

The following is the text of a report set out on pages I-1 to I-66 received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purposes of incorporation in this Document.

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ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HKE HOLDINGS LIMITED AND DAKIN CAPITAL LIMITED

Introduction

We report on the historical financial information of HKE Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-5 to I-66, which comprises the combined statements of financial position as at 30 June 2015, 2016, 2017 and 30 September 2017, the statement of financial position of the Company as at 30 September 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 30 June 2017 and the three months ended 30 September 2017 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-5 to I-66 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “*Accountants’ Reports on Historical Financial Information in Investment Circulars*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at 30 June 2015, 2016, 2017 and 30 September 2017, of the Company’s financial position as at 30 September 2017 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

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Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the three months ended 30 September 2016 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-5 as were considered necessary.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about dividends paid by the Company’s subsidiaries and states that no dividend have been paid by the Company in respect of the Track Record Period.

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No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of the accountants’ report.

The Historical Financial Information in this report was prepared based on the financial statements of the Hwa Koon Engineering Pte Ltd (“Hwa Koon”) for the years ended 30 June 2015, 2016 and 2017 (the “Hwa Koon’s Financial Statements”), and the consolidated financial statements of Philosophy Global Limited (“Philosophy Global”) for the three months ended 30 September 2017 (the “Philosophy Global’s Financial Statements”), and the management accounts of the Company for the period from its date of incorporation to 30 September 2017 (collectively referred to as “Underlying Financial Statements”). The Underlying Financial Statements have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). The Hwa Koon’s Financial Statements and the Philosophy Global’s Financial Statements were audited by Deloitte & Touche LLP Singapore, a firm of Public Accountants and Certified Accountants registered in Singapore, in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Historical Financial Information is presented in Singapore dollars (“S\$”).

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 30 June			Three months ended 30 September	
		2015 S\$	2016 S\$	2017 S\$	2016 S\$	2017 S\$
					(unaudited)	
Revenue	6	13,244,503	9,793,083	14,937,418	4,474,065	4,034,961
Costs of services/sales		(7,971,327)	(6,187,490)	(8,432,129)	(2,599,950)	(2,258,059)
Gross profit		5,273,176	3,605,593	6,505,289	1,874,115	1,776,902
Other income	7a	23,160	50,639	48,468	19,051	8,201
Other gains	7b	–	–	132,825	29,011	–
Administrative expenses		(1,173,671)	(634,716)	(618,196)	(169,403)	(177,699)
Finance costs	8	(2,327)	(225)	–	–	–
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Profit (loss) before taxation	9	4,120,338	3,021,291	6,068,386	1,752,774	(191,155)
Income tax expense	10	(653,575)	(340,367)	(917,764)	(253,930)	(247,831)
Profit (loss) for the year/period		<u>3,466,763</u>	<u>2,680,924</u>	<u>5,150,622</u>	<u>1,498,844</u>	<u>(438,986)</u>
Other comprehensive (expense) income						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Fair value change on available-for-sale financial assets, net of tax		–	(95,812)	223,323	28,323	–
Reclassified upon disposal of available-for-sale financial assets		–	–	(127,511)	(29,011)	–
		–	(95,812)	95,812	(688)	–
Total comprehensive income (expense) for the year/period		<u>3,466,763</u>	<u>2,585,112</u>	<u>5,246,434</u>	<u>1,498,156</u>	<u>(438,986)</u>

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STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group			The Company	
		As at 30 June		As at		As at
		2015	2016	30 September	30 September	2017
		\$	\$	\$	\$	\$
Non-current assets						
Property, plant and equipment	14	662,379	685,523	746,796	722,334	–
Current assets						
Available-for-sale financial assets	15	–	1,510,000	–	–	–
Trade receivables	16	1,968,802	2,322,159	3,477,865	4,334,638	–
Other receivables, deposits and prepayments	17	52,595	85,070	76,985	647,283	534,763
Amounts due from customers for construction work	18	305,274	1,494,180	2,193,064	2,746,989	–
Amounts due from related parties	19a	50,756	346,982	–	–	–
Restricted bank deposit	20	–	–	–	175,000	–
Bank balances and cash	20	3,751,835	1,095,434	4,011,269	3,939,661	–
		<u>6,129,262</u>	<u>6,853,825</u>	<u>9,759,183</u>	<u>11,843,571</u>	<u>534,763</u>
Current liabilities						
Trade and other payables	21	845,637	1,202,772	1,415,017	3,098,555	1,293,271
Amounts due to customers for construction work	18	28,287	304,847	–	567,407	–
Amounts due to related parties/amount due to Hwa Koon	19b	703,562	–	–	–	1,040,051
Amounts due to directors	19c	915,543	720,970	–	–	–
Obligation under finance leases						
– due within one year	22	15,777	–	–	–	–
Income tax payable		684,867	425,470	950,215	1,199,394	–
		<u>3,193,673</u>	<u>2,654,059</u>	<u>2,365,232</u>	<u>4,865,356</u>	<u>2,333,322</u>

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	NOTES	The Group			The Company	
		As at 30 June		2017	As at	As at
		2015	2016		30 September	30 September
		S\$	S\$	S\$	S\$	S\$
Net current assets						
(liabilities)		<u>2,935,589</u>	<u>4,199,766</u>	<u>7,393,951</u>	<u>6,978,215</u>	<u>(1,798,559)</u>
Total assets less current liabilities		<u>3,597,968</u>	<u>4,885,289</u>	<u>8,140,747</u>	<u>7,700,549</u>	<u>(1,798,559)</u>
Non-Current liability						
Deferred tax liabilities	23	<u>14,419</u>	<u>16,628</u>	<u>25,652</u>	<u>24,304</u>	<u>–</u>
Net assets (liabilities)		<u>3,583,549</u>	<u>4,868,661</u>	<u>8,115,095</u>	<u>7,676,245</u>	<u>(1,798,559)</u>
Capital and reserves						
Share capital	24a	500,000	1,000,000	1,000,000	4,600,136	–
Reserves	24b	<u>3,083,549</u>	<u>3,868,661</u>	<u>7,115,095</u>	<u>3,076,109</u>	<u>(1,798,559)</u>
Equity attributable to owners of the Company		<u>3,583,549</u>	<u>4,868,661</u>	<u>8,115,095</u>	<u>7,676,245</u>	<u>(1,798,559)</u>

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COMBINED STATEMENTS OF CHANGES IN EQUITY

	Reserves					
	Share capital	Available-for-sale financial assets	Merger reserve	Accumulated profits	Sub-total	Total
	S\$	S\$	S\$	S\$	S\$	S\$
At 1 July 2014	500,000	–	–	2,116,786	2,116,786	2,616,786
Profit and other comprehensive income for the year	–	–	–	3,466,763	3,466,763	3,466,763
Dividend (Note 12)	–	–	–	(2,500,000)	(2,500,000)	(2,500,000)
At 30 June 2015	500,000	–	–	3,083,549	3,083,549	3,583,549
Profit for the year	–	–	–	2,680,924	2,680,924	2,680,924
Fair value change on available-for-sale financial assets, net of tax	–	(95,812)	–	–	(95,812)	(95,812)
Total comprehensive income for the year	–	(95,812)	–	2,680,924	2,585,112	2,585,112
Dividend (Note 12)	–	–	–	(1,300,000)	(1,300,000)	(1,300,000)
Issuance of shares (Note 24)	500,000	–	–	(500,000)	(500,000)	–
At 30 June 2016	1,000,000	(95,812)	–	3,964,473	3,868,661	4,868,661
Profit for the year	–	–	–	5,150,622	5,150,622	5,150,622
Fair value change on available-for-sale financial assets, net of tax	–	223,323	–	–	223,323	223,323
Reclassified upon disposal of available-for-sale financial assets	–	(127,511)	–	–	(127,511)	(127,511)
Total comprehensive income for the year	–	95,812	–	5,150,622	5,246,434	5,246,434
Dividend (Note 12)	–	–	–	(2,000,000)	(2,000,000)	(2,000,000)
At 30 June 2017	1,000,000	–	–	7,115,095	7,115,095	8,115,095
Loss and total comprehensive expense for the period	–	–	–	(438,986)	(438,986)	(438,986)
Shares subscription in Philosophy Global Reorganisation*	136	–	–	–	–	136
	3,600,000	–	(3,600,000)	–	(3,600,000)	–
At 30 September 2017	4,600,136	–	(3,600,000)	6,676,109	3,076,109	7,676,245
For the three months ended 30 September 2016 (unaudited)						
At 1 July 2016	1,000,000	(95,812)	–	3,964,473	3,868,661	4,868,661
Profit for the period	–	–	–	1,498,844	1,498,844	1,498,844
Fair value change on available-for-sale financial assets, net of tax	–	28,323	–	–	28,323	28,323
Reclassified upon disposal of available-for-sale financial assets	–	(29,011)	–	–	(29,011)	(29,011)
Total comprehensive income for the period	–	(688)	–	1,498,844	1,498,156	1,498,156
At 30 September 2016 (unaudited)	1,000,000	(96,500)	–	5,463,317	5,366,817	6,366,817

* The merger reserve arose from the share swap pursuant to agreement entered between Mr. Ang, Mr. Ong and Mr. Koh (all defined in Note 2) and Philosophy Global dated 14 September 2017, details of which are set out in Note 2.

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COMBINED STATEMENTS OF CASH FLOWS

	Year ended 30 June			Three months ended 30 September	
	2015 S\$	2016 S\$	2017 S\$	2016 S\$ (unaudited)	2017 S\$
Operating activities					
Profit (loss) before taxation	4,120,338	3,021,291	6,068,386	1,752,774	(191,155)
Adjustments for:					
Depreciation of property, plant and equipment	78,271	76,253	98,582	21,634	29,531
Finance costs	2,327	225	–	–	–
Dividend income	–	(40,500)	(27,000)	(15,000)	–
Interest income	–	–	(118)	–	(2,511)
Gain on disposal of available-for-sale financial assets	–	–	(127,511)	(29,011)	–
Gain on disposal of property, plant and equipment	–	–	(5,314)	–	–
Operating cash flow before movement in working capital	4,200,936	3,057,269	6,007,025	1,730,397	(164,135)
<i>Movements in working capital:</i>					
Increase in trade receivables	(473,099)	(353,357)	(1,155,706)	(1,440,902)	(856,773)
Decrease (increase) in other receivables, deposits and prepayments	281,257	(32,475)	8,085	(40,755)	(570,298)
Decrease (increase) in amounts due from customers for construction work	448,324	(1,188,906)	(698,884)	(940,484)	(553,925)
(Increase) decrease in amounts due from related parties	(21,400)	44,856	–	–	–
Decrease in amounts due to related parties	(10,550)	–	–	–	–
Increase in trade and other payables	408,276	357,135	212,245	401,889	1,683,538
(Decrease) increase in amounts due to customers for construction work	(960,930)	276,560	(304,847)	34,053	567,407
Cash generated from (used in) operations	3,872,814	2,161,082	4,067,918	(255,802)	105,814
Income taxes paid	(390,863)	(597,555)	(383,995)	–	–
Net cash from operating activities	3,481,951	1,563,527	3,683,923	(255,802)	105,814

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	Year ended 30 June			Three months ended	
	2015	2016	2017	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Investing activities					
Payment for acquiring available-for-sale financial assets	-	(1,605,812)	-	-	-
Proceeds from disposal of available-for-sale financial assets	-	-	1,733,323	702,323	-
Purchase of property, plant and equipment	(3,993)	(99,397)	(159,855)	(10,400)	(5,069)
Proceeds from disposal of property, plant and equipment	-	-	5,314	-	-
Advances to related parties	-	(391,838)	-	-	-
Repayment of advances to related parties	-	-	346,982	-	-
Dividends received	-	40,500	27,000	15,000	-
Interest received	-	-	118	-	2,511
Placement of pledged bank deposit	-	-	-	-	(175,000)
Net cash (used in) from investing activities	<u>(3,993)</u>	<u>(2,056,547)</u>	<u>1,952,882</u>	<u>706,923</u>	<u>(177,558)</u>
Financing activities					
Interest paid	(2,327)	(225)	-	-	-
Repayment of finance lease payables	(48,541)	(15,777)	-	-	-
Repayment of advances from directors	(522,950)	-	(850,000)	(638,078)	-
Advance from directors	40,087	10,217	801,690	200,000	-
Advances from related parties	13,971	110,000	1,926,110	-	-
Repayment of advances from related parties	(294,014)	(137,806)	(1,926,110)	-	-
Proceeds from shares subscription in Philosophy Global	-	-	-	-	136
Dividends paid	(655,000)	(2,129,790)	(2,672,660)	-	-
Net cash (used in) from financing activities	<u>(1,468,774)</u>	<u>(2,163,381)</u>	<u>(2,720,970)</u>	<u>(438,078)</u>	<u>136</u>
Net increase (decrease) in cash and cash equivalents	2,009,184	(2,656,401)	2,915,835	13,043	(71,608)
Cash and cash equivalents at beginning of the year/period	<u>1,742,651</u>	<u>3,751,835</u>	<u>1,095,434</u>	<u>1,095,434</u>	<u>4,011,269</u>
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	<u><u>3,751,835</u></u>	<u><u>1,095,434</u></u>	<u><u>4,011,269</u></u>	<u><u>1,108,477</u></u>	<u><u>3,939,661</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 18 August 2017. The registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business is at 10 Admiralty Street, #02-47 North Link Building, Singapore 757695.

The Company is an investment holding company and the principal activities of its operating subsidiary, Hwa Koon, are provision of integrated design and building services in the medical and healthcare sectors with expertise in performing radiation shielding works.

The functional currency of the Company is Singapore dollars (“S\$”), which is also the presentation currency of the Historical Financial Information.

2. Group Reorganisation and Basis of Preparation and Presentation of Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs.

In preparing for the [REDACTED] 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, Mr. Ang Kong Meng (“Mr. Ang”), Mr. Ryan Ong Wei Liang (“Mr. Ong”) and Mr. Koh Lee Huat (“Mr. Koh”) (collectively referred to as the “Controlling Shareholders”, who owned 51%, 34% and 15% equity interest in Hwa Koon respectively) have been controlling Hwa Koon on a collective basis on decisions relating relevant activities, including but not limited to, financial, management and operational matters, of Hwa Koon. Each of the Controlling Shareholders have reiterated their agreement in writing that, in respect of the aforesaid matters in relation to Hwa Koon, they have always been acting in concert.

The Reorganisation comprised of the following steps:

- On 29 May 2017, Skylight Illumination Limited (“Skylight Illumination”, a company not forming part of the Group) was incorporated in the British Virgin Islands (“BVI”) with limited liability. On 28 July 2017, 51 ordinary shares, 34 ordinary shares and 15 ordinary shares of Skylight Illumination were issued and allotted to Mr. Ang, Mr. Ong and Mr. Koh respectively.

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- On 29 May 2017, Philosophy Global was incorporated in the BVI with limited liability. On 28 July 2017, 51 ordinary shares, 34 ordinary shares and 15 ordinary shares, all with no par value, of Philosophy Global were issued and allotted to Mr. Ang, Mr. Ong and Mr. Koh at cash consideration of US\$51, US\$34 and US\$15, respectively.
- On 18 August 2017, the Company was incorporated in the Cayman Islands with limited liability with an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares with par value of HK\$0.01 each. On 18 August 2017, one nil-paid subscriber share, was allotted and issued to the initial subscriber and was transferred to Skylight Illumination on the same day.
- On 14 September 2017, Mr. Ang, Mr. Ong and Mr. Koh, as vendors and Philosophy Global, as purchaser, entered into a sale and purchase agreement, pursuant to which Philosophy Global acquired 510,000 shares, 340,000 shares and 150,000 shares of Hwa Koon, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh, respectively. In settlement of the consideration, Philosophy Global issued and allotted 51 ordinary shares, 34 ordinary shares and 15 ordinary shares, credited as fully paid, to Mr. Ang, Mr. Ong and Mr. Koh, respectively.
- On 2 March 2018, Mr. Ang, Mr. Ong and Mr. Koh, as vendors and the Company, as purchaser, entered into a sale and purchase agreement, pursuant to which the Company acquired by 102 ordinary shares, 68 ordinary shares and 30 ordinary shares of Philosophy Global, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh, respectively, for exchange of 9,999 shares issued and allotted by the Company, credited as fully paid, to Skylight Illumination. Upon the completion of the above acquisition on 2 March 2018, Philosophy Global became a wholly-owned subsidiary of the Company.

The Group resulting from the Reorganisation, which involves interspersing the Company, Philosophy Global and other investment holding company between Hwa Koon and the Controlling Shareholders, is to be regarded as a continuing entity. Accordingly, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective date of incorporation, where this is a shorter period.

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The combined statements of financial position of the Group as at 30 June 2015, 2016 and 2017 and 30 September 2017 have been prepared to present the assets and liabilities of the companies comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

For the purpose of the report, the Historical Financial Information has been prepared and presented using carrying amounts of assets and liabilities of Hwa Koon or of the Philosophy Global (as appropriate) for all periods presented.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there are no statutory audit requirements.

3. Application of IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRSs that are effective for the financial year beginning on 1 July 2017 throughout the Track Record Period.

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At the date of issuance of this report, the Group has not applied the following new and amendments to IFRSs and International Accounting Standards (“IAS”) and the new interpretations that have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ³
IFRS 17	Insurance Contracts ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ³
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ³
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ³
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle ¹
Amendments to IFRSs	Annual Improvement to IFRS Standards 2015-2017 Cycle ³

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

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after a date to be determined

Except as described below, the management of the Group considers that the application of the amendments to IFRSs, amendments to IASs and the new interpretations is unlikely to have a material impact on the Group’s financial position and performance as well as disclosure in future.

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 which are relevant to the Group are described below:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In general, the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the financial assets recognized as at 30 September 2017.

In the opinion of the directors of the Company, based on the historical experience of the Group, the default rate of the outstanding balances with customers and related parties is low. Hence, the directors of the Company anticipate that the application of IFRS 9 would not have material impact on the Group’s future financial statements. It is also expected that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities based on an analysis of the Group’s financial instruments as at 30 September 2017.

IFRS 15 Revenue from Contracts with Customers

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

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on the preliminary analysis, the directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 Leases

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the IFRS 16 lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 September 2017, the Group has non-cancellable operating lease commitments of S\$67,520, as disclosed in Note 25. A preliminary assessment indicates that approximately S\$41,600 out of these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the consolidated statement of profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognized over the lease term. In addition, at 30 September 2017 the Group currently considers refundable rental deposits paid of S\$13,600 as rights 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. Adjustment to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. The directors of the Company anticipate that the application of IFRS 16 would not have significant impact on the net financial position and performance of the Group comparing with IAS 17 currently adopted by the Group. Nevertheless, the application of new requirements may result changes in presentation and disclosure as indicated above.

4. Significant Accounting Policies

The Historical Financial Information has been prepared on the historical cost basis, other than available-for-sale financial assets which are measured at fair value, and in accordance with the following accounting policies which conform with IFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within 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*.

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

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

The principal accounting policies adopted are set out below.

Basis of combination

The Historical Financial Information 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.

Combination 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/period are included in the combined statements 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.

Revenue recognition

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

- (i) *Revenue from provision of Integrated design and building services (as defined in Note 6)*

Revenue from construction works is recognised in accordance with the Group’s accounting policy on construction contracts (see below construction contracts policy).

- (ii) *Revenue from provision of Maintenance and other services (as defined in Note 6)*

Revenue from provision of Maintenance and other services (as defined in Note 6) is recognised upon receipt of the certification and acceptance of the customers i.e. at the time the future economic benefits expected to flow to the Group is probable.

Revenue from other maintenance services is recognised when the services are provided according to the terms of the agreements.

(iii) Sales of tools and materials

Revenue from the sale of tools and materials is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(iv) Interest income

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

(v) Dividend income

Dividend income from investments is recognised when the shareholder’s right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the percentage of completion of the contract activity at the end of each reporting period.

The percentage of completion is measured by contract costs incurred to date as compared to the estimated total contract costs for Integrated design and building services.

Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probably recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of construction contracts include costs that relate directly to the specific contract and costs that are attributable to contract activity and can be allocated to the contract. Such costs include but are not limited to material, labour, depreciation and hire of equipment, interest expense, subcontract cost and estimated costs of rectification and guarantee work, including expected warranty costs.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for construction work. For contracts where progress billings exceed construction costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade receivables.

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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements 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.

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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.

Government grants

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

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

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

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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/period. Taxable profit differs from “profit (loss) before taxation” as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years/periods 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 combined statements of financial position 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.

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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.

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.

Property, plant and equipment

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

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

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

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 in profit or loss immediately.

Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Historical Financial Information in the period in which the dividends are approved by the shareholders or directors of the group companies, where appropriate.

Financial instruments

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

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

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Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs (if any).

The Group’s financial assets are classified into available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as AFS financial assets and traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group’s right to receive dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of “Available-for-sale financial assets reserve”. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the “Available-for-sale financial assets reserve” is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below.)

Loans and receivables

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

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

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

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

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each 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 financial assets have been affected.

For AFS financial assets, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

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For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective 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 credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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 the group companies after deducting all of its liabilities. Equity instruments issued by the group companies are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables, amounts due to related parties and amounts due to directors) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

5. Key Sources of Estimation Uncertainty

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

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

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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 twelve months.

Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period.

The percentage of completion is measured by contract costs incurred to date as compared to the estimated total contract costs for Integrated design and building services.

Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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 cost. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

The carrying amounts of assets and liabilities arising from construction contracts are disclosed in Note 18 to the Historical Financial Information.

Estimated impairment of trade receivables

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, an impairment loss may arise. The carrying amounts of the trade receivables are disclosed in Note 16 to the Historical Financial Information.

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6. Revenue and Segment Information

Revenue represents the fair value of amounts received and receivable from (i) provision of services including preparation and consultation on building design and specifications, performance of building works (mainly including radiation shielding works, M&E works and fitting-out works) and assisting to obtain statutory approvals and certifications for the building works (“Integrated design and building services”) to external customers, (ii) provision of maintenance services generally comprise conducting examinations, replacement of parts and repair works (if necessary) in relation to the radiation shielding works and mechanical & electrical works, and provision of other ancillary services generally include minor renovation and installation works, dismantling and disposal of used medical equipment, removal of construction waste materials, and cleaning of the work sites upon completion of building works, etc. (“Maintenance and other services”) and (iii) sales of tools and materials (such as fabricated radiation shielding products, signage boards, lead sheet and lead glass) (“Sales of tools and materials”).

Information is reported to the Controlling Shareholders, being the chief operating decision maker (“CODM”) of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as Group’s accounting policies described in Note 4. The CODM reviews revenue by nature of services, i.e. “Integrated design and building services”, “Maintenance and other services” and “Sales of tools and materials”. No other analysis of the Group’s results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial performance of the Group as a whole. Accordingly, the CODM has identified one operating segment. Only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

An analysis of the Group’s revenue for the Track Record Period is as follows:

	Year ended 30 June			Three months ended 30 September	
	2015	2016	2017	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
<i>Revenue from:</i>					
Integrated design and building services	12,868,708	9,330,736	14,571,194	4,351,851	3,936,916
Maintenance and other services	323,910	367,451	330,370	114,266	93,197
Sales of tools and materials	<u>51,885</u>	<u>94,896</u>	<u>35,854</u>	<u>7,948</u>	<u>4,848</u>
	<u>13,244,503</u>	<u>9,793,083</u>	<u>14,937,418</u>	<u>4,474,065</u>	<u>4,034,961</u>

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Major customers

The revenue from customers individually contributed over 10% of total revenue of the Group during the Track Record Period are as follows:

	Year ended 30 June			Three months ended	
	2015	2016	2017	30 September	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Customer A	3,082,776	N/A*	N/A*	N/A*	N/A*
Customer B	3,067,227	2,036,468	3,618,049	1,414,237	N/A*
Customer C	2,442,475	2,049,999	N/A*	N/A*	N/A*
Customer F	N/A*	N/A*	N/A*	517,655	703,004
Customer D	1,651,213	2,968,423	N/A*	N/A*	872,904
Customer H	N/A*	N/A*	2,487,259	608,781	908,962
Customer I	N/A*	N/A*	1,725,000	635,132	N/A*
Customer J	N/A*	N/A*	N/A*	N/A*	556,041

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the reporting period.

Geographical information

The Group principally operates in Singapore, which is also the place of domicile. Revenue derived from Singapore represents 99.3%, 98.8%, 97.5%, 99.8% (unaudited) and 100% of total revenue for the years ended 30 June 2015, 2016, 2017 and the three months ended 30 September 2016 and 2017, respectively, based on the location of products and services are delivered and the Group’s property, plant and equipment are all located in Singapore.

7. a. Other Income

	Year ended 30 June			Three months ended	
	2015	2016	2017	30 September	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Dividend income from available-for-sale financial assets	–	40,500	27,000	15,000	–
Government grants (note)	23,160	10,139	13,430	672	1,140
Interest income	–	–	118	–	2,511
Others	–	–	7,920	3,379	4,550
	<u>23,160</u>	<u>50,639</u>	<u>48,468</u>	<u>19,051</u>	<u>8,201</u>

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Note:

Government grants mainly include the Wage Credit Scheme, the Productivity and Innovation Credit Scheme (“PIC”) and the Temporary Employment Credit, 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.

Included in the amounts are S\$13,628, S\$3,289, S\$3,517, nil (unaudited) and nil, representing grants received under the Wage Credit Scheme for the years ended 30 June 2015, 2016, 2017 and the three months ended 30 September 2016 and 2017 respectively. Under this credit scheme, the government provides assistance to Singapore-registered businesses by way of co-funding 40%, 20% and 20% of wage increases given to Singapore Citizen employees earning a gross monthly wage of S\$4,000 and below in 2015, 2016 and 2017, respectively.

During the year ended 30 June 2015, S\$9,340 grants under the PIC was received. Under this scheme, the government provides 60% cash payout rate for qualifying expenditure for the year.

During the years ended 30 June 2016, 2017 and the three months ended 30 September 2016 and 2017, the Group received S\$6,850, S\$8,332, S\$672 (unaudited) and S\$1,140 grants under the Temporary Employment Credit respectively. Under the Temporary Employment Credit scheme, the government provides assistance to alleviate business costs due to increases in contribution rates of employee’s national saving schemes.

b. Other Gains

	Year ended 30 June			Three months ended 30 September	
	2015 S\$	2016 S\$	2017 S\$	2016 S\$	2017 S\$
Gain arising on disposal of property, plant and equipment	-	-	5,314	-	-
Gain arising on disposal of available-for-sale financial assets	-	-	127,511	29,011	-
	<u>-</u>	<u>-</u>	<u>132,825</u>	<u>29,011</u>	<u>-</u>

8. Finance Costs

	Year ended 30 June			Three months ended 30 September	
	2015 S\$	2016 S\$	2017 S\$	2016 S\$	2017 S\$
<i>Interest on:</i>					
Obligation under finance leases	<u>2,327</u>	<u>225</u>	<u>-</u>	<u>-</u>	<u>-</u>

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9. Profit (Loss) before Taxation

Profit (loss) before taxation has been arrived at after charging:

	Year ended 30 June			Three months ended	
	2015	2016	2017	30 September	
	S\$	S\$	S\$	2016	2017
				S\$	S\$
				(unaudited)	
Auditor’s remuneration	-	-	-	-	-
Depreciation of property, plant and equipment					
- Recognised as cost of services/sales	50,452	49,005	72,958	15,969	20,565
- Recognised as administrative expenses	27,819	27,248	25,624	5,665	8,966
	<u>78,271</u>	<u>76,253</u>	<u>98,582</u>	<u>21,634</u>	<u>29,531</u>
Directors’ and chief executive’s remuneration (<i>Note 11</i>)	221,535	326,090	326,111	77,149	77,138
Other staff costs					
- Salaries and other benefits	2,178,058	1,588,378	1,879,868	452,652	464,459
- Contributions to CPF	119,435	116,198	124,069	30,942	30,130
	<u>2,519,028</u>	<u>2,030,666</u>	<u>2,330,048</u>	<u>560,743</u>	<u>571,727</u>
Total staff costs					
Cost of materials recognised as cost of services/sales	2,574,082	1,308,611	2,505,649	769,017	400,810
Subcontractor costs recognised as cost of services/sales	3,365,032	2,623,849	3,221,925	1,183,855	1,243,645

10. Income Tax Expense

	Year ended 30 June			Three months ended	
	2015	2016	2017	30 September	
	S\$	S\$	S\$	2016	2017
				S\$	S\$
				(unaudited)	
Tax expense comprises:					
Current tax					
- Singapore corporate income tax (“CIT”)	653,020	338,158	908,740	254,550	249,179
Deferred tax expense (<i>Note 23</i>)	555	2,209	9,024	(620)	(1,348)
	<u>653,575</u>	<u>340,367</u>	<u>917,764</u>	<u>253,930</u>	<u>247,831</u>

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Singapore CIT is calculated at 17% of the estimated assessable profit and Hwa Koon is further eligible for CIT rebate of 50%, capped at S\$20,000 and S\$25,000 for the Years of Assessment 2016 and 2017 respectively, and 20%, capped at \$10,000 for Year of Assessment 2018, determined based on financial year end date of the company. Hwa Koon can also enjoy 75% tax exemption on the first S\$10,000 of chargeable income and a further 50% tax exemption on the next S\$290,000 of chargeable income. Hwa Koon is entitled to additional 300% tax deductions/allowances for qualified capital expenditures and operating expenses under the PIC scheme in Singapore for the Year of Assessment of 2015, 2016, 2017 and 2018.

The taxation for the Track Record Period can be reconciled to the profit (loss) before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 30 June		Three months ended		
	2015	2016	2017	30 September	
	S\$	S\$	S\$	2016	2017
				S\$	S\$
				(unaudited)	
Profit (loss) before taxation	<u>4,120,338</u>	<u>3,021,291</u>	<u>6,068,386</u>	<u>1,752,774</u>	<u>(191,155)</u>
Tax at applicable tax rate of 17%	700,457	513,619	1,031,626	297,972	(32,496)
Tax effect of expenses not deductible for tax purpose	3,010	3,347	1,987	497	306,252
Tax effect of income not taxable for tax purpose	–	(6,885)	(26,267)	(7,482)	–
Effect of tax concessions and partial tax exemption	<u>(49,892)</u>	<u>(169,714)</u>	<u>(89,582)</u>	<u>(37,057)</u>	<u>(25,925)</u>
Taxation for the year/period	<u>653,575</u>	<u>340,367</u>	<u>917,764</u>	<u>253,930</u>	<u>247,831</u>

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11. Directors’ and Chief Executive’s Emoluments and Employees’ Remuneration

Directors’ and chief executive’s emoluments

Mr. Ang, Mr. Koh and Mr. Ong were appointed as directors of the Company on 18 August 2017 respectively.

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

Year ended 30 June 2015

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to CPF S\$	Total S\$
Mr. Ang	100,000	-	-	-	100,000
Mr. Koh	20,000	-	91,500	10,035	121,535
	<u>120,000</u>	<u>-</u>	<u>91,500</u>	<u>10,035</u>	<u>221,535</u>

Year ended 30 June 2016

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to CPF S\$	Total S\$
Mr. Ang	-	-	114,000	5,925	119,925
Mr. Koh	-	-	96,000	11,355	107,355
Mr. Ong	-	-	85,188	13,622	98,810
	<u>-</u>	<u>-</u>	<u>295,188</u>	<u>30,902</u>	<u>326,090</u>

Year ended 30 June 2017

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to CPF S\$	Total S\$
Mr. Ang	104,500	-	9,500	461	114,461
Mr. Koh	-	-	97,350	12,375	109,725
Mr. Ong	-	-	87,000	14,925	101,925
	<u>104,500</u>	<u>-</u>	<u>193,850</u>	<u>27,761</u>	<u>326,111</u>

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Three months ended 30 September 2016 (unaudited)

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to CPF S\$	Total S\$
Mr. Ang	19,000	-	9,500	461	28,961
Mr. Koh	-	-	24,000	3,094	27,094
Mr. Ong	-	-	18,000	3,094	21,094
	<u>19,000</u>	<u>-</u>	<u>51,500</u>	<u>6,649</u>	<u>77,149</u>

Three months ended 30 September 2017

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to CPF S\$	Total S\$
Mr. Ang	28,500	-	-	-	28,500
Mr. Koh	-	-	24,450	3,094	27,544
Mr. Ong	-	-	18,000	3,094	21,094
	<u>28,500</u>	<u>-</u>	<u>42,450</u>	<u>6,188</u>	<u>77,138</u>

- (i) Mr. Koh acts as chief executive of the Company with effect from 18 August 2017.
- (ii) No other retirement benefits were paid to the above directors in respect of their respective services in connection with the management of the affairs of the Group.
- (iii) The appointment of independent non-executive directors subsequent to the Track Record Period is disclosed in the section headed “Directors and Senior Management” to the document.

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

During the Track Record Period, no remuneration was paid by the Group to the director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. Each of the directors has not waived or agreed to waive any remuneration during the Track Record Period.

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Employees’ remuneration

Two, three, three, three (unaudited) and three directors are included in the remunerations of the five highest paid individuals during the year ended 30 June 2015, 2016, 2017 and the three months ended 30 September 2016 and 2017, respectively. Details of the remuneration for the remaining highest paid employees who are not directors of the Company are as follows:

	Year ended 30 June			Three months ended 30 September	
	2015	2016	2017	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Salaries and allowances	745,500	192,000	192,000	36,824	48,000
Discretionary bonus*	100,000	66,500	56,500	-	-
Contribution to retirement benefits scheme	14,670	14,900	15,930	6,149	3,308
	<u>860,170</u>	<u>273,400</u>	<u>264,430</u>	<u>42,973</u>	<u>51,308</u>

Included in the remunerations of the five highest paid individuals during the year ended 30 June 2015 is S\$500,000 paid to Mr. Ang Hwa Koon who is the brother of Mr. Ang, the then shareholder and director of Hwa Koon. Mr. Ang Hwa Koon resigned from his directorship in February 2015.

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

The number of the highest paid individuals, who are not directors of the Company, whose remuneration within the following bands were as follows:

Emolument bands	Number of employees			Three months ended 30 September	
	2015	2016	2017	2016	2017
Nil to HK\$1,000,000 (equivalent to approximately S\$180,000)	2	2	2	2	2
HK\$2,500,001 to HK\$3,000,000 (equivalent to approximately S\$450,001 to S\$540,000)	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Track Record Period, no remuneration was paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Dividend

During each of the three years ended 30 June 2017 and the three months ended 30 September 2016 and 2017, Hwa Koon declared S\$2,500,000, S\$1,300,000, S\$2,000,000, nil (unaudited) and nil, respectively, dividends to its then shareholders.

The rate of dividend and number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

No dividend was paid or declared by the Company since its incorporation.

13. Earnings (Loss) Per Share

No earnings (loss) per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Track Record Period that is prepared on a combined basis as set out in Note 2.

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14. Property, Plant and Equipment

	Plant and machinery S\$	Properties S\$	Computer and office equipment S\$	Motor vehicles S\$	Furniture and fittings S\$	Total S\$
<i>Cost</i>						
At 1 July 2014	41,708	631,290	56,091	254,454	30,112	1,013,655
Additions	<u>2,210</u>	<u>-</u>	<u>1,543</u>	<u>-</u>	<u>240</u>	<u>3,993</u>
At 30 June 2015	43,918	631,290	57,634	254,454	30,352	1,017,648
Additions	<u>4,743</u>	<u>-</u>	<u>5,501</u>	<u>89,153</u>	<u>-</u>	<u>99,397</u>
At 30 June 2016	48,661	631,290	63,135	343,607	30,352	1,117,045
Additions	<u>308</u>	<u>-</u>	<u>53,667</u>	<u>90,800</u>	<u>15,080</u>	<u>159,855</u>
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,200)</u>	<u>-</u>	<u>(39,200)</u>
At 30 June 2017	48,969	631,290	116,802	395,207	45,432	1,237,700
Additions	<u>1,679</u>	<u>-</u>	<u>2,946</u>	<u>-</u>	<u>444</u>	<u>5,069</u>
At 30 September 2017	<u>50,648</u>	<u>631,290</u>	<u>119,748</u>	<u>395,207</u>	<u>45,876</u>	<u>1,242,769</u>
<i>Accumulated Depreciation</i>						
At 1 July 2014	24,157	103,267	18,514	111,171	19,889	276,998
Charge for the year	<u>8,086</u>	<u>11,691</u>	<u>10,649</u>	<u>42,365</u>	<u>5,480</u>	<u>78,271</u>
At 30 June 2015	32,243	114,958	29,163	153,536	25,369	355,269
Charge for the year	<u>5,153</u>	<u>11,691</u>	<u>10,778</u>	<u>43,852</u>	<u>4,779</u>	<u>76,253</u>
At 30 June 2016	37,396	126,649	39,941	197,388	30,148	431,522
Charge for the year	<u>3,680</u>	<u>11,691</u>	<u>13,095</u>	<u>69,276</u>	<u>840</u>	<u>98,582</u>
Elimination on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,200)</u>	<u>-</u>	<u>(39,200)</u>
At 30 June 2017	41,076	138,340	53,036	227,464	30,988	490,904
Charge for the period	<u>976</u>	<u>2,923</u>	<u>5,263</u>	<u>19,589</u>	<u>780</u>	<u>29,531</u>
At 30 September 2017	<u>42,052</u>	<u>141,263</u>	<u>58,299</u>	<u>247,053</u>	<u>31,768</u>	<u>520,435</u>
<i>Carrying Values</i>						
At 30 June 2015	<u>11,675</u>	<u>516,332</u>	<u>28,471</u>	<u>100,918</u>	<u>4,983</u>	<u>662,379</u>
At 30 June 2016	<u>11,265</u>	<u>504,641</u>	<u>23,194</u>	<u>146,219</u>	<u>204</u>	<u>685,523</u>
At 30 June 2017	<u>7,893</u>	<u>492,950</u>	<u>63,766</u>	<u>167,743</u>	<u>14,444</u>	<u>746,796</u>
At 30 September 2017	<u>8,596</u>	<u>490,027</u>	<u>61,449</u>	<u>148,154</u>	<u>14,107</u>	<u>722,334</u>

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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:

Plant and machinery	5 years
Properties	54 years
Computer and office equipment	5 years
Motor vehicles	5 years
Furniture and fittings	5 years

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

	As at 30 June		As at 30 September	
	2015	2016	2017	2017
	S\$	S\$	S\$	S\$
Motor vehicles	100,918	–	–	–

15. Available-for-sale Financial Assets

	As at 30 June		As at 30 September	
	2015	2016	2017	2017
	S\$	S\$	S\$	S\$
Listed equity securities in Singapore	–	1,510,000	–	–

During the financial year ended 30 June 2017, the Group disposed of all available-for-sale investments. The cumulative fair value change arising on the revaluation of available-for-sale financial assets accumulated in the other comprehensive income in prior year has been reclassified to profit or loss upon disposal.

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16. Trade Receivables

	As at 30 June			As at 30
	2015	2016	2017	September
	S\$	S\$	S\$	2017
				S\$
Trade receivables	1,790,439	2,278,721	3,332,464	4,189,237
Retention receivable (<i>note</i>)	155,639	16,189	145,401	145,401
Unbilled revenue	<u>22,724</u>	<u>27,249</u>	<u>–</u>	<u>–</u>
	<u>1,968,802</u>	<u>2,322,159</u>	<u>3,477,865</u>	<u>4,334,638</u>

Note: The balances at 30 June 2015, 2016, 2017 and 30 September 2017 are all aged within one year, representing retention monies withheld by customers relating to provision of Integrated design and building services which is usually 12 months from the completion date, and are classified as current as they are expected to be received within the Group’s normal operating cycle.

The Group grants credit terms to customers typically ranging from 30 to 90 days from the invoice date for trade receivables to all customers. The following is an analysis of trade receivables by age presented based on the invoice date at the end of each reporting period:

	As at 30 June			As at
	2015	2016	2017	30 September
	S\$	S\$	S\$	2017
				S\$
Within 30 days	1,217,188	1,639,836	1,180,156	1,626,947
31 days to 60 days	112,275	351,896	600,421	1,168,667
61 days to 90 days	70,433	117,133	749,595	483,230
91 days to 180 days	19,574	165,336	475,557	515,703
181 days to 1 year	148,516	4,520	326,735	394,690
Over 1 year but not more than 2 years	<u>222,453</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>1,790,439</u>	<u>2,278,721</u>	<u>3,332,464</u>	<u>4,189,237</u>

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The carrying values of trade receivables approximate their fair values.

Included in the Group’s trade receivables are aggregate carrying amounts of approximately S\$450,288, S\$219,902, S\$1,306,678 and S\$2,229,268 which are past due at 30 June 2015, 2016, 2017 and 30 September 2017, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer.

Aging of trade receivables which are past due but not impaired based on invoice date at each reporting date:

	As at 30 June		As at 30 September	
	2015	2016	2017	2017
	S\$	S\$	S\$	S\$
Within 30 days	–	184	–	–
31 days to 60 days	57,940	2,033	28,516	839,283
61 days to 90 days	1,805	47,829	475,870	479,592
91 days to 180 days	19,574	165,336	475,557	515,703
181 days to 1 year	148,516	4,520	326,735	394,690
Over 1 year but not more than 2 years	222,453	–	–	–
	<u>450,288</u>	<u>219,902</u>	<u>1,306,678</u>	<u>2,229,268</u>

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 each 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 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.

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17. Other Receivables, Deposits and Prepayments

The Group

	As at 30 June		As at 30 September	
	2015	2016	2017	2017
	S\$	S\$	S\$	S\$
Deposits	48,150	82,165	55,320	61,770
Prepayments (<i>note</i>)	3,010	2,905	6,995	570,414
Others	1,435	–	14,670	15,099
	<u>52,595</u>	<u>85,070</u>	<u>76,985</u>	<u>647,283</u>

Note: At 30 September 2017, included in the balance is an amount of S\$[REDACTED], representing deferred [REDACTED] expenses.

The Company

	As at 30 September 2017	
	S\$	
Deferred [REDACTED]	<u>[REDACTED]</u>	

18. Amounts due from (to) Customers for Construction Work

	As at 30 June		As at 30 September	
	2015	2016	2017	2017
	S\$	S\$	S\$	S\$
Contract costs incurred plus recognised profits less recognised losses	583,093	2,739,338	5,791,440	7,837,843
Less: progress billings	<u>(306,106)</u>	<u>(1,550,005)</u>	<u>(3,598,376)</u>	<u>(5,658,261)</u>
	<u>276,987</u>	<u>1,189,333</u>	<u>2,193,064</u>	<u>2,179,582</u>
<i>Analysed for reporting purposes as:</i>				
Amounts due from customers for construction work	305,274	1,494,180	2,193,064	2,746,989
Amounts due to customers for construction work	<u>(28,287)</u>	<u>(304,847)</u>	<u>–</u>	<u>(567,407)</u>
	<u>276,987</u>	<u>1,189,333</u>	<u>2,193,064</u>	<u>2,179,582</u>

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19. Amounts due from (to) Related Parties/directors

a. Amounts due from related parties

	As at		As at 30 June		As at	
	1 July		2015	2016	2017	30 September
	2014		2015	2016	2017	2017
	S\$	S\$	S\$	S\$	S\$	S\$
Analysed as:						
<i>Non-trade related*</i>						
- Mr. Ong Cher Tiok	-	-	346,982	-	-	-
<i>Trade related</i>						
- Shieldtech Engineering & Construction Sdn. Bhd. (“Shieldtech”)		50,756	-	-	-	-
		50,756	346,982	-	-	-

Mr. Ong’s father – Mr. Ong Cher Tiok, who held equity interest in Hwa Koon on trust for the benefit of Mr. Ong until the interest were transferred to Mr. Ong on 24 April 2017, has controlling equity interest in Shieldtech.

The Group granted Shieldtech a credit period for sale of goods of 30 days from the invoice date. The following is an aged analysis of trade related amount due from the related party presented based on the invoice date at the end of each reporting period:

	As at 30 June		As at	
	2015	2016	2017	30 September
	S\$	S\$	S\$	2017
	S\$	S\$	S\$	S\$
Within 90 days	50,756	-	-	-

* The balance as at 30 June 2016 is non-trade related, unsecured, non-interest bearing and without a fixed repayment term. The maximum amounts outstanding during the years ended 30 June 2014, 2015, 2016, 2017 and the three months ended 30 September 2017 were nil, nil, S\$346,982, S\$346,982 and nil respectively.

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b. Amounts due to related parties

The Group

	As at 30 June		As at 30 September	
	2015	2016	2017	2017
	S\$	S\$	S\$	S\$
Analysed as:				
<i>Non-trade related*</i>				
- Mr. Ong Cher Tiok	<u>697,662</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <i>Trade related</i>				
- Shieldtech	<u>5,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>703,562</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

	As at 30 June		As at 30 September	
	2015	2016	2017	2017
	S\$	S\$	S\$	S\$
Within 90 days	<u>5,900</u>	<u>-</u>	<u>-</u>	<u>-</u>

* At 30 June 2015, the amount included dividend payable amounting to S\$625,000. The balance as at 30 June 2015 is non-trade related, unsecured, non-interest bearing and without a fixed repayment term.

The Company

At 30 September 2017, the balance represents amount due to Hwa Koon which is non-trade related, unsecured, non-interest bearing and without a fixed repayment term.

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c. Amounts due to directors

	As at 30 June		As at 30 September	
	2015	2016	2017	2017
	S\$	S\$	S\$	S\$
Mr. Ang	499,424	463,251	–	–
Mr. Koh	416,119	162,319	–	–
Mr. Ong	–	95,400	–	–
	<u>915,543</u>	<u>720,970</u>	<u>–</u>	<u>–</u>

At 30 June 2015 and 2016, the amount included dividend payables amounting to S\$877,450 and S\$672,660.

The balances as at 30 June 2015 and 30 June 2016 are non-trade related, unsecured, non-interest bearing and without a fixed repayment term.

20. Restricted Bank Deposit/Cash and Bank Balances

Other than approximately S\$59,660 and S\$1,089,397 included in the bank balances at 30 June 2017 and 30 September 2017, respectively, which carries interest rate of 0.78% per annum, the remaining bank balances are not interest bearing.

An amount of S\$175,000 as at 30 September 2017 represents restricted bank deposit placed at a bank as pledged item for a performance guarantee issued to a customer in favor to Hwa Koon and the management of the Group expects the balance will be entirely released within 12 months from the end of the reporting period. The balance carries interest of 0.25% per annum.

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21. Trade and Other Payables

The Group

	As at 30 June			As at
	2015	2016	2017	30 September
	S\$	S\$	S\$	2017
				S\$
Trade payables	192,887	836,495	1,093,110	638,439
Trade accruals	<u>479,989</u>	<u>160,909</u>	<u>39,306</u>	<u>749,084</u>
	<u>672,876</u>	<u>997,404</u>	<u>1,132,416</u>	<u>1,387,523</u>
Accrued operating expenses	12,081	6,383	65,677	50,295
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other payables				
Advanced billing	6,600	11,104	-	-
Goods and Services Tax (“GST”) payable	96,200	103,000	93,615	194,669
Payroll and CPF payable	46,067	59,979	115,435	172,797
Others	<u>11,813</u>	<u>24,902</u>	<u>7,874</u>	<u>-</u>
	<u>845,637</u>	<u>1,202,772</u>	<u>1,415,017</u>	<u>3,098,555</u>

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

The Group

	As at 30 June			As at
	2015	2016	2017	30 September
	S\$	S\$	S\$	2017
				S\$
Within 90 days	192,887	826,984	1,093,110	597,365
91 days to 180 days	<u>-</u>	<u>9,511</u>	<u>-</u>	<u>41,074</u>
	<u>192,887</u>	<u>836,495</u>	<u>1,093,110</u>	<u>638,439</u>

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The credit period on purchases from suppliers and subcontractors is between 14 to 90 days or payable upon delivery.

The Company

As at
30 September
2017
S\$

Accrued [REDACTED]

[REDACTED]

22. Obligations under Finance Leases

	Minimum lease payments				Present value of minimum lease payments			
	As at 30 June		As at 30 September		As at 30 June		As at 30 September	
	2015	2016	2017	2017	2015	2016	2017	2017
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Amounts payable under finance leases								
- Within one year	16,002	-	-	-	15,777	-	-	-
Less: future finance charges	(225)	-	-	-	-	-	-	-
Present value of lease obligations	<u>15,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,777</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Amount due for settlement within one year (shown under current liabilities)					(15,777)	-	-	-
Amount due for settlement after one year					<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Interest rates underlying the obligations under finance leases are fixed at respective contract dates during the Track Record Period:

	Year ended 30 June			Three months ended
	Year ended 30 June		30 September	
	2015	2016	2017	2017
Interest rate per annum	<u>6%</u>	<u>6%</u>	<u>-</u>	<u>-</u>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 14). The charges is released upon settlement of the lease payables during the year ended 30 June 2016.

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23. Deferred Tax Liabilities

	Year ended 30 June		Three months ended	
	2015	2016	2017	30 September 2017
	S\$	S\$	S\$	S\$
At the beginning of the year/period	13,864	14,419	16,628	25,652
Charged (credited) to profit or loss for the year/period:				
– Accelerated tax depreciation	<u>555</u>	<u>2,209</u>	<u>9,024</u>	<u>(1,348)</u>
At the end of the year/period	<u><u>14,419</u></u>	<u><u>16,628</u></u>	<u><u>25,652</u></u>	<u><u>24,304</u></u>

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.

24. Share Capital and reserve of the Company

a Share Capital

At 30 June 2015, 2016 and 2017, the balances represent share capital of Hwa Koon.

At 30 September 2017, the balance represents combined share capital of the Company and Philosophy Global.

During the year ended 30 June 2016, Hwa Koon capitalised and appropriated the sum of up to \$500,000 being part of the sum standing to the credit of the Hwa Koon’s reserve account and applied such sum to pay up in full 500,000 new ordinary shares at no par value. These shares were issued to then shareholders in proportion to their shareholding held by each of them at the date of issuance.

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On 29 May 2017, Philosophy Global was incorporated in the BVI with limited liability. On 28 July 2017, 51 ordinary shares, 34 ordinary shares and 15 ordinary shares, all with no par value, of Philosophy Global were issued and allotted to Mr. Ang, Mr. Ong and Mr. Koh at cash consideration of US\$51, US\$34 and US\$15, respectively. On 14 September 2017, Philosophy Global further issued 100 shares to Mr. Ang, Mr. Ong and Mr. Koh for exchange of their respective equity interest in Hwa Koon (details of which are set out in Note 2).

On 18 August 2017, the Company was incorporated with an authorised share capital of HK\$100,000 divided into 10,000,000 shares with par value of HK\$0.01 each. On 18 August 2017, the Company allotted and issued one share and there is no movement in share capital and number of shares since then.

b Reserve of the Company

The movement of the Company’s reserve is as follows:

	For the period ended 30 September 2017 S\$
At 18 August 2017 (date of incorporation)	–
Loss and total comprehensive expense for the period	<u>(1,798,559)</u>
At 30 September 2017	<u><u>(1,798,559)</u></u>

25. Operating Lease Commitments

The Group as lessee

	Year ended 30 June			Three months ended 30 September	
	2015 S\$	2016 S\$	2017 S\$	2016 S\$	2017 S\$
Minimum lease payments paid under operating lease in respect of staff dormitories	<u>42,120</u>	<u>43,290</u>	<u>72,120</u>	<u>9,720</u>	<u>22,520</u>

(unaudited)

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

	As at 30 June		As at 30 September	
	2015	2016	2017	2017
	S\$	S\$	S\$	S\$
Within one year	39,600	39,600	78,000	64,320
After one year but within two years	–	–	12,800	3,200
	<u>39,600</u>	<u>39,600</u>	<u>90,800</u>	<u>67,520</u>

The leases have tenures ranging from one to two years. The lease payments are fixed over the lease term and no contingent rent provision is included in the contracts.

26. 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 years ended 30 June 2015, 2016, 2017 and the three months ended 30 September 2016 and 2017, the Group contributes up to 16%, 17%, 17%, 17% (unaudited) and 17% of the eligible employees’ salaries to the CPF scheme. Each of employee’s qualifying salary is capped at S\$5,000 per month prior to 1 January 2016, and are adjusted to S\$6,000 per month afterwards.

The total costs charged to profit or loss, amounting to S\$129,470, S\$147,100, S\$151,830, S\$37,591 (unaudited) and S\$36,318 for the years ended 30 June 2015, 2016, 2017 and the three months ended 30 September 2016 and 2017 respectively, represent contributions paid to the retirement benefits scheme by the Group.

As at 30 June 2015, 2016, 2017 and 30 September 2017, contributions of S\$20,373, S\$26,640, S\$23,879 and S\$27,214 were due respectively but had not been paid to the CPF. The amounts were paid subsequent to the end of the respective years/period.

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27. Related Party Transactions

Apart from disclosures made in Notes 11 and 19, the Group entered into the following transactions with related parties during the Track Record Period:

a. Sales

	Year ended 30 June			Three months ended 30 September	
	2015	2016	2017	2016	2017
	S\$	S\$	S\$	S\$	S\$
Shieldtech	50,756	–	85,500	–	–
BRC Global Pte. Ltd. (“BRC Global”) (note)	–	8,900	9,350	9,350	–
	<u>50,756</u>	<u>8,900</u>	<u>94,850</u>	<u>9,350</u>	<u>–</u>

b. Purchases/Services/Subcontracting Services Received

	Year ended 30 June			Three months ended 30 September	
	2015	2016	2017	2016	2017
	S\$	S\$	S\$	S\$	S\$
Shieldtech	5,900	–	–	–	–
BRC Global (note)	–	222,500	743,421	306,370	–
	<u>5,900</u>	<u>222,500</u>	<u>743,421</u>	<u>306,370</u>	<u>–</u>

Note: Mr. Ong was formerly a director of and held 33.33% equity interest in BRC Global. In March 2017, Mr. Ong resigned from his directorship and disposed of all his equity interest in BRC Global and BRC Global is no longer regarded as a related party to the Group since then.

c. Funding arrangement

During the years ended 30 June 2015, 2016, 2017 and the three months ended 30 September 2016 and 2017, the Group received funds from directors amounting to S\$40,087, S\$10,217, S\$801,690, S\$200,000 (unaudited) and nil, respectively, all of which are non-interest bearing, unsecured and repayable on demand.

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d. Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during each year of the Track Record Period were as follows:

	Year ended 30 June			Three months ended 30 September	
	2015	2016	2017	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Short-term benefits	842,425	432,580	447,470	105,300	117,826
Post-employment benefits	<u>21,817</u>	<u>44,110</u>	<u>42,481</u>	<u>9,777</u>	<u>9,279</u>
	<u>864,242</u>	<u>476,690</u>	<u>489,951</u>	<u>115,077</u>	<u>127,105</u>

28. Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes advances from the directors and obligation under finance leases, as disclosed in Notes 19c and 22, respectively, net of 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 from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of items in the context of capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

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29. Financial Instruments

Categories of financial instruments

The Group	As at 30 June		As at 30 September	
	2015	2016	2017	2017
	S\$	S\$	S\$	S\$
Financial assets				
<i>– Loans and receivables</i>				
Trade receivables	1,968,802	2,322,159	3,477,865	4,334,638
Other receivables and deposits*	49,585	82,165	69,990	76,869
Amounts due from related parties	50,756	346,982	–	–
Bank balances and cash	3,751,835	1,095,434	4,011,269	3,939,661
Restricted bank deposit	–	–	–	175,000
	5,820,978	3,846,740	7,559,124	8,526,168
<i>– Available-for-sale financial assets</i>				
Listed equity investments	–	1,510,000	–	–
	<u>5,820,978</u>	<u>5,356,740</u>	<u>7,559,124</u>	<u>8,526,168</u>
Financial liabilities				
<i>– Amortised cost</i>				
Trade and other payables [#]	742,837	1,088,668	1,321,402	2,903,886
Amounts due to related parties	703,562	–	–	–
Amounts due to directors	915,543	720,970	–	–
	2,361,942	1,809,638	1,321,402	2,903,886
Obligation under finance leases	15,777	–	–	–
	<u>2,377,719</u>	<u>1,809,638</u>	<u>1,321,402</u>	<u>2,903,886</u>

* *Prepayments are excluded*

GST payables and advance billing are excluded

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	As at 30 September 2017 S\$
The Company	
Financial liability:	
– Amount due to Hwa Koon	<u>1,040,051</u>

Financial risk management objectives

The Group’s major financial instruments include available-for-sale financial assets, trade and other receivables, amounts due from/to related parties/directors, bank balances and cash, restricted bank deposit and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price 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 there is minimal exposure of the interest rate risk on the variable rate of interest earned in the bank balance. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance leases. 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.

No sensitivity of interest rate risk is prepared as the Group has no material variable interest bearing financial instruments.

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Currency risk

The Group has certain trade receivables and payables denominated in United States dollar (“US\$”) and Malaysia Ringgit (“MYR”) other than the functional currency of respective group companies, which exposes the Group to foreign currency risk.

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

The carrying amounts of the Group’s monetary assets and liabilities denominated in foreign currencies at the end of reporting period is as below:

	As at 30 June		As at 30 September	
	2015	2016	2017	2017
	S\$	S\$	S\$	S\$
Monetary assets				
– denominated				
in US\$	<u>–</u>	<u>–</u>	<u>253,289</u>	<u>22,638</u>
Monetary liabilities				
– denominated				
in MYR	<u>–</u>	<u>–</u>	<u>15,981</u>	<u>6,278</u>

Sensitivity analysis

If the US\$ strengthens/weakens by 10% against the functional currency of respective group companies, the Group’s profit for the year ended 30 June 2017 would increase/decrease by S\$21,023 and the Group’s loss for the three months ended 30 September 2017 would decrease/increase by S\$470.

If the MYR strengthens/weakens by 10% against the functional currency of respective group entity, the Group’s profit for the year ended 30 June 2017 would decrease/increase by S\$1,326 and the Group’s loss for the three months ended 30 September 2017 would increase/decrease by S\$130.

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the years/period.

Price risk

At 30 June 2016, the Group is exposed to equity price risk through its available-for-sale financial assets representing investments in Singapore listed equity securities. The management of the Group manages the exposure by maintaining a portfolio of investment with different risks.

Sensitivity analysis

If the price of respective equity instruments had been 10% higher/lower, the “available-for-sale financial assets reserve” at 30 June 2016 would increase/decrease by approximately S\$133,000 for the Group as a result of the changes in fair value of respective listed securities.

In the management’s opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

(b) *Credit risk*

The Group’s concentration of credit risk by geographical locations is mainly in Singapore, which accounted for 100% of the total financial assets as at 30 June 2015, 2016 and 97% as at 30 June 2017 and 99% as at 30 September 2017.

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 combined statements of financial position.

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

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group’s credit risk is significantly reduced.

Approximately 89%, 96%, 73% and 70% of total trade receivables outstanding at 30 June 2015, 2016, 2017 and 30 September 2017 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 has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group’s exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, management of the Group considers that the Group’s credit risk is significantly reduced.

Other than concentration of credit risk on bank balances and restricted bank deposit, placed in two, three, three and three banks as at 30 June 2015, 2016 and 2017 and 30 September 2017, which the counterparties are financially sound, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

The credit risk in respect of amounts due from related parties are minimal as the Group has closely monitoring procedures to collect the debts.

(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.

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.

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The Group	Weighted average interest rate	On demand or within 3 months	3 to 6 months	6 to 12 months	Total undiscounted cash flows	Carrying amount
		\$	\$	\$	\$	\$

As at 30 June 2015

Non-interest bearing

Trade and other payables	N/A	742,837	-	-	742,837	742,837
Amounts due to related parties	N/A	703,562	-	-	703,562	703,562
Amount due to directors	N/A	915,543	-	-	915,543	915,543

Interest bearing

Obligation under finance lease	6%	9,965	4,542	1,495	16,002	15,777
		<u>2,371,907</u>	<u>4,542</u>	<u>1,495</u>	<u>2,377,944</u>	<u>2,377,719</u>

	Weighted average interest rate	On demand or within 3 months	3 to 6 months	6 to 12 months	Total undiscounted cash flows	Carrying amount
		\$	\$	\$	\$	\$

As at 30 June 2016

Non-interest bearing

Trade and other payables	N/A	1,088,668	-	-	1,088,668	1,088,668
Amounts due to directors	N/A	720,970	-	-	720,970	720,970
		<u>1,809,638</u>	<u>-</u>	<u>-</u>	<u>1,809,638</u>	<u>1,809,638</u>

	Weighted average interest rate	On demand or within 3 months	3 to 6 months	6 to 12 months	Total undiscounted cash flows	Carrying amount
		\$	\$	\$	\$	\$

As at 30 June 2017

Non-interest bearing

Trade and other payables	N/A	1,321,402	-	-	1,321,402	1,321,402
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	Weighted average interest rate	On demand or within 3 months	3 to 6 months	6 to 12 months	Total undiscounted cash flows	Carrying amount
		\$	\$	\$	\$	\$

As at 30 September 2017

Non-interest bearing

Trade and other payables	N/A	2,903,886	-	-	2,903,886	2,903,886
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The Company	Weighted average interest rate	On demand or within 3 months	3 to 6 months	6 to 12 months	Total undiscounted cash flows	Carrying amount
		S\$	S\$	S\$	S\$	S\$
As at 30 September 2017						
<i>Non-interest bearing</i>						
Amount due to Hwa Koon	N/A	<u>1,040,051</u>	<u>-</u>	<u>-</u>	<u>1,040,051</u>	<u>1,040,051</u>

Fair value

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

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

The management of the Groups considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

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

The available-for-sale financial assets are measured at fair value for financial reporting purpose. In estimating the fair value, the Group uses market-observable data to the extent it is available.

Fair value hierarchy

	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$
At 30 June 2016				
Financial assets				
Available-for-sale financial assets				
- listed securities	<u>1,510,000</u>	<u>-</u>	<u>-</u>	<u>1,510,000</u>

The fair value is determined by reference to the quoted bid prices in an active market.

There were no transfer between Level 1 and 2 during the Track Record Period.

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30. Non-cash Transactions

During the year ended 30 June 2015, (i) an amount of S\$88,419, being receivable from Mr. Ong Cher Tiok, was set off with the payables to him; (ii) an amount of S\$997,550 was set off between amounts due from and dividend payables to Mr. Ang.

During the year ended 30 June 2016, (i) Shieldtech set off its receivable from the Group amounting to S\$5,900 to its payable to the Group, (ii) an amount of S\$44,856 was set off between amounts due from/to Mr. Ong Cher Tiok.

31. Contingent Liabilities

As at 30 September 2017, the Group has provided a guarantee to a customer by way of performance bonds amounting to approximately S\$174,000.

32. Particulars of Subsidiaries

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

Name of subsidiary	Place and date of incorporation	Issued and fully paid capital	Equity interest attributable to the Company				As at the date of this report	Principal activities	Notes
			2015	as at 30 June 2016	2017	as at 30 September 2017			
<i>Directly held:</i>									
Philosophy Global	BVI, 29 May 2017	S\$4,600,136	N/A	N/A	N/A	100%	100%	Investment holding	(a)
<i>Indirectly held:</i>									
Hwa Koon	Singapore, 5 April 1994	S\$1,000,000	100%	100%	100%	100%	100%	Provision of integrated design and building services	(b)

All subsidiaries now comprising the Group are limited liability companies and have adopted 30 June as their financial year end date.

Notes:

- (a) No audited financial statements of Philosophy Global has been prepared since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirements.
- (b) The statutory financial statements of Hwa Koon for the year ended 30 June 2015, 2016 and 2017 were prepared in accordance with Singapore Financial Reporting Standards (“SFRSs”) issued by Accounting Standards Council in Singapore and were audited by Chan Kok Poh & Company, S.H. NG & Co., Deloitte & Touche LLP for the year ended 30 June 2015, 2016 and 2017 respectively, all are Public Accountants and Chartered Accountants registered in Singapore.

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33. 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 combined statements of cash flows as cash flows from financing activities.

	Obligation under finance leases S\$	Amounts due to directors S\$	Amounts due to related parties S\$	Total S\$
At 1 July 2014	64,318	520,956	1,096,124	1,681,398
Financing cash flows	(50,868)	(482,863)	(935,043)	(1,468,774)
Non-cash changes				
Finance cost recognised (<i>Note 8</i>)	2,327	–	–	2,327
Dividend declared (<i>Note 12</i>)	–	1,875,000	625,000	2,500,000
Off-setting arrangement (<i>Note 30</i>)	–	(997,550)	(88,419)	(1,085,969)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 June 2015	15,777	915,543	697,662	1,628,982
Financing cash flows	(16,002)	(1,169,573)	(977,806)	(2,163,381)
Non-cash changes				
Finance cost recognised (<i>Note 8</i>)	225	–	–	225
Dividend declared (<i>Note 12</i>)	–	975,000	325,000	1,300,000
Off-setting arrangement (<i>Note 30</i>)	–	–	(44,856)	(44,856)
	<u>–</u>	<u>–</u>	<u>(44,856)</u>	<u>(44,856)</u>
At 30 June 2016	–	720,970	–	720,970
Financing cash flows	–	(2,220,970)	(500,000)	(2,720,970)
Non-cash changes				
Dividend declared (<i>Note 12</i>)	–	1,500,000	500,000	2,000,000
	<u>–</u>	<u>1,500,000</u>	<u>500,000</u>	<u>2,000,000</u>
At 30 June 2017	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
(unaudited)				
At 1 July 2016	–	720,970	–	720,970
Financing cash flows	–	(438,078)	–	(438,078)
	<u>–</u>	<u>(438,078)</u>	<u>–</u>	<u>(438,078)</u>
At 30 September 2016	<u>–</u>	<u>282,892</u>	<u>–</u>	<u>282,892</u>

34. Subsequent Events

The following events and transactions took place subsequent to 30 September 2017:

- On 2 March 2018, Mr. Ang, Mr. Ong and Mr. Koh, as vendors and the Company, as purchaser, entered into a sale and purchase agreement, pursuant to which the Company acquired by 102 ordinary shares, 68 ordinary shares and 30 ordinary shares of Philosophy Global, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh, respectively, for exchange of 9,999 shares issued and allotted by the Company, credited as fully paid, to Skylight Illumination.

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- On 15 March 2018, the written resolutions of the sole Shareholder were passed to approve the matters set out in the paragraph headed “3. Resolutions in writing of the then sole shareholder passed on 15 March 2018” in the Appendix IV to the Document. It was resolved, among other things:
 - (a) the authorised share capital of the Company was increased from HK\$100,000 to HK\$15,000,000 by the creation of an additional of 1,490,000,000 shares of HK\$0.10 each, each ranking *pari passu* with the shares then in issue in all respects;
 - (b) conditional on the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the [REDACTED] (as defined in the Document) by the Company pursuant to the [REDACTED] (as defined in the Document), the directors of the Company were authorised to capitalise HK\$[REDACTED] standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par [REDACTED] shares for allotment and issue to the shareholder(s) whose name(s) appear on the register of members or the principal share register of the Company at the close of business on 15 March 2018 (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their respective shareholdings in the Company, and the shares allotted and issued shall rank *pari passu* in all respects with the then existing issued shares; and
 - (c) conditionally approved and adopted a share option scheme, the principle terms of which are set out in the paragraph headed “1. Share Option Scheme” in appendix IV to the Document.

35. Subsequent Financial Statements

No audited financial statements of the Company, any of its subsidiaries or the Group has been prepared in respect of any period subsequent to 30 September 2017.