquidated damages.<br><br>Based on our procedures above, we have assessed the Group's revenue and contract costs recognised in profit or loss to be appropriate. |

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Mao Meijiao.

Deloitte & Touche LLP
*Public Accountants and Chartered Accountants*
Singapore

19 December 2019

# *Consolidated Statement of Profit or Loss and Other Comprehensive Income*

Year ended 30 September 2019

| | Note | 2019<br>S$ | 2018<br>S$ |
|---|---|---|---|
| **Revenue** | | | |
| Services | 6 | **96,359,253** | 83,458,630 |
| Rental | 6 | **512,845** | 504,694 |
| Total revenue | | **96,872,098** | 83,963,324 |
| Cost of services | | **(80,020,208)** | (70,664,483) |
| **Gross profit** | | **16,851,890** | 13,298,841 |
| Other income | 7 | **201,167** | 290,574 |
| Other gains and losses | 8 | **468,027** | 733,026 |
| Administrative expenses | | **(6,202,129)** | (4,916,894) |
| Impairment loss on financial assets and contract assets | | **(76,672)** | – |
| Finance costs | 9 | **(971,067)** | (727,879) |
| Listing expenses | | **(3,774,929)** | (631,200) |
| Share of result of a joint venture | 18 | **64,526** | (27,296) |
| Profit before taxation | 10 | **6,560,813** | 8,019,172 |
| Income tax expense | 11 | **(1,702,506)** | (1,239,284) |
| **Profit for the year** | | **4,858,307** | 6,779,888 |
| **Other comprehensive income:** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Difference between the carrying amount and the fair value of properties at the date of transfer from property, plant and equipment to investment properties | | **–** | 767,248 |
| Other comprehensive income for the year | | **–** | 767,248 |
| Profit and total comprehensive income for the year | | **4,858,307** | 7,547,136 |
| Basic and diluted earnings per share (S$ cents) | 14 | **1.33** | 1.88 |

See accompanying notes to consolidated financial statements.

# Consolidated Statement of Financial Position

As at 30 September 2019

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **17,578,067** | 18,414,835 |
| Investment properties | 16 | **9,140,000** | 9,160,000 |
| Investment properties held under joint operations | 17 | **7,020,000** | 6,895,000 |
| Interest in a joint venture | 18 | **1,134,750** | 1,070,224 |
| Bank deposits | 23 | **225,383** | 224,821 |
| | | **35,098,200** | 35,764,880 |
| **Current assets** | | | |
| Trade receivables | 19 | **10,649,571** | 11,255,270 |
| Other receivables, deposits and prepayments | 20 | **1,061,031** | 2,342,014 |
| Contract assets | 22 | **36,246,814** | 25,463,110 |
| Income tax recoverable | | **–** | 214,075 |
| Bank balances and cash | 23 | **20,948,951** | 3,659,905 |
| | | **68,906,367** | 42,934,374 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | **23,875,071** | 23,051,836 |
| Amounts due to directors | 21a | **–** | 391,943 |
| Amounts due to a related party | 21b | **–** | 1,224,792 |
| Contract liabilities | 22 | **3,275** | 227,246 |
| Income tax payable | | **1,363,894** | 1,452,269 |
| Bank overdrafts | 25 | **6,400,549** | 5,325,553 |
| Bank borrowings | 25 | **5,290,865** | 4,271,436 |
| Bank borrowings held under joint operations | 25 | **3,056,655** | 3,232,325 |
| Obligations under finance leases | 26 | **857,067** | 1,009,223 |
| | | **40,847,376** | 40,186,623 |
| **Net current assets** | | **28,058,991** | 2,747,751 |
| Total assets less current liabilities | | **63,157,191** | 38,512,631 |
| **Non-current liabilities** | | | |
| Bank borrowings | 25 | **8,861,155** | 9,547,734 |
| Bank borrowings held under joint operations | 25 | **948,556** | 1,059,960 |
| Obligations under finance leases | 26 | **813,174** | 1,016,543 |
| Deferred tax liabilities | 27 | **281,000** | 193,000 |
| | | **10,903,885** | 11,817,237 |
| **Net assets** | | **52,253,306** | 26,695,394 |

# Consolidated Statement of Financial Position

As at 30 September 2019

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | *28* | **847,680** | 6,895,003 |
| Reserves | | **51,405,626** | 19,800,391 |
| | | **52,253,306** | 26,695,394 |

The consolidated financial statements on pages 56 to 126 were approved and authorised for issue by the Board of Directors on 19 December 2019 and are signed on its behalf by:

**Poon Soon Huat**
*Chairman and Executive Director*

**Teo Teck Thye**
*Executive Director and Chief Executive Officer*

See accompanying notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

Year ended 30 September 2019

| | Share capital | Share premium *(Note a)* | Merger reserves *(Note b)* | Other reserves | Properties revaluation reserves *(Note 28)* | Accumulated profits | Total |
|---|---|---|---|---|---|---|---|
| | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| **At 1 October 2017** | 6,895,000 | – | – | – | – | 19,393,255 | 26,288,255 |
| *Total comprehensive income for the year* | | | | | | | |
| Profit for the year | – | – | – | – | – | 6,779,888 | 6,779,888 |
| Other comprehensive income for the year | – | – | – | – | 767,248 | – | 767,248 |
| Total | – | – | – | – | 767,248 | 6,779,888 | 7,547,136 |
| *Transactions with owners, recognised directly in equity:* | | | | | | | |
| Issue of shares *(Note 28)* | 3 | – | – | – | – | – | 3 |
| Dividends declared *(Note 13)* | – | – | – | – | – | (7,140,000) | (7,140,000) |
| Total | 3 | – | – | – | – | (7,140,000) | (7,139,997) |
| **At 30 September 2018** | 6,895,003 | – | – | – | 767,248 | 19,033,143 | 26,695,394 |
| Profit for the year, representing total comprehensive income for the year | **-** | **-** | **-** | **-** | **-** | **4,858,307** | **4,858,307** |
| *Transactions with owners, recognised directly in equity:* | | | | | | | |
| Elimination of share capital pursuant to Reorganisation *(Note 2)* | **(6,895,003)** | **-** | **6,895,003** | **-** | **-** | **-** | **-** |
| Issue of shares under the Capitalisation issue *(Note 28a)* | **636,480** | **(636,480)** | **-** | **-** | **-** | **-** | **-** |
| Issue of shares under the Share Offer *(Note 28b)* | **211,200** | **22,387,200** | **-** | **-** | **-** | **-** | **22,598,400** |
| Share issue expenses | **-** | **(3,007,937)** | **-** | **-** | **-** | **-** | **(3,007,937)** |
| Dividends waived *(Note 13)* | **-** | **-** | **-** | **1,109,142** | **-** | **-** | **1,109,142** |
| Total | **(6,047,323)** | **18,742,783** | **6,895,003** | **1,109,142** | **-** | **4,858,307** | **25,557,912** |
| **At 30 September 2019** | **847,680** | **18,742,783** | **6,895,003** | **1,109,142** | **767,248** | **23,891,450** | **52,253,306** |

*Notes:*

*a. Share premium represents the excess of share issue over the par value.*

*b. Merger reserves represents the difference between the cost of acquisition pursuant to the Reorganisation (Notes 2(iii) and (iv)) and the total value of share capital of the entity acquired.*

See accompanying notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Year ended 30 September 2019

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before taxation | **6,560,813** | 8,019,172 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **2,774,952** | 2,780,231 |
| Fair value losses (gains) on investment properties | **20,000** | (480,000) |
| Fair value (gains) losses on investment properties held under joint operation | **(125,000)** | 180,000 |
| Impairment loss on financial assets and contract assets | **76,672** | – |
| Written off of payables to suppliers that are liquidated | **(224,987)** | – |
| Finance costs | **971,067** | 727,879 |
| Interest income | **(1,484)** | (70,680) |
| Unrealised exchange difference | **(19,935)** | – |
| Loss on revaluation of property, plant and equipment | **–** | 3,767 |
| Net gain on disposal of property, plant and equipment | **(30,254)** | (164,760) |
| Share of result of a joint venture | **(64,526)** | 27,296 |
| Operating cash flow before movement in working capital | **9,937,318** | 11,022,905 |
| Movements in working capital: | | |
| Trade receivables | **110,514** | (7,508,315) |
| Other receivables, deposits and prepayments | **1,280,983** | 758,519 |
| Amounts due from related parties | **–** | 116,418 |
| Contract assets | **(10,792,881)** | (16,355,480) |
| Contract liabilities | **(223,971)** | (896,081) |
| Trade and other payables | **2,596,534** | 10,773,032 |
| Amounts due to related parties | **–** | (191,019) |
| Cash generated from (used in) operations | **2,908,497** | (2,280,021) |
| Income tax paid | **(1,702,881)** | (1,455,956) |
| Income tax refunded | **214,075** | – |
| **Net cash from (used in) operating activities** | **1,419,691** | (3,735,977) |
| INVESTING ACTIVITIES | | |
| Proceeds from disposal of property, plant and equipment | **43,959** | 331,871 |
| Purchase of property, plant and equipment | **(1,004,538)** | (1,666,004) |
| Interest received | **922** | – |
| Dividends received from a joint venture | **–** | 500,000 |
| Advance to related parties | **–** | (2,150,550) |
| Repayment of advance to directors | **–** | 950,000 |
| Advance to directors | **–** | (739,655) |
| **Net cash used in investing activities** | **(959,657)** | (2,774,338) |

# Consolidated Statement of Cash Flows

Year ended 30 September 2019

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| FINANCING ACTIVITIES | | |
| Proceeds from Share Offer | **22,598,400** | – |
| Issue costs paid | **(3,007,937)** | – |
| Dividends paid | **(500,000)** | – |
| Interest paid | **(971,067)** | (727,879) |
| Repayment of obligations under finance leases | **(1,242,046)** | (1,315,567) |
| Drawdown of bank overdrafts | **1,074,996** | 5,325,553 |
| Repayment of bank borrowings | **(9,670,633)** | (1,698,592) |
| Proceeds from bank borrowings | **9,716,409** | 3,375,542 |
| Advance from directors | **1,510,000** | – |
| Repayment of advance from directors | **(2,699,045)** | – |
| Advance from related parties | **–** | 1,050,134 |
| **Net cash from financing activities** | **16,809,077** | 6,009,191 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | **17,269,111** | (501,124) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | **3,659,905** | 4,161,029 |
| Effect of foreign exchange rate changes on bank balances and cash | **19,935** | – |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash** | **20,948,951** | 3,659,905 |

See accompanying notes to consolidated financial statements.

# Notes to the Consolidated Financial Statements

30 September 2019

## 1 GENERAL

S&T Holdings Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 17 September 2018. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") on 14 December 2018 and the principal place of business in Hong Kong is Unit B, 17/F, United Centre, 95 Queensway, Hong Kong. The principal place of business is at 16 Kian Teck Way, Singapore 628749. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 September 2019.

The Company is a subsidiary of HG TEC Holdings Limited ("HG TEC"), incorporated in the British Virgin Islands (the "BVI"), which is also the Company's ultimate holding company. HG TEC is owned by Mr. Poon Soon Huat ("Mr. Poon") and Mr. Teo Teck Thye ("Mr. Teo"). Upon the entering into the concert party deed, Mr. Poon and Mr. Teo through HG TEC became the controlling shareholders of S&T Holdings Limited and its subsidiaries (the "Group") (collectively referred to as the "Controlling Shareholders").

The Company is an investment holding company and the principal activities of its operating subsidiaries are disclosed in Note 35.

The consolidated financial statements are presented in Singapore dollars ("S$"), which is also the functional currency of the Company.

## 2 GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparation for the initial listing of the shares of the Company on the Stock Exchange, the companies comprising the Group underwent a group reorganisation (the "Reorganisation") as described below. Prior to the Reorganisation, Sing Tec Development Pte. Ltd. ("Sing Tec Development"), Sing Tec Construction Pte Ltd ("Sing Tec Construction") and Initial Resources Pte. Ltd. ("Initial Resources") (collectively referred to as the "Singapore subsidiaries"), the operating subsidiaries of the Group, were under joint control of the Controlling Shareholders.

The Reorganisation comprised the following steps:

(i) On 4 May 2018, HG TEC and Builink Holdings Limited ("Builink") were incorporated in the BVI with limited liability. Each of them is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of United States dollars ("US$") 1.00 each. On the same date, HG TEC and Builink issued and allotted one fully paid share at par value to each of Mr. Poon and Mr. Teo respectively;

## 2 GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(ii) On 17 September 2018, the Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of Hong Kong dollars ("HK$") 380,000 divided into 38,000,000 shares of HK$0.01 each. The entire issued share capital of the Company, one fully paid share at par, was issued and allotted to the initial subscriber. On the same date, the one share was transferred to HG TEC at par value;

(iii) On 19 November 2018, each of Mr. Poon and Mr. Teo transferred one share, in aggregate representing the entire issued share capital of Builink, to the Company at par value. In consideration of the acquisition, the Company allotted and issued one ordinary share to each of Mr. Teo and Mr. Poon respectively. On 13 December 2018, each of Mr. Teo and Mr. Poon transferred one share in the Company at par value to HG TEC respectively;

(iv) On 18 December 2018, Mr. Poon, Mr. Teo, HG TEC, the Company and Builink executed a reorganisation agreement and the relevant instrument of transfer, pursuant to which:

(a) each of Mr. Poon and Mr. Teo transferred 172,500 shares, being 100% equity interest owned by the Controlling Shareholders, in aggregate representing the entire issued share capital of Sing Tec Construction to Builink;

(b) each of Mr. Poon and Mr. Teo transferred 3,250,000 shares, being 100% equity interest owned by the Controlling Shareholders, in aggregate representing the entire issued share capital of Sing Tec Development to Builink; and

(c) each of Mr. Poon and Mr. Teo transferred 25,000 shares, being 100% equity interest owned by the Controlling Shareholders, in aggregate representing the entire issued share capital of Initial Resources to Builink.

In consideration of the above transfer, the Company issued and allotted 60 shares, credited as fully paid, to HG TEC on 18 December 2018. Following the aforesaid acquisition, the Singapore subsidiaries became indirectly wholly owned by the Company.

As a result of the Reorganisation being completed on 18 December 2018, the Company became the holding company of the Group with its business being conducted through the Singapore subsidiaries.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared to include the financial statements of the companies now comprising the Group as if the group structure upon the completion of the Reorganisation had been in existence throughout the period, or since their respective dates of incorporation or establishment where this is a shorter period.

## 3 ADOPTION OF NEW AND REVISED STANDARDS

***New and amended International Financial Reporting Standards ("IFRSs") that are effective for the current year***

*Impact of initial application of IFRS 9 Financial Instruments*

The Group applied IFRS 9 with an initial application date of 1 October 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39 *Financial Instruments: Recognition and Measurement* as permitted under IFRS 9 transitional provision. The application of IFRS 9 on 1 October 2018 has no material impact on the consolidated financial position of the Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected loss approach as at the same date. The Group's accounting policies for IFRS 9 is disclosed in detail in Note 4 below.

***New and amended IFRS issued but not yet effective***

At the date of authorisation of these consolidated financial statements, the Group has not early applied the following new and amendments to IFRS Standards and Interpretations that have been issued by the International Accounting Standards Board ("IASB") but are not yet effective:

| | |
|---|---|
| IFRS 16 | Leases[1] |
| IFRS 17 | Insurance Contracts[3] |
| IFRIC 23 | Uncertainty over Income Tax Treatments[1] |
| Amendments to IFRS 3 | Definition of a Business[4] |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to IAS 1 and IAS 8 | Definition of Material[5] |
| Amendments to IAS 19 | Plan Amendment, Curtailment or Settlement[1] |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures[1] |
| Amendments to IFRSs | Annual Improvements to IFRS Standards 2015–2018 Cycle[1] |
| Frameworks | Amendments to References to the Conceptual Framework in IFRS Standards[3] |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform[5] |

1 Effective for annual periods beginning on or after 1 January 2019, with early application permitted
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except as described below, the management of the Group considers that the application of the other new and amendments to IFRS Standards and Interpretations is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

## 3 ADOPTION OF NEW AND REVISED STANDARDS *(continued)*

***New and amended IFRS issued but not yet effective*** *(continued)*

*IFRS 16 Leases*

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

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

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

As at 30 September 2019, the total operating lease commitments of the Group in respect of leased premises of S$1,822,373 are set out in Note 30. A preliminary assessment indicates that these arrangements will meet the definition of lease. Upon the application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for short-term leases.

In addition, as at 30 September 2019, the Group considers refundable rental deposits paid of S$90,480 and refundable rental deposits received of S$77,300 as rights and obligations respectively under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payment and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

## 3 ADOPTION OF NEW AND REVISED STANDARDS *(continued)*

**New and amended IFRS issued but not yet effective** *(continued)*

*IFRS 16 Leases (continued)*

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as lease applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not applying this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information. Based on the initial assessment, the management of the Group expects that the adoption of IFRS 16 is unlikely to result in significant impact on the Group's net result nor net financial position.

## 4 SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting**

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and investment properties held under joint operations that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The principal accounting policies adopted are set out below.

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

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

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

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

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

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

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Basis of consolidation*** *(continued)*

*Merger accounting for business combination involving businesses under common control*

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

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

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

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

***Interest in a joint venture***

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interest in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Interest in a joint venture*** *(continued)*

Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in the profit or loss.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

***Assets and liabilities held under joint operations***

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

***Revenue recognition***

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Revenue recognition*** *(continued)*

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Specifically, revenue is recognised as follows:

*(i) Revenue from provision of civil engineering works and building construction works*

The Group provides civil engineering works and building construction works under contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the Group's performance creates or enhances an asset that the customer controls as the Group performs. Revenue from provision of such services is therefore recognised over time using input method, i.e. based on the actual costs incurred by the Group to date compared with the total budgeted costs for the project to estimate the revenue recognised during the period. The management of the Group considers that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligation under IFRS 15.

*(ii) Revenue from provision of other ancillary services*

Revenue from provision of other ancillary services is mainly logistics and transportation services of construction materials whereby performance obligations are satisfied over a period of less than a day. Revenue is recognised upon rendering of services which coincides with the completion of delivery of the materials to the customers' designated delivery point.

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### *Leasing*

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

*The Group as lessor*

Rental income from operating leases is recognised in other income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

*The Group as lessee*

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### *Borrowing costs*

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

### *Government grants*

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

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

### *Retirement benefit costs*

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

*Short-term and other long-term employee benefits*

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

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

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Taxation***

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

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

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Foreign currencies***

In preparing the consolidated financial statements of the Group, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

***Property, plant and equipment***

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserves. Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in properties revaluation reserves, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserves relating to a previous revaluation of that asset. On the subsequent sale or retirement of the asset, the relevant revaluation reserves will be transferred directly to accumulated profits.

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Investment properties***

Investment properties are properties held to earn rentals. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

***Impairment of tangible assets***

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

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

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

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

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Dividend distribution***

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

***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

***Financial instruments***

*Initial recognition under IAS 39 and IFRS 9*

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

***Financial assets***

*Under IAS 39*

*Effective interest method*

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

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

*Loans and receivables*

Loans and receivables (including trade receivables, other receivables and deposits, bank deposits and bank balances and cash) are subsequently measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest is recognised by applying the effective interest method, except for short-term balances when the effect of discounting is immaterial.

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Financial assets*** *(continued)*
*Under IAS 39 (continued)*
*Impairment of financial assets*
Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed on individual basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 35 days, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

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

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Financial assets*** *(continued)*

*Upon the adoption of IFRS 9 on 1 October 2018*

*Classification of financial assets*

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

All recognised financial assets of the Group that are within the scope of IFRS 9 are subsequently measured at amortised cost.

*Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Financial assets*** *(continued)*

*Upon the adoption of IFRS 9 on 1 October 2018 (continued)*

*Impairment under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables and deposits, bank deposits and bank balances and cash) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets is assessed individually for debtors based on internal credit rating, the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance at an amount equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's is ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Financial assets*** *(continued)*

*Significant increase in credit risk (continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history), ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group also considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Financial assets*** *(continued)*

*Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over one year, whichever is earlier. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised directly in profit or loss.

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

*Derecognition of financial assets (under both IAS 39 and IFRS 9)*

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## 4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ***Financial liabilities and equity instruments***

*Classification as debt or equity*

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

*Equity instruments*

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

*Financial liabilities*

All financial liabilities (including trade and other payables, bank borrowings, bank overdrafts and amounts due to directors/a related party) are subsequently measured at amortised cost using the effective interest method, except for short-term balances when the effect of discounting is immaterial.

*Derecognition of financial liabilities*

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

*Offsetting arrangements*

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

### ***Cash and cash equivalents in the statement of cash flows***

Cash and cash equivalents in the consolidated statement of cash flows comprise bank balances and cash that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following is 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 within the next financial year.

***Revenue recognition from provision of civil engineering works and building construction works***

The Group recognises contract revenue and contract costs from provision of civil engineering works and building construction works using input method, based on the actual costs incurred by the Group to date compared with the total budgeted costs for the project to estimate the revenue recognised during the period.

The estimated total contract costs are based on contracted amounts, and in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred and adjusted for any price fluctuations during the year, where applicable. Notwithstanding that management reviews and revises the estimates of both revenue and total contract costs as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Management reviews the construction contracts for foreseeable losses whenever there is an indication that the estimated contract revenue is lower than the estimated total contract costs.

The carrying amounts of contract assets and contract liabilities arising from provision of civil engineering works and building construction works are disclosed in Note 22.

## 5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

***Estimated impairment of trade receivables and contract assets***

Prior 1 October 2018, management assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. If there is objective evidence that an impairment loss on trade receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, including unbilled revenue where the actual collection of receivables upon billing to customers are less than expected, an impairment loss may arise.

The carrying amount of trade receivables as at 30 September 2018 is disclosed in Note 19.

Starting from 1 October 2018, the Group estimates lifetime ECL for trade receivables and contract assets using individual assessment, based on the internal credit rating, the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

The carrying amount of trade receivables and contract assets as at 30 September 2019 are disclosed in Notes 19 and 22 respectively.

During the year ended 30 September 2019, impairment loss of S$67,495 and S$9,177 in respect of trade receivables and contract assets is recognised respectively.

***Fair value measurement of investment properties and properties held under joint operations***

The Group's investment properties amounting to S$9,140,000 (2018: S$9,160,000) and investment properties held under joint operations amounting to S$7,020,000 (2018: S$6,895,000) as at 30 September 2019 are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these properties. See Notes 16 and 17 for further disclosures respectively.

## 6 REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from provision of Construction services (including civil engineering works, building construction works and other ancillary services) by the Group to external customers and Property investment, being rental income from investment properties and investment properties held under joint operations.

### *(i) Disaggregation of revenue from contracts with customers*

| | **2019** **S$** | 2018 S$ |
|---|---|---|
| **Type of services** | | |
| Construction services | | |
| – Civil engineering works | **79,448,601** | 70,229,006 |
| – Building construction works | **15,742,461** | 12,494,685 |
| – Other ancillary services | **1,168,191** | 734,939 |
| Revenue from contracts with customers | **96,359,253** | 83,458,630 |
| Rental from Property investment | **512,845** | 504,694 |
| Segment revenue *(Note 6(iv))* | **96,872,098** | 83,963,324 |
| **Timing of revenue recognition** | | |
| Over time | **96,359,253** | 83,458,630 |
| **Type of customers** | | |
| Corporate | **45,578,345** | 31,647,987 |
| Government | **50,780,908** | 51,810,643 |
| | **96,359,253** | 83,458,630 |

### *(ii) Performance obligations for contracts with customers*

The Group derives its revenue from provision of Construction services over time.

## 6 REVENUE AND SEGMENT INFORMATION *(continued)*

### *(iii) Transaction price allocated to the remaining performance obligation for contracts with customers*

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied as at the end of each reporting period:

| | **2019** | 2018 |
|---|---|---|
| | **S$** | S$ |
| Civil engineering works | | |
| – Within one year | **40,809,057** | 61,522,063 |
| – More than one year but not more than two years | **13,001,282** | 2,959,330 |
| – More than two years but not more than five years | **4,344,523** | 721,844 |
| – More than five years | **15,893,317** | – |
| | **74,048,179** | 65,203,237 |
| Building construction works | | |
| – Within one year | **2,382,031** | 7,927,619 |
| | **76,430,210** | 73,130,856 |

During the year, majority of the construction contracts for services provided to external customers last over 12 months (2018: 12 months).

All performance obligations for provision of other ancillary services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

### *(iv) Segment information*

Information is reported to the executive directors of the Company, being the Chief Operating Decision Makers ("CODMs") of the Group, for the purposes of resource allocation and performance assessment. The CODMs review segment revenue and results attributable to each segment, which is measured by reference to respective segments' gross profit. The Group has two operating segments as follows:

- Construction services: Engage in provision of civil engineering works, building construction works and other ancillary services to government and commercial corporations.
- Property investment: Include residential and industrial properties leasing.

No analysis of the Group's assets and liabilities is regularly provided to the CODMs for review.

## 6 REVENUE AND SEGMENT INFORMATION *(continued)*

### *(iv)* *Segment information* *(continued)*

| | 2019 S$ | 2018 S$ |
|---|---|---|
| **Segment revenues** | | |
| Construction services | **96,359,253** | 83,458,630 |
| Property investment | **512,845** | 504,694 |
| | **96,872,098** | 83,963,324 |
| **Segment results** | | |
| Construction services | **16,495,148** | 12,929,643 |
| Property investment | **356,742** | 369,198 |
| | **16,851,890** | 13,298,841 |
| **Unallocated:** | | |
| Other income | **201,167** | 290,574 |
| Other gains and losses | **468,027** | 733,026 |
| Administrative expenses | **(6,202,129)** | (4,916,894) |
| Impairment loss on financial assets and contract assets | **(76,672)** | – |
| Finance costs | **(971,067)** | (727,879) |
| Listing expenses | **(3,774,929)** | (631,200) |
| Share of result of a joint venture | **64,526** | (27,296) |
| Profit before taxation | **6,560,813** | 8,019,172 |

The accounting policies for segment information are the same as Group's accounting policies described in Note 4.

### *(v)* *Geographical information*

The Group principally operates in Singapore, which is also the place of domicile. The Group's revenue are all derived from Singapore (2018: 100%) and the Group's non-current assets are all located in Singapore.

## 6 REVENUE AND SEGMENT INFORMATION *(continued)*

### *(vi) Information about major customers*

Revenue from customers individually contributing over 10% of total revenue of the Group during the year are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **S$** | S$ |
| Customer I** | **42,077,086** | 46,776,756 |
| Customer II** | **10,852,789** | N/A* |
| Customer III** | **10,729,499** | 15,305,446 |

* *Revenue did not contribute over 10% of the Group's total revenue for the reporting period.*

** *Revenue is from segment of Construction services.*

## 7 OTHER INCOME

| | **2019** | 2018 |
|---|---|---|
| | **S$** | S$ |
| Government grants *(Note)* | **34,698** | 63,374 |
| Rental income from renting properties to directors | **132,000** | 132,000 |
| Rental income from renting equipment | **2,572** | 11,242 |
| Interest income from advances to directors | **–** | 70,119 |
| Interest income from bank deposits | **1,484** | 561 |
| Others | **30,413** | 13,278 |
| | **201,167** | 290,574 |

*Note:*

*The government grants received mainly comprise of the Wage Credit Scheme ("WCS"), the Special Employment Credit ("SEC"), the Temporary Employment Credit ("TEC"), and the Workforce Training and Upgrading Grant ("WTU"). All of them are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.*

*During the year ended 30 September 2019, the Group received grants of S$22,561 (2018: S$28,705) under the WCS. Under this credit scheme, the government provides assistance to Singapore-registered businesses by way of co-funding 15% (2018: 20%) of wage increases given to Singapore Citizen employees earning a gross monthly wage of S$4,000 and below.*

*During the year ended 30 September 2019, the Group received grants of S$9,398 (2018: S$9,591) under the SEC. Under this scheme, the government aims to encourage and facilitate Singapore-registered business to hire Singaporean workers more than 50 years old and persons with disabilities.*

*During the year ended 30 September 2019, the Group received grants of S$2,554 (2018: S$3,272) under the WTU. Under this scheme, the government co-funds companies in the construction industry for costs of selected skills assessment and training courses to upgrade the skills of workforce in the construction industry.*

*During the year ended 30 September 2019, the Group received grants of S$Nil (2018: S$13,662) under the TEC. Under this scheme, the government provides assistance to alleviate business costs due to increases in contribution rates of employee's national saving schemes.*

*The remaining balances of grants are incentives received upon fulfilling the conditions for compensation of expenses already incurred or as immediate financial support with no future related costs nor related to any assets.*

## 8 OTHER GAINS AND LOSSES

| | **2019** **S$** | 2018 S$ |
|---|---|---|
| Net gain on disposal of property, plant and equipment | **30,254** | 164,760 |
| Gain from sale of scrap materials | **109,587** | 237,252 |
| Net foreign exchange loss | **(1,801)** | – |
| Fair value (losses) gains on investment properties | **(20,000)** | 480,000 |
| Fair value gains (losses) on investment properties held under joint operations | **125,000** | (180,000) |
| Loss on revaluation of property, plant and equipment | **–** | (3,767) |
| Written off of payables to suppliers that are liquidated | **224,987** | – |
| Recovery of debts which were written off in prior years | **–** | 34,781 |
| | **468,027** | 733,026 |

## 9 FINANCE COSTS

| | **2019** **S$** | 2018 S$ |
|---|---|---|
| Interests on: | | |
| – Bank borrowings | **679,378** | 524,702 |
| – Bank overdrafts | **219,269** | 127,117 |
| – Obligations under finance leases | **72,420** | 76,060 |
| | **971,067** | 727,879 |

## 10 PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Depreciation of property, plant and equipment, | | |
| recognised as cost of services | **1,899,621** | 2,020,716 |
| recognised as administrative expenses | **875,331** | 759,515 |
| | **2,774,952** | 2,780,231 |
| Audit fees to auditors of the Company: | | |
| – Annual audit fees | **245,000** | – |
| – Audit fees in connection with the listing of the Company *(Note)* | **267,000** | 20,250 |
| Listing expenses *(Note)* | **3,774,929** | 631,200 |
| Directors' remuneration *(Note 12)* | **1,304,036** | 980,060 |
| Other staff costs: | | |
| – Salaries and other benefits | **7,830,146** | 6,573,283 |
| – Contributions to CPF | **560,671** | 517,233 |
| – Foreign worker levy and skill development levy | **1,047,563** | 930,099 |
| Total staff costs (including directors' remuneration), | **10,742,416** | 9,000,675 |
| recognised as cost of services | **7,419,284** | 7,063,668 |
| recognised as administrative expenses | **3,323,132** | 1,937,007 |
| Cost of materials recognised as cost of services | **9,196,652** | 13,488,133 |
| Subcontracting fees recognised as cost of services | **52,244,113** | 38,701,952 |

*Note:*

*Included in listing expenses are audit fees of S$267,000 (2018: S$20,250) paid to auditors of the Company, and non-audit fees of S$219,000 (2018: S$18,750) paid to other auditors of the Group.*

*Included in share issue expenses are audit fees of S$89,000 (2018: S$6,750) paid to auditors of the Company, and non-audit fees of S$73,000 (2018: S$6,250) paid to other auditors of the Group.*

## 11 INCOME TAX EXPENSE

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Tax expense comprises: | | |
| Current tax | | |
| – Singapore corporate income tax ("CIT") | **1,663,279** | 1,228,284 |
| – Overprovision in prior years | **(48,773)** | – |
| Deferred tax *(Note 27)* | | |
| – Current year provision | **51,000** | 11,000 |
| – Underprovision in prior years | **37,000** | – |
| | **1,702,506** | 1,239,284 |

Singapore CIT is calculated at 17% (2018: 17%) of the estimated assessable profit of the Singapore subsidiaries. These entities are further eligible for CIT rebate of 20%, capped at S$10,000 for Year of Assessment ("YA") 2019 while Nil for YA2020. Singapore subsidiaries can also enjoy 75% tax exemption on the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$190,000 (YA2019: next S$290,000) of normal chargeable income for YA2020.

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

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Profit before taxation | **6,560,813** | 8,019,172 |
| Tax at applicable tax rate of 17% | **1,115,338** | 1,363,259 |
| Effect of income not taxable for tax purpose | **(17,850)** | (46,349) |
| Effect of expenses not deductible for tax purpose | **812,704** | 245,259 |
| Effect of different tax rates of the Company and a subsidiary operating in other jurisdictions | **30,832** | – |
| Tax effect of share of result of a joint venture | **(10,969)** | 4,640 |
| Effect on tax concession and exemption | **(200,773)** | (335,796) |
| Effect of unused tax losses and deductible temporary differences not recognised | **–** | 8,271 |
| Effect of previously unrecognised and unused tax losses now being utilised | **(15,003)** | – |
| Overprovision for current tax in prior years | **(48,773)** | – |
| Underprovision for deferred tax in prior years | **37,000** | – |
| Taxation for the year | **1,702,506** | 1,239,284 |

## 12 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

***Directors' and chief executive's emoluments***

Mr. Poon and Mr. Teo were appointed as executive directors of the Company on 17 September 2018. Mr. Chan Kwok Wing Kelvin, Mr. May Tai Keung Nicholas and Mr. Tam Hon Fai were appointed as independent non-executive directors of the Company on 23 August 2019.

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

*Year ended 30 September 2019*

| | **Fees** | **Discretionary bonus** *(Note iii)* | **Salaries and allowances** | **Contributions to CPF** *(Note iv)* | **Total** |
|---|---|---|---|---|---|
| | **S$** | **S$** | **S$** | **S$** | **S$** |
| *Executive Directors* | | | | | |
| Mr. Poon *(Note i)* | **100,000** | **43,000** | **486,000** | **13,650** | **642,650** |
| Mr. Teo *(Note ii)* | **100,000** | **43,000** | **486,000** | **30,460** | **659,460** |
| *Independent Non-executive Directors* | | | | | |
| Mr. Chan Kwok Wing Kelvin | **642** | **–** | **–** | **–** | **642** |
| Mr. May Tai Keung Nicholas | **642** | **–** | **–** | **–** | **642** |
| Mr. Tam Hon Fai | **642** | **–** | **–** | **–** | **642** |
| | **201,926** | **86,000** | **972,000** | **44,110** | **1,304,036** |

*Year ended 30 September 2018*

| | Fees | Discretionary bonus *(Note iii)* | Salaries and allowances | Contributions to CPF *(Note iv)* | Total |
|---|---|---|---|---|---|
| | S$ | S$ | S$ | S$ | S$ |
| *Executive Directors* | | | | | |
| Mr. Poon *(Note i)* | – | 35,000 | 426,000 | 19,980 | 480,980 |
| Mr. Teo *(Note ii)* | – | 35,000 | 426,000 | 38,080 | 499,080 |
| *Independent Non-executive Directors* | | | | | |
| Mr. Chan Kwok Wing Kelvin | – | – | – | – | – |
| Mr. May Tai Keung Nicholas | – | – | – | – | – |
| Mr. Tam Hon Fai | – | – | – | – | – |
| | – | 70,000 | 852,000 | 58,060 | 980,060 |

## 12 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION *(continued)*

### *Directors' and chief executive's emoluments* (continued)

*Notes:*

*(i) Mr. Poon acts as the chairman of the Company.*

*(ii) Mr. Teo acts as chief executive of the Company with effect from 17 September 2018 and his emoluments disclosed above included those for services rendered by him as the chief executive.*

*(iii) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.*

*(iv) No other retirement benefits were paid to directors in respect of their respective services in connection with the management of the affairs of the Company or its subsidiaries undertaking.*

The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group.

### *Employees' remuneration*

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors of the Company during the year ended 30 September 2019 whose emoluments are included in the disclosures above. The emoluments of the remaining individuals were as follows:

| | **2019**<br>**S$** | 2018<br>S$ |
|---|---|---|
| Salaries, allowances and discretionary bonuses | **576,177** | 484,300 |
| Contribution to CPF | **57,486** | 55,913 |
| | **633,663** | 540,213 |

During the year, the remunerations of the five highest paid individuals are within following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2019** | 2018 |
| **Emolument bands** | | |
| Nil to HK$1,000,000 | **2** | 2 |
| HK$1,000,001 to HK$1,500,000 | **1** | 1 |
| HK$1,500,001 to HK$2,000,000 | **–** | – |
| HK$2,000,001 to HK$2,500,000 | **–** | – |
| HK$2,500,001 to HK$3,000,000 | **–** | 2 |
| HK$3,000,001 to HK$3,500,000 | **–** | – |
| HK$3,500,001 to HK$4,000,000 | **2** | – |
| | **5** | 5 |

During the year, no remuneration was paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company or the remaining five highest paid individuals waived any remuneration during the year.

## 13 DIVIDENDS

On 29 September 2018, Sing Tec Development and Sing Tec Construction declared one-tier tax exempt interim dividends of S$5,700,000 and S$1,440,000 respectively in respect of the financial year ended 30 September 2018. Out of total dividends amount of S$7,140,000, S$5,530,858 was settled by offsetting against amounts due from the Controlling Shareholders, who were the then shareholders of the entities as at the date of declaration, and S$1,609,142 remained unpaid as at 30 September 2018. On 20 December 2018, unpaid dividend amounting to S$1,109,142 was waived by the Controlling Shareholders (recorded as other reserves) and the remaining balance of S$500,000 was settled in cash.

No dividend has been declared by the Company or group entities during the year or subsequent to the year end.

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful.

## 14 EARNINGS PER SHARE

| | **2019** | 2018 |
|---|---|---|
| Profit for the year attributable to owners of the Company (S$) | **4,858,307** | 6,779,888 |
| Weighted average number of ordinary shares in issue | **363,945,205** | 360,000,000 |
| Basic and diluted earnings per share (S$ cents) | **1.33** | 1.88 |

The calculation of basic earnings per share for the years ended 30 September 2019 and 2018 is based on the profit for the year attributable to owners of the Company and the weighted average number of shares in issue.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 30 September 2018 had been determined on the assumption that the Reorganisation and the Capitalisation issue as detailed in Notes 2 and 28 had been effective on 1 October 2017.

Diluted earnings per share is the same as the basic earnings per share because the Group has no dilutive securities that are convertible into shares during the years ended 30 September 2019 and 2018.

## 15 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold properties S$ | Buildings and freehold land* S$ | Motor vehicles S$ | Plant and machinery S$ | Office equipment S$ | Furniture and fittings S$ | Leasehold improvement S$ | Total S$ |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| At 1 October 2017 | 10,472,356 | 3,548,113 | 5,791,244 | 11,774,051 | 243,210 | 47,704 | 733,447 | 32,610,125 |
| Additions | – | – | 1,238,538 | 1,482,600 | 67,848 | 64,532 | 971,097 | 3,824,615 |
| Transferred to investment properties | (2,134,756) | – | – | – | – | – | – | (2,134,756) |
| Disposals | – | – | (807,083) | (1,253,650) | (4,520) | – | – | (2,065,253) |
| At 30 September 2018 | 8,337,600 | 3,548,113 | 6,222,699 | 12,003,001 | 306,538 | 112,236 | 1,704,544 | 32,234,731 |
| Additions | – | – | 379,999 | 1,484,400 | 87,490 | – | – | 1,951,889 |
| Disposal/written off | – | – | (245,492) | (331,800) | – | – | – | (577,292) |
| At 30 September 2019 | **8,337,600** | **3,548,113** | **6,357,206** | **13,155,601** | **394,028** | **112,236** | **1,704,544** | **33,609,328** |
| Accumulated depreciation: | | | | | | | | |
| At 1 October 2017 | 354,248 | 155,222 | 3,921,492 | 8,056,661 | 94,007 | 35,281 | 659,133 | 13,276,044 |
| Charge for the year | 307,571 | 22,204 | 714,052 | 1,498,642 | 52,773 | 14,684 | 170,305 | 2,780,231 |
| Transferred to investment properties | (338,237) | – | – | – | – | – | – | (338,237) |
| Disposals | – | – | (706,515) | (1,187,674) | (3,953) | – | – | (1,898,142) |
| At 30 September 2018 | 323,582 | 177,426 | 3,929,029 | 8,367,629 | 142,827 | 49,965 | 829,438 | 13,819,896 |
| Charge for the year | 277,920 | 22,202 | 784,693 | 1,396,724 | 57,932 | 16,802 | 218,679 | 2,774,952 |
| Disposal/written off | – | – | (231,787) | (331,800) | – | – | – | (563,587) |
| At 30 September 2019 | **601,502** | **199,628** | **4,481,935** | **9,432,553** | **200,759** | **66,767** | **1,048,117** | **16,031,261** |
| Carrying values: | | | | | | | | |
| At 30 September 2019 | **7,736,098** | **3,348,485** | **1,875,271** | **3,723,048** | **193,269** | **45,469** | **656,427** | **17,578,067** |
| At 30 September 2018 | 8,014,018 | 3,370,687 | 2,293,670 | 3,635,372 | 163,711 | 62,271 | 875,106 | 18,414,835 |

* *Freehold land with carrying value of S$2,438,000 as at 30 September 2018 and 2019 is not subject to depreciation.*

*All of the buildings and freehold land are initially held for use for administrative purposes and stated at cost less subsequent accumulated depreciation, where applicable. These are leased to the two directors of the Group, Mr. Poon and Mr. Teo, for an unspecified tenancy period prior to 1 December 2018. Subsequently, the Group and the two directors entered into lease agreements for lease term of three years ending 30 November 2021. The related rental income is disclosed in Note 7.*

## 15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

| | |
|---|---|
| Freehold land | N/A |
| Buildings | 50 years |
| Leasehold properties | 30 years |
| Motor vehicles | 5 years |
| Plant and machinery | 5 years |
| Office equipment | 5 years |
| Furniture and fittings | 5 years |
| Leasehold improvement | Shorter of 5 years and lease term |

During the year, included in the additions of plant and machinery and motor vehicles were S$886,521 (2018: S$2,158,611) that were acquired under finance leases (Note 26) and S$60,830 (2018: S$Nil) remained unpaid as at year end. These constituted as non-cash transactions during the year.

The leasehold properties and buildings and freehold land with carrying value of S$11,084,583 (2018: S$11,384,705) in total are pledged to banks to secure banking facilities including bank borrowings as disclosed in Note 25.

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

| | **2019**<br>**S$** | 2018<br>S$ |
|---|---|---|
| Plant and machinery | **1,844,016** | 1,609,600 |
| Motor vehicles | **1,109,195** | 1,424,544 |
| | **2,953,211** | 3,034,144 |

## 16 INVESTMENT PROPERTIES

| | **Investment properties**<br>S$ |
|---|---|
| **Fair value** | |
| At 1 October 2017 | 6,120,000 |
| Transferred from property, plant and equipment *(Note)* | 2,560,000 |
| Net increase in fair value recognised in profit or loss | 480,000 |
| At 30 September 2018 | 9,160,000 |
| Net decrease in fair value recognised in profit or loss | (20,000) |
| At 30 September 2019 | **9,140,000** |

*Note: During the year ended 30 September 2018, two properties with carrying amount of S$1,796,519 were transferred from property, plant and equipment to investment properties upon the signing of lease agreement. The fair value of the properties at the transfer date approximates S$2,560,000, representing S$767,248 revaluation increase from revaluation of one property which is recognised in other comprehensive income and accumulated in properties revaluation reserves and S$3,767 revaluation decrease arising from revaluation of another property which was recognised in other gains and losses.*

## 16 INVESTMENT PROPERTIES *(continued)*

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out on the respective year end dates by ROMA Appraisals Limited (the "Valuer"), an independent qualified professional valuer, not related to the Group, whose method of valuation has been disclosed below. The address of the Valuer is at 22/F, China Overseas Building, No. 139 Hennessy Road, Wan Chai, Hong Kong. The investment properties are categorised within level 3 of the fair value hierarchy.

The fair value was determined based on the direct comparison approach that reflects sale of the properties in its existing state with the benefit of vacant possession and by making reference to recent comparable sales transactions as available in the relevant market. There has been no change in the valuation technique during year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

| Property | Valuation technique | Significant unobservable input(s) | Sensitivity |
|---|---|---|---|
| 21 Toh Guan Road East #01-10, Singapore 608609 | Direct comparison | Market unit rate, taking into account recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from S$405 to S$422 (2018: S$395 to S$434) per square foot ("sqft.") as at 30 September 2019. | A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa. |
| 21 Toh Guan Road East #01-11, Singapore 608609 | Direct comparison | Market unit rate, taking into account recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from S$405 to S$422 (2018: S$395 to S$434) per sqft. as at 30 September 2019. | A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa. |
| 45 Hillview Avenue #01-05, Singapore 669613 | Direct comparison | Market unit rate, taking into account recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from S$1,104 to S$1,187 (2018: S$1,010 to S$1,121) per sqft. as at 30 September 2019. | A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa. |

## 16 INVESTMENT PROPERTIES *(continued)*

| Property | Valuation technique | Significant unobservable input(s) | Sensitivity |
|---|---|---|---|
| 45 Hillview Avenue #01-06, Singapore 669613 | Direct comparison | Market unit rate, taking into account recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from S$1,104 to S$1,187 (2018: S$1,010 to S$1,121) per sqft. as at 30 September 2019. | A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa. |
| 11 Kang Choo Bin Road #01-01, Singapore 548315 | Direct comparison | Market unit rate, taking into account recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from S$971 to S$1,099 (2018: S$988 to S$1,145) per sqft. as at 30 September 2019. | A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa. |
| 11 Kang Choo Bin Road #01-03, Singapore 548315 | Direct comparison | Market unit rate, taking into account recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from S$971 to S$1,099 (2018: S$988 to S$1,145) per sqft. as at 30 September 2019. | A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa. |

## 16 INVESTMENT PROPERTIES *(continued)*

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

| | Fair Value Level 3 | |
|---|---|---|
| | **2019** | 2018 |
| | **S$** | S$ |
| 21 Toh Guan Road East #01-10, Singapore 608609 *(Note i)* | **1,490,000** | 1,490,000 |
| 21 Toh Guan Road East #01-11, Singapore 608609 *(Note ii)* | **1,490,000** | 1,490,000 |
| 45 Hillview Avenue #01-05, Singapore 669613 | **1,780,000** | 1,720,000 |
| 45 Hillview Avenue #01-06, Singapore 669613 | **1,770,000** | 1,710,000 |
| 11 Kang Choo Bin Road #01-01, Singapore 548315 | **1,190,000** | 1,240,000 |
| 11 Kang Choo Bin Road #01-03, Singapore 548315 | **1,420,000** | 1,510,000 |
| | **9,140,000** | 9,160,000 |

All the above properties are pledged to banks to secure banking facilities including bank borrowings as disclosed in Note 25. There was no transfer into or out of Level 3 during the year.

*Notes:*

*(i) The property was transferred from property, plant and equipment with carrying amount of S$752,752 to investment property with fair value amounting S$1,520,000 at the transfer date of 28 February 2018. Amount of S$767,248 of revaluation increase arising from revaluation of this part of property was recognised in other comprehensive income and accumulated in properties revaluation reserves.*

*(ii) The property comprises a 2-storey ground floor industrial unit. Part of the property i.e. level 1 was newly transferred from property, plant and equipment with carrying amount of S$1,043,767 to investment property with fair value amounting S$1,040,000 at the transfer date of 28 February 2018. Amount of S$3,767 revaluation decrease arising from revaluation of this part of property was recognised in other gains and losses.*

Details of rental income earned from and direct operating expenses for the Group's investment properties are disclosed as follows:

| | **2019** | 2018 |
|---|---|---|
| | **S$** | S$ |
| Gross rental income recognised as rental revenue | **281,361** | 228,310 |
| Less: Direct operating expenses incurred and recognised as cost of services | **(77,735)** | (31,455) |
| | **203,626** | 196,855 |

## 17 INVESTMENT PROPERTIES HELD UNDER JOINT OPERATIONS

Fair value hierarchy of the Group's investment properties held under joint operations are as follows:

| | Fair Value Level 3 | |
|---|---|---|
| | **2019** | 2018 |
| | **S$** | S$ |
| 7 Soon Lee Street #01-13, Singapore 627608 *(Note i)* | **4,190,000** | 4,020,000 |
| Proportion of the Group's ownership interest in the investment properties held under joint operations | **50%** | 50% |
| Group's share of the investment properties held under joint operations | **2,095,000** | 2,010,000 |
| 114 Lavender Street #01-68, CT Hub 2, Singapore 338729 *(Note ii)* | **9,850,000** | 9,770,000 |
| Proportion of the Group's ownership interest in the investment properties held under joint operations | **50%** | 50% |
| Group's share of the investment properties held under joint operations | **4,925,000** | 4,885,000 |
| | **7,020,000** | 6,895,000 |

The fair value of the Group's investment properties held under joint operations has been arrived at on the basis of a valuation carried out on the respective year end dates by the Valuer, whose method of valuation has been disclosed below. The investment properties are categorised within level 3 of the fair value hierarchy.

The fair value was determined based on the direct comparison approach that reflects sale of the properties in its existing state with the benefit of vacant possession and by making reference to recent comparable sales transactions as available in the relevant market. There has been no change in the valuation technique during the year.

## 17 INVESTMENT PROPERTIES HELD UNDER JOINT OPERATIONS *(continued)*

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

| **Property** | **Valuation technique** | **Significant unobservable input(s)** | **Sensitivity** |
|---|---|---|---|
| 7 Soon Lee Street #01-13, Singapore 627608 | Direct comparison | Market unit rate, taking into account recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from S$593 to S$625 (2018: S$532 to S$603) per sqft. as at 30 September 2019. | A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa. |
| 114 Lavender Street #01-68, CT Hub 2, Singapore 338729 | Direct comparison | Market unit rate, taking into account recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from S$1,286 to S$1,407 (2018: S$1,071 to S$1,600) per sqft. as at 30 September 2019. | A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa. |

Both properties are pledged to banks to secure banking facilities including bank borrowings as disclosed in Note 25. There was no transfer into or out of Level 3 during the year.

*Notes:*

*(i) Pursuant to the arrangement with the joint party in connecting with the property, all the costs, deposit, revenue and mortgage loan related to the property shall be shared by the Group and the joint party in proportion to their respective ownership. The relative information attributed to the Group's interest is as follows:*

| | **2019 S$** | 2018 S$ |
|---|---|---|
| *Group's share of investment property held under joint operation* | | |
| *At beginning of the year* | **2,010,000** | 2,085,000 |
| *Net increase (decrease) in fair value recognised in profit or loss* | **85,000** | (75,000) |
| *At end of the year* | **2,095,000** | 2,010,000 |

*(ii) Pursuant to the arrangement with the joint party in connection with the property, all the costs, deposit, revenue and mortgage loan related to the property shall be shared by the Group and the joint party in proportion to their respective ownership. The relative information attributed to the Group's interest is as follows:*

| | **2019 S$** | 2018 S$ |
|---|---|---|
| *Group's share of the investment property held under joint operation* | | |
| *At beginning of the year* | **4,885,000** | 4,990,000 |
| *Net increase (decrease) in fair value recognised in profit or loss* | **40,000** | (105,000) |
| *At end of the year* | **4,925,000** | 4,885,000 |

## 17 INVESTMENT PROPERTIES HELD UNDER JOINT OPERATIONS *(continued)*

Details of rental income earned from and direct operating expenses for investment properties held under joint operations attributable to the Group are disclosed as follows:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Gross rental income recognised as rental revenue | **231,484** | 276,384 |
| Less: Direct operating expenses incurred and recognised as cost of services | **(78,368)** | (104,041) |
| | **153,116** | 172,343 |

## 18 INTEREST IN A JOINT VENTURE

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Cost of interest in a joint venture, unlisted | **1,000,000** | 1,000,000 |
| Share of result of a joint venture | **134,750** | 70,224 |
| | **1,134,750** | 1,070,224 |

The Group has interest in the following joint venture:

| Name of joint venture | Place of incorporation | Proportion of ownership interest held by the Group | Principal activities |
|---|---|---|---|
| Ramo – Sing Tec JV Pte. Ltd. | Singapore | 50% | General contractors |

Ramo – Sing Tec JV Pte. Ltd. was incorporated in June 2014 with S$2,000,000 registered capital, out of which, the Group contributed S$1,000,000.

Summarised financial information in respect of the joint venture, representing amounts shown in the joint venture's financial statements prepared in conformity with IFRSs are as below:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Current assets | **2,458,372** | 2,484,937 |
| – including cash and cash equivalents | **59,516** | 68,210 |
| Non-current assets | **5,670** | 36,760 |
| Current liabilities, representing total liabilities | **(194,542)** | (381,249) |
| Net assets | **2,269,500** | 2,140,448 |
| Proportion of the Group's ownership interest in joint venture | **50%** | 50% |
| Group's share of net assets, representing the carrying amount of the Group's interest in the joint venture | **1,134,750** | 1,070,224 |

## 18 INTEREST IN A JOINT VENTURE *(continued)*

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Revenue | – | 10,000 |
| Profit (loss) for the year, representing total comprehensive income (loss) for the year | 129,052 | (54,592) |
| Proportion of the Group's ownership interest in the joint venture | 50% | 50% |
| Group's share of result of the joint venture | 64,526 | (27,296) |
| Dividends received from the joint venture | – | 500,000 |

## 19 TRADE RECEIVABLES

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Trade receivables | 9,477,426 | 10,670,867 |
| Loss allowance | (67,495) | – |
| | 9,409,931 | 10,670,867 |
| Unbilled revenue *(Note)* | 1,239,640 | 584,403 |
| | 10,649,571 | 11,255,270 |

*Note: Unbilled revenue represents revenue recognised but not yet billed to the customers as at year end. The Group's rights of the unbilled revenue are unconditional.*

The Group grants credit terms to customers typically 30 to 35 days (2018: 30 to 35 days) from the invoice dates. The following is an aged analysis of trade receivables, net of loss allowance, presented based on the invoice date at the end of each reporting period:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Within 30 days | 3,010,442 | 7,702,466 |
| 31 days to 60 days | 4,878,504 | 2,438,703 |
| 61 days to 90 days | 229,364 | 25,447 |
| 91 days to 180 days | 1,063,977 | 67,655 |
| 181 days to 1 year | 169,051 | 397,664 |
| Over 1 year | 58,593 | 38,932 |
| | 9,409,931 | 10,670,867 |

## 19 TRADE RECEIVABLES *(continued)*

Prior to 1 October 2018, allowance for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts, determined by reference to individual customer's credit quality. In determining the recoverability of trade receivables, the management of the Group considers any change in the credit quality of the trade receivables from the initial recognition date to the end of the reporting period. In the opinion of the management of the Group, the trade receivables at the end of each reporting period are of good credit quality which considering the high credibility of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

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

Included in the Group's trade receivables are aggregate carrying amounts of approximately S$6,399,489 (2018: S$2,968,401) which are past due as at 30 September 2019 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer.

Aging of the trade receivables which are past due but not impaired as at reporting date is as follows:

| | **2019**<br>**S$** | 2018<br>S$ |
|---|---|---|
| Within 30 days | **4,878,504** | 2,438,703 |
| 31 days to 60 days | **229,364** | 25,447 |
| 61 days to 90 days | **1,063,977** | 67,655 |
| 91 days to 180 days | **169,051** | 397,664 |
| Over 180 days | **58,593** | 38,932 |
| | **6,399,489** | 2,968,401 |

Upon the application of IFRS 9 on 1 October 2018, the Group applied simplified approach to provide the expected credit losses prescribed by IFRS 9. The impairment methodology is set out in Notes 4 and 33(b).

As part of the Group's credit risk management, the Group applied individual assessment for its customers. The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and internal credit rating by reference to a study of other corporates' default and recovery data from international credit rating agencies, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Singapore, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue costs or efforts. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

## 19 TRADE RECEIVABLES *(continued)*

During the year ended 30 September 2019, the Group recognised S$67,495 impairment allowance based on individual assessment for all customers.

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

| | **2019** **S$** |
|---|---|
| Balance at beginning of the year | **–** |
| Impairment losses recognised – credit-impaired | **67,495** |
| Balance at end of the year | **67,495** |

Since the application of IFRS 9 on 1 October 2018, there has been no change in the estimation techniques or significant assumptions made.

## 20 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **2019** **S$** | 2018 S$ |
|---|---|---|
| Sundry debtors | **523,583** | 1,625,008 |
| Prepayments | **242,222** | 317,383 |
| Deferred expenses | **88,929** | – |
| Deposits | **181,861** | 164,606 |
| Goods and Services Tax ("GST") receivable | **269** | – |
| Prepaid listing expenses | **–** | 25,184 |
| Deferred issue costs | **–** | 148,400 |
| Rental receivable | **24,167** | 61,433 |
| | **1,061,031** | 2,342,014 |

## 21 AMOUNTS DUE TO DIRECTORS/A RELATED PARTY

### a. *Amounts due to directors*

The balances as at 30 September 2018 are non-trade related, unsecured, non-interest bearing and repayable on demand. These balances have been settled in cash during the year ended 30 September 2019.

### b. *Amounts due to a related party*

| | **2019**<br>**S$** | 2018<br>S$ |
|---|---|---|
| Trade related | **–** | 13,910 |
| Non-trade related | **–** | 1,210,882 |
| | **–** | 1,224,792 |

The balances as at year end are unsecured, non-interest bearing and repayable on demand. The related party is the joint venture of the Group (Note 18). The average credit period on purchases of services from the joint venture is 120 days (2018: 120 days). The aging of trade related amounts due to the related party presented based on the invoice date at the end of the reporting period is as follows:

| | **2019**<br>**S$** | 2018<br>S$ |
|---|---|---|
| Over 2 years | **–** | 13,910 |
| | **–** | 13,910 |

During the year, S$13,910 of trade related and S$413,780 of non-trade related amounts due to a related party have been offset against trade receivables due from the related party arising during the year. The remaining balance of S$797,102 non-trade related amounts due to the related party was firstly taken over by executive directors of the Company, who are also directors of the related party, and then fully settled in cash with the directors during the year.

## 22 CONTRACT ASSETS/LIABILITIES

The following is the analysis of the contract assets and contract liabilities balances for financial reporting purpose:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Contract assets, net of loss allowance | **36,246,814** | 25,463,110 |
| Contract liabilities | **(3,275)** | (227,246) |
| | **36,243,539** | 25,235,864 |

Contract assets and contract liabilities arising from the same contract are presented on a net basis above. In the analysis below, these contract assets and contract liabilities are presented on a gross basis, with the effect of the grossing up being S$119,705 (2018: S$1,180,441) as at 30 September 2019.

***Contract assets***

Amounts of contract assets represent the Group's rights to considerations from customers for the provision of construction services, which arise when: (i) the Group completed the relevant services under such contracts; and (ii) the customers withhold certain amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months (defect liability period) after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer.

The Group's contract assets are analysed as follows:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Construction contracts – *current*: | | |
| Retention receivables | **3,301,906** | 4,479,220 |
| Others* | **33,073,790** | 22,164,331 |
| | **36,375,696** | 26,643,551 |
| Loss allowance | **(9,177)** | – |
| | **36,366,519** | 26,643,557 |

* *It represents the revenue not yet been billed to the customers which the Group have completed the relevant services under such contracts but yet certified by representatives appointed by the customers.*

Changes of contract assets during the year were mainly due to: (1) the amount of retention receivables in accordance with the number of ongoing and completed contracts under the defect liability period during the year; and (2) in the size and number of contract works that the relevant services were completed but yet certified by representatives appointed by the customers at the end of each reporting period.

The Group's contract assets include retention receivables to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period. The balances are classified as current as they are expected to be received within the Group's normal operating cycle.

## 22 CONTRACT ASSETS/LIABILITIES *(continued)*

***Contract assets*** *(continued)*

To measure the ECL of contract assets, the Group applied individual assessment for all customers. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables disclosed in Note 19 for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets attributable to same debtor. As at 30 September 2019, the Group recognised S$9,177 impairment allowance based on individual assessment for all customers.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets.

The table below shows the movement in lifetime ECL that has been recognised for contract assets in accordance with the simplified approach set out in IFRS 9:

| | **2019<br>S$** |
|---|---|
| Balance at beginning of the year | **–** |
| Impairment losses recognised – credit-impaired | **9,177** |
| Balance at end of the year | **9,177** |

***Contract liabilities***

The contract liabilities represents the Group's obligation to transfer services to customers for which the Group has received consideration (or an amount of consideration is due) from the customers.

The Group's contract liabilities are analysed as follows:

| | **2019<br>S$** | 2018<br>S$ |
|---|---|---|
| Construction contracts – *current* | **122,980** | 1,407,687 |

Out of revenue recognised during the year, S$227,246 (2018: S$1,122,931) relates to carried-forward contract liabilities that were included in contract liabilities balance presented in the consolidated statement of financial position at beginning of the year.

None of the revenue recognised during the year relates to performance obligations that were satisfied in prior years.

## 23 BANK DEPOSITS/BANK BALANCES AND CASH

Bank deposits represent deposits pledged to a bank to secure banking facilities, including bank borrowings granted to the Group (Note 25). These bank deposits are not expected to be released within twelve months from the financial year end and presented as non-current assets.

Bank deposits carry fixed interest rate of 0.25% per annum (2018: 0.25% per annum) as at 30 September 2019.

The remaining bank balances and cash are interest free or at nominal rate.

## 24 TRADE AND OTHER PAYABLES

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Trade payables | **4,185,265** | 8,596,721 |
| Trade accruals | **11,505,756** | 8,556,768 |
| Retention payables* | **3,411,401** | 2,115,211 |
| | **19,102,422** | 19,268,700 |
| Payroll and CPF payables | **1,536,850** | 1,388,823 |
| Deposits | **77,300** | 43,250 |
| Sundry creditors | **743,224** | 222,490 |
| GST payable | **467,784** | 233,146 |
| Deferred rental income | **–** | 49,450 |
| Accrued listing expenses | **295,966** | 118,832 |
| Accrued expenses | **288,151** | 118,003 |
| Listing expenses payable | **1,363,374** | – |
| Dividend payable | **–** | 1,609,142 |
| | **4,772,649** | 3,783,136 |
| | **23,875,071** | 23,051,836 |

* *The retention payables to subcontractors are interest-free and payable after the completion of maintenance period or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works. These are classified as current as they are expected to be paid within the Group's normal operating cycle.*

The average credit period on purchases from suppliers is 30 to 60 days or payable on delivery (2018: 30 to 60 days or payable on delivery).

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

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Within 30 days | **924,201** | 5,580,096 |
| 31 days to 60 days | **1,054,627** | 1,682,920 |
| 61 days to 90 days | **1,575,530** | 1,010,165 |
| Over 90 days | **630,907** | 323,540 |
| | **4,185,265** | 8,596,721 |

## 25 BANK OVERDRAFTS/BANK BORROWINGS/BANK BORROWINGS HELD UNDER JOINT OPERATIONS

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Bank overdrafts *(Note i)* | **6,400,549** | 5,325,553 |
| Bank borrowings – secured and guaranteed *(Note ii)* | **14,152,020** | 13,819,170 |
| *Analysed as carrying amount repayable:* | | |
| Within one year | **5,290,865** | 4,144,037 |
| More than one year, but not exceeding two years | **553,026** | 719,505 |
| More than two years, but not exceeding five years | **1,772,352** | 1,781,952 |
| More than five years | **6,535,777** | 7,046,277 |
| *Carrying amount of bank loans that contain a repayment on demand clause:* | | |
| Repayable within one year from the end of reporting period* | **–** | 127,399 |
| | **14,152,020** | 13,819,170 |
| Less: Amounts due within one year (shown under current liabilities) | **(5,290,865)** | (4,271,436) |
| Amounts shown under non-current liabilities | **8,861,155** | 9,547,734 |
| **Bank borrowings held under joint operations:** | | |
| The total mortgage bank loans related to investment properties held under joint operations | **8,010,422** | 8,584,570 |
| Proportion of the Group's ownership interest in the mortgage bank loans | **50%** | 50% |
| Group's share of the mortgage bank loans related to investment properties held under joint operations – secured and guaranteed *(Note iii)* | **4,005,211** | 4,292,285 |
| *Analysed as carrying amount repayable:* | | |
| Within one year | **99,682** | 97,781 |
| More than one year, but not exceeding two years | **104,450** | 101,935 |
| More than two years, but not exceeding five years | **343,365** | 333,727 |
| More than five years | **500,741** | 624,298 |
| *Carrying amount of bank loans that contain a repayment on demand clause:* | | |
| Repayable within one year from the end of reporting period* | **148,509** | 143,804 |
| Not repayable within one year from the end of reporting period but shown under current liabilities* | **2,808,464** | 2,990,740 |
| | **4,005,211** | 4,292,285 |
| Less: Amounts due within one year (shown under current liabilities) | **(3,056,655)** | (3,232,325) |
| Amounts shown under non-current liabilities | **948,556** | 1,059,960 |

* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

## 25 BANK OVERDRAFTS/BANK BORROWINGS/BANK BORROWINGS HELD UNDER JOINT OPERATIONS *(continued)*

*Notes:*

*(i) Bank overdrafts carry interests at market rates of 5.5% (2018: 5.5%) per annum as at 30 September 2019. The balances are secured and jointly guaranteed by the executive directors of the Company.*

*(ii) The bank borrowings are secured and guaranteed by:*

*(a) First legal mortgage over owner-occupied properties and investment properties as set out in Notes 15 and 16;*

*(b) Joint and several guarantees from the executive directors of the Company in their personal capacities; and*

*(c) Bank deposits pledged to banks to secure banking facilities, including bank overdrafts, granted to the Group, amounting to S$225,383 (2018: S$224,821) as at 30 September 2019 (Note 23).*

*(iii) The bank borrowings are secured by first legal mortgage over investment properties held under joint operations as set out in Note 17. In addition, joint and several guarantees are provided by the executive directors of the Company and the joint partners.*

The weighted average effective interest rates of the borrowings were 4.7% (2018: 4.0%) per annum for the year ended 30 September 2019. The amounts are repayable at various dates throughout to 2037.

## 26 OBLIGATIONS UNDER FINANCE LEASES

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **S$** | S$ | **S$** | S$ |
| Amounts payable under finance leases: | | | | |
| Within one year | **905,969** | 1,066,635 | **857,067** | 1,009,223 |
| More than one year, but not exceeding two years | **595,809** | 582,843 | **576,132** | 552,428 |
| More than two years, but not exceeding five years | **233,729** | 446,953 | **224,595** | 427,501 |
| More than five years | **12,611** | 37,954 | **12,447** | 36,614 |
| | **1,748,118** | 2,134,385 | **1,670,241** | 2,025,766 |
| Less: Future finance charges | **(77,877)** | (108,619) | | |
| Present value of lease obligations | **1,670,241** | 2,025,766 | | |
| Less: Amounts due for settlement within one year (shown under current liabilities) | | | **(857,067)** | (1,009,223) |
| Amounts due for settlement after one year | | | **813,174** | 1,016,543 |

## 26 OBLIGATIONS UNDER FINANCE LEASES *(continued)*

The Group's obligations under finance leases are secured by the lessor's titled to the leased assets (Note 15) and guarantees provided by the executive directors of the Company.

The average lease term ranges from 2 to 7 years (2018: 2 to 7 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates. During the year, the effective interest rate charged are ranged from 3.1% to 6.5% (2018: 3.1% to 6.5%) per annum.

## 27 DEFERRED TAX LIABILITIES

| | **2019**<br>**S$** | 2018<br>S$ |
|---|---|---|
| At beginning of the year | **193,000** | 182,000 |
| Charged to profit or loss for the year *(Note 11)* | **88,000** | 11,000 |
| At end of the year | **281,000** | 193,000 |

The deferred tax liabilities resulted from temporary taxable differences arising from accelerated depreciation in relation to capital allowance claims on qualified assets in accordance with prevailing tax laws in Singapore.

| | **2019**<br>**S$** | 2018<br>S$ |
|---|---|---|
| Unused tax losses | **825,647** | 959,612 |
| Other temporary differences | **243,393** | 197,678 |

As at 30 September 2019 and 2018, the Group has unused tax losses and other temporary differences available for offset against future profits. No deferred tax asset has been recognised in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group companies. The unrecognised tax losses can be carried forward subject to there being no substantial change in shareholders as required by provisions of the Singapore Income Tax Act.

The Group has no other significant unrecognised deferred tax assets for deductible temporary differences at 30 September 2019 and 2018.

## 28 SHARE CAPITAL/RESERVES

***Share capital***

For the purpose of presenting the share capital of the Group prior to the Reorganisation in the consolidated statement of financial position, the balances as at 1 October 2017 and 2018 represented the share capital of all companies comprising the Group and that have been incorporated.

| | **Number of ordinary shares** | **Par value** HK$ | **Share capital** HK$ |
|---|---|---|---|
| Authorised share capital of the Company: | | | |
| At date of incorporation on 17 September 2018 and 1 October 2018 | 38,000,000 | 0.01 | 380,000 |
| Increase on 23 August 2019 *(Note a)* | 962,000,000 | 0.01 | 9,620,000 |
| At 30 September 2019 | 1,000,000,000 | 0.01 | 10,000,000 |

| | **Number of ordinary shares** | **Share capital** S$ |
|---|---|---|
| Issued and fully paid of all companies comprising the Group: | | |
| At 1 October 2017 | 6,895,000 | 6,895,000 |
| Issue of shares pursuant to the Reorganisation *(Note 2(i))* | 2 | 3 |
| Issue of shares on date of incorporation of the Company *(Note 2(ii))* | 1 | –* |
| At 30 September 2018 | 6,895,003 | 6,895,003 |
| Issued and fully paid of the Company: | | |
| At 1 October 2018 | 1 | –* |
| Issue of shares pursuant to the Reorganisation *(Note 2(iii))* | 2 | –* |
| Issue of shares pursuant to the Reorganisation *(Note 2(iv))* | 60 | –* |
| Issue of shares under the Capitalisation issue *(Note a)* | 359,999,937 | 636,480 |
| Issue of shares under the Share Offer *(Note b)* | 120,000,000 | 211,200 |
| At 30 September 2019 | 480,000,000 | 847,680 |

* *The amount is less than S$1.*

## 28 SHARE CAPITAL/RESERVES *(continued)*

***Share capital*** *(continued)*

*Notes:*

a. *Pursuant to the written resolution of the directors of the Company passed on 23 August 2019, it was resolved that, among other things:*

- *The authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of an additional 962,000,000 shares; and*

- *Conditional on the share premium account of the Company being credited as a result of the Share Offer, the directors of the Company were authorised to capitalise the amount HK$3,599,999 (equivalent to S$636,480) from the amount standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par of 359,999,937 shares, rank pari passu in all respects with all the then existing shares.*

b. *The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 19 September 2019 by way of placing of 108,000,000 shares and public offer of 12,000,000 shares at the price of HK$1.07 per share ("Share Offer"), resulting in gross proceeds received by the Company of approximately HK$128.4 million (equivalent to S$22.6 million).*

The net proceeds after deducting the underwriting commissions and expenses paid or payable by the Company in relation to the Share Offer amounted to HK$86.3 million (equivalent to S$15.2 million).

***Properties revaluation reserves***

The properties revaluation reserves arise from the difference between the carrying amount and the fair value of properties at the date of transfer from property, plant and equipment (Note 15) to investment properties (Note 16). Where the revalued properties are sold, the portion of the properties revaluation reserves that relate to those assets is effectively realised and is transferred directly to retained earnings.

The properties revaluation reserves are not available for distribution to the Company's shareholders.

| | **2019**<br>**S$** | 2018<br>S$ |
|---|---|---|
| At beginning of the year | **767,248** | – |
| Changes during the year in other comprehensive income | **–** | 767,248 |
| At end of the year | **767,248** | 767,248 |

## 29 RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund Board of Singapore, the Group's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For the year ended 30 September 2019, the Group contributes up to 17% (2018: 17%) of the eligible employees' salaries to the CPF scheme, with each employee's qualifying salary capped at S$6,000 per month (2018: S$6,000 per month).

The total costs charged to profit or loss, amounting to S$604,781 (2018: S$575,293), for the financial year ended 30 September 2019, represent contributions paid to the retirement benefits scheme by the Group.

As at 30 September 2019, contributions of S$88,615 (2018: S$90,241) were accrued. The amounts were paid subsequent to the end of the year.

30 September 2019

## 30 COMMITMENTS

***Operating lease commitments***

*The Group as lessee*

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Minimum lease payments under operating leases recognised as an expense during the year | **618,626** | 600,299 |

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Within one year | **342,589** | 320,489 |
| In the second to fifth years, inclusive | **290,835** | 290,835 |
| More than five years | **1,188,949** | 1,116,240 |
| | **1,822,373** | 1,727,564 |

Operating lease payments represent rentals payable by the Group for staff accommodation and its office. Leases are negotiated for an average term of 1 to 25 years (2018: 1 to 25 years) and rentals are fixed for an average of 1 to 2 years.

*The Group as lessor*

The details of rental income earned on buildings and freehold land and investment properties are disclosed in Notes 7, 16 and 17 respectively.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payables:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Within one year | **601,873** | 173,362 |
| In the second to fifth years, inclusive | **201,000** | 38,500 |
| | **802,873** | 211,862 |

The leases have tenures of 1 to 3 years (2018: 1 to 5 years), with no contingent rent provision included in the contracts.

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| **ASSETS AND LIABILITES** | | |
| **Non-current asset** | | |
| Investment in a subsidiary | **–*** | –* |
| **Current assets** | | |
| Other receivables, deposits and prepayments | **123,909** | 173,584 |
| Bank balances and cash | **19,767,615** | – |
| | **19,891,524** | 173,584 |
| **Current liabilities** | | |
| Other payables | **553,202** | 118,832 |
| Amounts due to subsidiaries | **4,335,350** | 685,952 |
| | **4,888,552** | 804,784 |
| **Net current assets (liabilities)** | **15,002,972** | (631,200) |
| **Total assets less current liabilities, representing net assets (liabilities)** | **15,002,972** | (631,200) |
| **EQUITY** | | |
| **Capital and reserves** | | |
| Share capital | **847,680** | –* |
| Share premium | **18,742,783** | – |
| Accumulated losses | **(4,587,491)** | (631,200) |
| **Equity attributable to owners of the Company** | **15,002,972** | (631,200) |

* *The amount is less than S$1.*

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

A summary of the Company's capital and reserves is as follows:

| | Share capital S$ | Share premium S$ | Accumulated losses S$ | Total S$ |
|---|---|---|---|---|
| **At 17 September 2018 (date of incorporation)** | –* | – | – | –* |
| Loss for the period, representing total comprehensive loss for the period | – | – | (631,200) | (631,200) |
| **At 30 September 2018** | –* | – | (631,200) | (631,200) |
| *Transactions with owner, recognised directly in equity:* | | | | |
| Issue of shares pursuant to the Reorganisation *(Notes 2 and 28)* | –* | – | – | –* |
| Issue of shares under the Capitalisation issue *(Note 28a)* | 636,480 | (636,480) | – | – |
| Issue of shares under the Share Offer *(Note 28b)* | 211,200 | 22,387,200 | – | 22,598,400 |
| Share issue expenses | – | (3,007,937) | – | (3,007,937) |
| Total | 847,680 | 18,742,783 | – | 19,590,463 |
| Loss for the year, representing total comprehensive loss for the year | – | – | (3,956,291) | (3,956,291) |
| **At 30 September 2019** | **847,680** | **18,742,783** | **(4,587,491)** | **15,002,972** |

* *The amount is less than S$1.*

## 32 CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

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

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of items in the context of capital structure, and takes appropriate actions to adjust the Group's capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through continuity of funding of cash flows from operating activities or raising new funds.

## 33 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

***Categories of financial instruments***

| | **2019**<br>**S$** | 2018<br>S$ |
|---|---|---|
| **Financial assets** | | |
| *Amortised cost (2018: Loans and receivables)* | | |
| Trade receivables | **10,649,571** | 11,255,270 |
| Other receivables and deposits* | **729,611** | 1,851,047 |
| Bank balances and cash | **20,948,951** | 3,659,905 |
| Bank deposits | **225,383** | 224,821 |
| Total | **32,553,516** | 16,991,043 |
| **Financial liabilities** | | |
| *Amortised cost* | | |
| Trade and other payables** | **23,407,287** | 22,769,240 |
| Bank borrowings | **14,152,020** | 13,819,170 |
| Bank borrowings held under joint operations | **4,005,211** | 4,292,285 |
| Amounts due to directors | **–** | 391,943 |
| Amounts due to a related party | **–** | 1,224,792 |
| Bank overdrafts | **6,400,549** | 5,325,553 |
| Total | **47,965,067** | 47,822,983 |

* *Prepayments, deferred expenses, GST receivable, prepaid listing expenses and deferred issue costs are excluded.*

** *Deferred rental income and GST payable are excluded.*

## 33 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

***Financial risk management objectives and policies***

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

*(a)* *Market risk*

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has assessed that there is minimal exposure of interest rate risk on the variable rate of interest incurred on the bank borrowings. The Group is exposed to fair value interest rate risk in relation to fixed-rate finance leases and bank deposits. It is the Group's policy to raise borrowings at fixed-rate or variable-rate according to business needs and as to minimise the fair value and cash flow interest rate risk.

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

*Interest rate sensitivity*

Variable-rate bank borrowings

If interest rates of the variable-rate bank borrowings had been 10 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 30 September 2019 would decrease/increase by approximately S$15,000 (2018: S$15,000).

The above analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest risk as the year end exposure does not reflect the exposure during the year.

*Currency risk*

The Group has certain bank balances and other payables denominated in HK$, other than the functional currency of the respective group entities, which exposes the Group to foreign currency risk. The Group manages the risk by closely monitoring the movements of the foreign currency rate.

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

| | **2019**<br>**S$** | 2018<br>S$ |
|---|---|---|
| **Monetary assets:** | | |
| Denominated in HK$ | **19,767,615** | – |
| **Monetary liabilities:** | | |
| Denominated in HK$ | **1,140,748** | – |

## 33 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

***Financial risk management objectives and policies*** *(continued)*

*(a) Market risk (continued)*

*Currency risk (continued)*

If the HK$ strengthens/weakens by 10% against the functional currency of the respective group entities, the Group's profit for the year ended 30 September 2019 would increase/decrease by approximately S$1,863,000 (2018: S$Nil).

In the management's opinion, the sensitivity analysis above is unrepresentative for the currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

*(b) Credit risk*

*Under IAS 39 and IFRS 9*

Included in the Group's financial assets as at 30 September 2019 as a component of bank balances and cash is S$19,767,615 (2018: S$Nil) placed in a bank in Hong Kong. The remaining bank balances and cash are placed in 4 banks (2018: 4) in Singapore. All these counterparties have been assessed by management to be financially sound, with external credit ratings of investment grade.

Other than the concentration of credit risk of bank balances and cash in Hong Kong, the Group's concentration of credit risk by geographical location is mainly in Singapore, which accounted for 39% (2018: 100%) of the total financial assets as at 30 September 2019.

Approximately 75% (2018: 87%) of total trade receivables and contract assets outstanding at 30 September 2019 were due from top 5 customers which exposed the Group to concentration of credit risk. Those five largest customers are with good creditworthiness based on historical settlement record.

In order to minimise the concentration of credit risk, the management of the Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made to irrecoverable amount.

Other than concentration of credit risk on bank balances and cash and on trade receivables and contract assets from top 5 customers as disclosed above, the Group has no other significant concentration of credit risk on other receivables and deposits, with exposure spread over a number of counterparties.

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

## 33 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

***Financial risk management objectives and policies*** *(continued)*

*(b) Credit risk (continued)*

*Under IAS 39*

Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

The credit risk on other receivables and deposits is limited because the Group had not encountered significant difficulties in collecting payments from relevant parties in the past.

In addition, the directors of the Group closely monitor the subsequent settlement of the customers. In this regards, the directors of the Group consider that the Group's credit risk is significantly reduced.

*Under IFRS 9*

In order to minimise credit risk, the Group has delegated its staff to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The staff uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

| **Category** | **Description** | **Basis for recognising ECL** |
|---|---|---|
| Performing | The counterparty has a low risk of default and does not have any past-due amounts or the counterparty frequently repays and usually settles after due dates. | 12m ECL |
| Doubtful | There has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit-impaired |
| In default | There is evidence indicating the asset is credit impaired. | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery. | Amount is written off |

The Group applied credit risk modelling upon adoption of IFRS 9. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis.

## 33 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

***Financial risk management objectives and policies*** *(continued)*

*(b) Credit risk (continued)*

*Under IFRS 9 (continued)*

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, it considers the forward-looking information is available and reasonable, including below indicators:

– internal credit rating based on historical information;

– actual or expected significant changes in the operating result of the debtors; and

– significant changes in the expected performance and behaviour of the debtors, include changes in the payment status of debtors.

The table below details the credit quality of the Group's financial assets and other contract assets as well as the Group's maximum exposure to credit risk by credit risk rating grades:

| | *Note* | **Internal credit rating** | **12m or lifetime ECL** | **Gross carrying amount** S$ | **Loss allowance** S$ | **Net carrying amount** S$ |
|---|---|---|---|---|---|---|
| **At 30 September 2019** | | | | | | |
| Trade receivables | *19* | (1) | Lifetime ECL (simplified approach) | 10,717,066 | (67,495) | 10,649,571 |
| Other receivables and deposits | 20 | Performing | 12m ECL | 729,611 | – | 729,611 |
| Bank deposits | 23 | Performing | 12m ECL | 225,383 | – | 225,383 |
| Bank balances and cash | 23 | Performing | 12m ECL | 20,948,951 | – | 20,948,951 |
| Contract assets | 22 | (1) | Lifetime ECL (simplified approach) | 36,255,991 | (9,177) | 36,246,814 |
| | | | | 68,877,002 | (76,672) | 68,800,330 |

*Note:*

*(1) For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Further details are disclosed in Notes 19 and 22 respectively. The Group reassesses the lifetime ECL for trade receivables and contract assets at the end of each reporting period to ensure that adequate impairment losses are made for significant increase in the likelihood or risk of a default occurring since initial recognition.*

The Group has assessed and concluded that the expected credit loss for other receivables and deposits, bank deposits and bank balances and cash is immaterial under ECL method based on the Group's assessment on the risk of the default of that counterparty.

## 33 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

***Financial risk management objectives and policies*** (continued)

*(c) Liquidity risk*

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

*Non-derivative financial liabilities*

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

| | Weighted average interest rate | On demand or within 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Over 5 years | Total undiscounted cash flow | Carrying amount |
|---|---|---|---|---|---|---|---|---|
| | % | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| **As at 30 September 2019** | | | | | | | | |
| *Non-interest bearing* | | | | | | | | |
| Trade and other payables | **N/A** | **23,407,287** | **-** | **-** | **-** | **-** | **23,407,287** | **23,407,287** |
| *Interest bearing* | | | | | | | | |
| Bank borrowings | **4.7** | **4,895,333** | **288,855** | **529,032** | **3,693,464** | **7,800,883** | **17,207,567** | **14,152,020** |
| Bank borrowings held under joint operations | **4.7** | **2,993,352** | **36,379** | **72,757** | **582,055** | **545,678** | **4,230,221** | **4,005,211** |
| Obligations under finance leases | **3.1 to 6.5** | **285,933** | **393,322** | **226,714** | **829,538** | **12,611** | **1,748,118** | **1,670,241** |
| Bank overdrafts | **5.5** | **6,400,549** | **-** | **-** | **-** | **-** | **6,400,549** | **6,400,549** |
| Total | | **37,982,454** | **718,556** | **828,503** | **5,105,057** | **8,359,172** | **52,993,742** | **49,635,308** |
| **As at 30 September 2018** | | | | | | | | |
| *Non-interest bearing* | | | | | | | | |
| Trade and other payables | N/A | 22,769,240 | – | – | – | – | 22,769,240 | 22,769,240 |
| Amounts due to directors | N/A | 391,943 | – | – | – | – | 391,943 | 391,943 |
| Amounts due to a related party | N/A | 1,224,792 | – | – | – | – | 1,224,792 | 1,224,792 |
| *Interest bearing* | | | | | | | | |
| Bank borrowings | 4.0 | 3,806,427 | 275,800 | 551,597 | 3,680,635 | 8,213,012 | 16,527,471 | 13,819,170 |
| Bank borrowings held under joint operations | 4.0 | 3,170,923 | 36,379 | 72,757 | 582,057 | 691,192 | 4,553,308 | 4,292,285 |
| Obligations under finance leases | 3.1 to 6.5 | 279,379 | 270,953 | 516,303 | 1,029,796 | 37,954 | 2,134,385 | 2,025,766 |
| Bank overdrafts | 5.5 | 5,325,553 | – | – | – | – | 5,325,553 | 5,325,553 |
| Total | | 36,968,257 | 583,132 | 1,140,657 | 5,292,488 | 8,942,158 | 52,926,692 | 49,848,749 |

## 33 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

***Financial risk management objectives and policies*** *(continued)*

*(c) Liquidity risk (continued)*

*Non-derivative financial liabilities (continued)*

The table below summarises the maturity analysis of bank borrowings and bank borrowings held under joint operations with a repayment on demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using the specified interest rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the financial position of the Group and the joint operations, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

*Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments*

| | Within 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Over 5 years | Total undiscounted cash flow | Carrying amount |
|---|---|---|---|---|---|---|---|
| | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| As at 30 September 2019 | **5,000,896** | **394,418** | **740,159** | **5,382,476** | **10,975,581** | **22,493,530** | **18,157,231** |
| As at 30 September 2018 | 3,820,874 | 417,646 | 823,492 | 5,383,824 | 11,847,176 | 22,293,012 | 18,111,455 |

*Non-derivative financial assets*

Except for bank deposits as disclosed in Note 23, all other financial assets of the Group as at 30 September 2019 and 2018 are non-interest bearing and repayable on demand or due within one year from the end of the reporting period.

*(d) Fair value of financial assets and financial liabilities*

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

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

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

## 34 RELATED PARTY TRANSACTIONS

Related parties in these consolidated financial statements refer to the Group's key management personnel and their close family members as well as entities jointly controlled by the executive directors of the Company.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in the consolidated financial statements.

Apart from disclosure elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the year:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Purchase of upkeep services of motor vehicles and machinery | – | 39,765 |
| Sale of motor vehicles | – | 51,025 |

***Guarantees from the executive directors***
The executive directors of the Company provide personal guarantees for various banking facilities including bank overdrafts granted to and finance leases obtained by the Group as detailed in Notes 25 and 26 respectively. Subsequent to the year end, personal guarantees for certain banking facilities have been replaced by corporate guarantees provided by the Company and Builink.

***Compensation of key management personnel***
The remuneration of directors and other members of key management of the Group were as follows:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Short-term benefits | 1,797,103 | 1,283,814 |
| Contributions to CPF | 96,687 | 96,721 |
| | 1,893,790 | 1,380,535 |

## 35 PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company as at 30 September 2019 are set out below:

| Name of subsidiary | Place of incorporation/ operation | Paid up issued capital | Group's effective interest | Interest held by the Company | Principal activities |
|---|---|---|---|---|---|
| Builink | BVI | US$2 | 100% | 100% | Investment holding |
| Sing Tec Development | Singapore | S$6,500,000 | 100% | – | Provision of civil engineering works, building construction services works and property investment |
| Sing Tec Construction | Singapore | S$345,000 | 100% | – | Provision of civil engineering works, building construction works and other ancillary services |
| Initial Resources | Singapore | S$50,000 | 100% | – | Provision of other ancillary services |

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

## 36 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Bank overdrafts S$ | Bank borrowings S$ | Obligations under finance leases S$ | Interest payable S$ | Dividend payable S$ | Amounts due to directors S$ | Amounts due to related parties S$ | Total S$ |
|---|---|---|---|---|---|---|---|---|
| **At 1 October 2017** | – | 16,434,505 | 1,182,722 | – | – | 391,943 | 160,748 | 18,169,918 |
| *Financing cash flows* | 5,325,553 | 1,676,950 | (1,315,567) | (727,879) | – | – | 1,050,134 | 6,009,191 |
| *Non-cash changes:* | | | | | | | | |
| Finance cost recognised *(Note 9)* | – | – | – | 727,879 | – | – | – | 727,879 |
| Dividends declared *(Note 13)* | – | – | – | – | 7,140,000 | – | – | 7,140,000 |
| Settlement arrangement *(Note 13)* | – | – | – | – | (5,530,858) | – | – | (5,530,858) |
| New finance leases *(Note 15)* | – | – | 2,158,611 | – | – | – | – | 2,158,611 |
| **At 30 September 2018** | **5,325,553** | **18,111,455** | **2,025,766** | **-** | **1,609,142** | **391,943** | **1,210,882** | **28,674,741** |
| *Financing cash flows* | **1,074,996** | **45,776** | **(1,242,046)** | **(971,067)** | **(500,000)** | **(1,189,045)** | **-** | **(2,781,386)** |
| *Non-cash changes:* | | | | | | | | |
| Finance cost recognised *(Note 9)* | **-** | **-** | **-** | **971,067** | **-** | **-** | **-** | **971,067** |
| Dividends waived *(Note 13)* | **-** | **-** | **-** | **-** | **(1,109,142)** | **-** | **-** | **(1,109,142)** |
| New finance leases *(Note 15)* | **-** | **-** | **886,521** | **-** | **-** | **-** | **-** | **886,521** |
| Settlement arrangement *(Note 21b)* | **-** | **-** | **-** | **-** | **-** | **797,102** | **(1,210,882)** | **(413,780)** |
| **At 30 September 2019** | **6,400,549** | **18,157,231** | **1,670,241** | **-** | **-** | **-** | **-** | **26,228,021** |

## 37 PERFORMANCE BONDS

As at 30 September 2019, performance bonds of S$9,051,174 (2018: S$7,472,709) were given by a bank and insurance companies in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. Subsequent to the year end, the Group has obtained additional performance bonds amounting to S$1,529,579.

If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the respective bank or insurance company to pay to them the sum or sum stipulated in such demand. In the event of the non-performance, the Group will only become liable to compensate such customers for any performance obligations over the performance bond amounts given to them. The performance guarantees will be released upon completion of the contracts.

## 38 SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a written resolution passed by the sole shareholder of the Company on 23 August 2019 (the "Share Option Scheme"), the Company may grant options to eligible directors of the Group, eligible employees of the Group and other selected participants, for the recognition of their contributions, to subscribe for shares ("Shares") in the Company with a payment of HK$1 upon each grant of options offered.

The exercise price of the share option shall be not less than the highest of:

(i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date (the "Offer Date") of grant of the particular option, which must be a business day;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date of the option; and

(iii) the nominal value of a Share on the Offer Date.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the Board of Directors.

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of Company. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Share Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of Company.

Up to the date of issuance of the consolidated financial statements, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

During the year ended 30 September 2019, no share options have been granted nor exercised and there is no outstanding share option of the Company as at 30 September 2019.

# *Summary of Financial Information*

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

| | **30 September 2019 S$** | 30 September 2018 S$ | 30 September 2017 S$ | 30 September 2016 S$ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Services | **96,359,253** | 83,458,630 | 59,870,463 | 44,255,280 |
| Rental | **512,845** | 504,694 | 477,876 | 484,302 |
| Total revenue | **96,872,098** | 83,963,324 | 60,348,339 | 44,739,582 |
| Cost of services | **(80,020,208)** | (70,664,483) | (50,625,871) | (36,819,891) |
| **Gross profit** | **16,851,890** | 13,298,841 | 9,722,468 | 7,919,691 |
| Other income | **201,167** | 290,574 | 291,947 | 402,776 |
| Other gains and losses | **468,027** | 733,026 | (209,946) | (121,033) |
| Administrative expenses | **(6,202,129)** | (4,916,894) | (4,886,878) | (4,706,825) |
| Impairment loss on financial assets and contract assets | **(76,672)** | – | – | – |
| Finance costs | **(971,067)** | (727,879) | (471,181) | (568,596) |
| Listing expenses | **(3,774,929)** | (631,200) | – | – |
| Share of result of a joint venture | **64,526** | (27,296) | 58,090 | 125,789 |
| Profit before taxation | **6,560,813** | 8,019,172 | 4,504,500 | 3,051,802 |
| Income tax expense | **(1,702,506)** | (1,239,284) | (550,000) | (468,842) |
| **Profit for the year** | **4,858,307** | 6,779,888 | 3,954,500 | 2,582,960 |
| **Other comprehensive income:** | | | | |
| *Items that will not be reclassified to profit or loss* | | | | |
| Difference between the carrying amount and the fair value of properties at the date of transfer from property, plant and equipment to investment properties | **–** | 767,248 | – | – |
| Other comprehensive income for the year | **–** | 767,248 | – | – |
| **Profit and total comprehensive income for the year** | **4,858,307** | 7,547,136 | 3,954,500 | 2,582,960 |

# Summary of Financial Information

| | 30 September 2019 S$ | 30 September 2018 S$ | 30 September 2017 S$ | 30 September 2016 S$ |
|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | |
| Non-current assets | **35,098,200** | 35,764,880 | 34,350,861 | 26,682,924 |
| Current assets | **68,906,367** | 42,934,374 | 23,753,096 | 30,193,622 |
| **Total assets** | **104,004,567** | 78,699,254 | 58,103,957 | 56,876,546 |
| Non-current liabilities | **10,903,885** | 11,817,237 | 11,978,595 | 6,793,141 |
| Current liabilities | **40,847,376** | 40,186,623 | 19,837,107 | 27,749,650 |
| **Total liabilities** | **51,751,261** | 52,003,860 | 31,815,702 | 34,542,791 |
| **Total equity** | **52,253,306** | 26,695,394 | 26,288,255 | 22,333,755 |