ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHUAN HOLDINGS LIMITED

Introduction

We report on the historical financial information of Hulett Construction (S) Pte. Ltd. (the "**Target Company**") set out on pages II-4 to II-25, which comprises the statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 October 2023, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the years then ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the ten months ended 31 October 2023 (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 II-4 to II-25 forms an integral part of this report, which has been prepared for inclusion in the circular of Chuan Holdings Limited (the "**Company**") dated 22 April 2024 (the "**Circular**") in connection with the proposed acquisition of the 100% equity shares of the Target Company by the Company.

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 determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The Underlying Financial Statements of the Target Company for the Track Record Period as defined on page II-4, on which the Historical Financial Information is based, were prepared by the director of the Target Company (the "**Target Company Director**"). The Target Company Director is responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board, and for such internal control as the Target Company Director determines is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatements, whether due to fraud or error.

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. 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 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, 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 Target Company's financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 October 2023 and of its financial performance and cash flows for each of the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the ten months ended 31 October 2022 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical 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 Historical Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. 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 International 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 Historical 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 of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustment to the Underlying Financial Statements as defined on page II-4 have been made.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore

22 April 2024

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

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

The underlying financial statements of the Target Company for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young LLP in accordance with International Standards on Auditing ("**ISA**") issued by the International Auditing and Assurance Standards Board ("**IAASB**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Singapore Dollar ("**SGD**").

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Ten months ended 31 October	
	Note	**2020**	**2021**	**2022**	**2022**	**2023**
		S$	*S$*	*S$*	*S$*	*S$*
					(Unaudited)	
Revenue	*6*	7,456,168	5,623,448	6,120,610	4,994,295	6,450,884
Direct costs		(2,837,649)	(2,642,614)	(2,734,176)	(2,301,602)	(2,310,402)
Gross profit		4,618,519	2,980,834	3,386,434	2,692,693	4,140,482
Other income	*7*	378,507	84,786	36,002	25,659	38,489
Administrative expenses		(274,250)	(247,248)	(279,322)	(208,448)	(230,431)
Other expenses		(192,622)	(21,207)	(15,742)	(9,172)	(14,913)
Finance costs	*8*	(579,840)	(509,715)	(464,474)	(383,156)	(530,324)
Impairment (loss)/gain on financial assets		(14,022)	6,120	–	–	–
Profit before tax	*9*	3,936,292	2,293,570	2,662,898	2,117,576	3,403,303
Income tax expense	*10*	(964,347)	(698,103)	(784,321)	(604,168)	(819,419)
Profit for the year, representing total comprehensive income for the year		2,971,945	1,595,467	1,878,577	1,513,408	2,583,884

STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December 2020 S$	At 31 December 2021 S$	At 31 December 2022 S$	At 31 October 2023 S$
ASSETS					
Non-current assets					
Investment property	*11*	34,165,471	32,594,645	31,023,818	29,714,796
Right-of-use asset	*23*	2,443,211	2,332,156	2,221,101	2,128,555
Property, plant and equipment	*12*	26,394	13,324	37,488	29,651
		36,635,076	34,940,125	33,282,407	31,873,002
Current assets					
Trade receivables	*13*	97,731	133,600	68,086	94,209
Other receivables	*14*	49,169	50,064	118,882	78,002
Amount due from related parties	*15*	1,606,675	737,399	30,969	29,603
Cash and cash equivalents	*16*	417,372	421,323	626,127	305,333
		2,170,947	1,342,386	844,064	507,147
Total assets		38,806,023	36,282,511	34,126,471	32,380,149
EQUITY AND LIABILITIES					
Equity					
Share capital	*22*	1,000,000	1,000,000	1,000,000	1,000,000
Retained earnings		2,369,265	3,964,732	5,843,309	8,427,193
Equity attributable to owners of the Target Company		3,369,265	4,964,732	6,843,309	9,427,193
Non-current liabilities					
Borrowings	*19*	24,230,277	21,711,737	18,653,407	14,281,626
		24,230,277	21,711,737	18,653,407	14,281,626
Current liabilities					
Borrowings	*19*	2,348,066	2,516,436	2,558,329	2,258,113
Amount due to a director	*20*	4,059,056	4,059,056	4,059,056	4,059,056
Amount due to a related party	*21*	961,975	961,975	–	–
Trade payables	*17*	576,681	467,488	92,311	106,415
Other payables	*18*	2,200,931	958,179	1,141,313	1,428,327
Provision for income tax		1,059,772	642,908	778,746	819,419
		11,206,481	9,606,042	8,629,755	8,671,330
Total liabilities		35,436,758	31,317,779	27,283,162	22,952,956
Total equity and liabilities		38,806,023	36,282,511	34,126,471	32,380,149

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained (losses)/profits	Total
	S$	*S$*	*S$*
At 1 January 2020	1,000,000	(602,680)	397,320
Profit and total comprehensive income for the year	–	2,971,945	2,971,945
At 31 December 2020	1,000,000	2,369,265	3,369,265
At 1 January 2021	1,000,000	2,369,265	3,369,265
Profit and total comprehensive income for the year	–	1,595,467	1,595,467
At 31 December 2021	1,000,000	3,964,732	4,964,732
At 1 January 2022	1,000,000	3,964,732	4,964,732
Profit and total comprehensive income for the year	–	1,878,577	1,878,577
At 31 December 2022	1,000,000	5,843,309	6,843,309
At 1 January 2023	1,000,000	5,843,309	6,843,309
Profit and total comprehensive income for the period	–	2,583,884	2,583,884
At 31 October 2023	1,000,000	8,427,193	9,427,193
At 1 January 2022	1,000,000	3,964,732	4,964,732
Profit and total comprehensive income for the period *(Unaudited)*	–	1,513,408	1,513,408
At 31 October 2022 *(Unaudited)*	1,000,000	5,478,140	6,478,140

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	3,936,292	2,293,570	2,662,898	2,117,576	3,403,303
Adjustments for:					
Depreciation of investment property	1,570,826	1,570,826	1,570,827	1,309,022	1,309,022
Depreciation of property, plant and equipment	28,010	15,107	8,942	3,962	9,246
Depreciation of right-of-use asset	111,055	111,055	111,055	92,546	92,546
Allowance/(reversal) of impairment of trade receivables	14,022	(6,210)	–	–	–
Interest expenses	579,840	509,715	464,474	383,156	530,324
Operating cash flows before changes in working capital	6,240,045	4,494,063	4,818,196	3,906,262	5,344,441
Changes in working capital:					
Trade receivables	(3,006)	(29,659)	65,514	66,004	(26,123)
Other receivables, deposits, and prepayments	1,024	(895)	(68,818)	(101,830)	40,880
Amount due from related parties	(1,573,916)	869,276	706,430	706,154	1,365
Amount due to related parties	(100,000)	–	(961,975)	(961,975)	–
Trade payables	302,216	(109,193)	(375,177)	(364,887)	14,105
Other payables and accruals	1,218,202	(1,242,752)	183,134	59,039	287,014
Cash flows from operations	6,084,565	3,980,840	4,367,304	3,308,767	5,661,682
Income tax paid	(526,435)	(1,114,967)	(648,483)	(648,484)	(778,746)
NET CASH GENERATED FROM OPERATING ACTIVITIES	5,558,130	2,865,873	3,718,821	2,660,283	4,882,936
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment	(11,600)	(2,037)	(33,106)	(1,396)	(1,409)
NET CASH USED IN INVESTING ACTIVITIES	(11,600)	(2,037)	(33,106)	(1,396)	(1,409)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	(579,840)	(509,715)	(464,474)	(383,156)	(530,324)
Proceeds from borrowings	1,090,000	–	–	–	–
Repayment of term loans	(695,556)	(2,285,972)	(2,948,869)	(2,038,208)	(4,612,734)
Repayment to a director	(5,400,000)	–	–	–	–
Payment of principal portion of lease liabilities	(60,996)	(64,198)	(67,568)	(56,307)	(59,263)
NET CASH USED IN FINANCING ACTIVITIES	(5,646,392)	(2,859,885)	(3,480,911)	(2,477,671)	(5,202,321)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(99,862)	3,951	204,804	181,216	(320,794)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	517,234	417,372	421,323	421,323	626,127
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY CASH AND BANK BALANCES	417,372	421,323	626,127	602,539	305,333

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

1. General Information

Hulett Construction (S) Pte. Ltd. (the "**Target Company**") is incorporated and domiciled in Singapore with its registered office and principal place of business located at 20 Senoko Drive, Singapore 758207.

The principal activity of the Target Company is property investment.

2. Basis of Preparation and Presentation

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared based on the International Financial Reporting Standards ("**IFRSs**"). All IFRSs effective for the accounting period commencing 1 January 2023 together with the relevant transitional provisions, have been adopted by the Target Company in the preparation of the Historical Financial Information and in the period covered by the Stub Period Comparative Historical Financial Information. The accounting policies adopted by the Target Company is materially consistent with those of the Company.

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The Historical Financial Information and Stub Period Comparative Historical Financial Information are presented in Singapore Dollar (S$), which is the Target Company's functional currency.

Going Concern

As at 31 October 2023, the Target Company's current liabilities exceeded its current assets by S$8,164,183 (2022: S$7,785,691, 2021: S$8,263,656, 2020: S$9,035,534). This factor indicates the existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern. The ability of the Target Company to continue as a going concern is dependent upon the Target Company's ability to achieve profit from its operations, factoring in that the amount due to a director is repayable when there are sufficient cash flows.

3. Standards Issued but not yet Effective

A number of new standards, amendments to standards and interpretations were issued but not yet effective for annual periods beginning 1 January 2023, and have not been early adopted by the Target Company in the preparation of the Historical Financial Information and Stub Period Comparative Historical Financial Information.

Description	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
Amendments to IAS 21: *Lack of exchangeability*	1 January 2025

The Target Company Director expects that the adoption of these new standards, amendments to standards and interpretations will have no material impact on the Historical Financial Information and Stub Period Comparative Historical Financial Information.

4. Material Accounting Policies

4.1 Investment Property

Investment property is property that is either owned by the Target Company or leased under a finance that are held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods and services, or for administrative purposes or in the ordinary course of business. Investment property comprise of completed investment property and property that is being constructed or developed for future use as investment property. Property held under an operating lease is classified as investment property when the definition of an investment property is met.

Investment property is initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation on investment property is calculated using the straight-line method to allocate the depreciable amounts over its estimated useful life of 26 years. Investment property under construction is not depreciated.

4.1 Investment Property (Continued)

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

4.2 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful live. The estimated useful life for the respective asset classes are as follows:

	Useful life
Furniture and fittings	5 years
Office equipment	5 years
Tools and equipment	5 years

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The useful life, residual value and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

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

4.3 Impairment of Non-financial Assets

The Target Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, (or, where applicable, when an annual impairment testing for an asset is required) the Target Company makes an estimate of the asset's recoverable amount.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash- generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

4.4 Financial Assets

Initial Recognition and Measurement

Financial assets are recognised when, and only when, the Target Company becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Target Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

If the trade receivables do not contain a significant financing component at initial recognition, trade receivables are measured at the amount of consideration to which the Target Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party.

4.4 Financial Assets (Continued)

Subsequent Measurement

Debt Instruments

Subsequent measurement of debt instruments depends on the Target Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, fair value through other comprehensive income ("**FVOCI**") and FVTPL. The Target Company only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

De-recognition

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

4.5 Financial Liabilities

Initial Recognition and Measurement

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

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVTPL, directly attributable transaction costs. The Target Company only has financial liabilities at amortised cost.

4.5 Financial Liabilities (Continued)

Subsequent Measurement

After initial recognition, financial liabilities that are not carried at FVTPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. The Target Company's financial liabilities comprise borrowings, amount due to a director, amount due to related parties, trade payables and other payables and accruals.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

4.6 Impairment of Financial Assets

The Target Company recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

4.6 Impairment of Financial Assets (Continued)

The Target Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.7 Leases

The Target Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As Lessee

The Target Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Company recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use Asset

The Target Company recognises right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Depreciation on right-of-use asset is calculated using the straight-line method to allocate the depreciable amounts over its estimated useful life of 30 years.

If ownership of the leased asset transfers to the Target Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 4.3.

4.7 Leases (Continued)

Lease Liabilities

At the commencement date of the lease, the Target Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Company and payments of penalties for terminating the lease, if the lease term reflects the Target Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Target Company's lease liabilities are included in borrowings (Note 19).

Short-term Leases and Leases of Low-value Assets

The Target Company applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

4.7 Leases (Continued)

As Lessor

Leases in which the Target Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases on the Target Company's investment property is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.8 Revenue Recognition

Revenue is measured based on the consideration to which the Target Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Rental Income

Revenue from rental income on investment property is recognised on a straight-line basis over the term of the lease. Lease incentives, if any is recognised as part of the total lease income.

Contract Revenue

Contract revenue is recognised when the Target Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Contract revenue is recognised over time by reference to the Target Company's progress towards completing the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs.

4.9 Share Capital

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

4.10 Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

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

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

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

4.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and cash on hand and are subject to an insignificant risk of changes in value.

4.12 Provisions and Contingent Liabilities

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

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

4.13 Borrowing Costs

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

4.14 Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Target Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

4.15 Government Grants

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is recognised as income in equal amounts over the expected useful life of the related asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

4.16 Foreign Currency Transactions and Balances

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

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

5. Significant Accounting Judgements and Estimates

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

5.1 Judgements Made in Applying Accounting Policies

The management is of the opinion that there are no significant judgements made in applying accounting estimates and policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Target Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Target Company. Such changes are reflected in the assumptions when they occur.

Impairment of Right-of-use Asset and Investment Property

The Target Company assesses impairment on right-of-use asset and investment property whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. Management believes there is no impairment to be recognised for the Target Company's right-of-use asset and investment property. The carrying amounts of right-of-use asset and investment property are disclosed in Notes 23 and 11 respectively.

6. Revenue

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Disaggregation of revenue					
Type of good or service					
Contract Revenue	1,455,000	–	–	–	–
Service Income	–	–	–	–	1,600
Rental income	6,001,168	5,623,448	6,120,610	4,994,295	6,449,284
	7,456,168	5,623,448	6,120,610	4,994,295	6,450,884
Contract revenue and service income – timing of transfer of good or service					
At a point of time	–	–	–	–	1,600
Over time	1,455,000	–	–	–	–

7. Other Income

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Enterprise Singapore grant	–	13,335	–	–	–
Ex gratia received	–	9,850	–	–	–
Insurance compensation	–	22,983	–	–	–
Jobs support scheme	40,122	23,547	–	–	–
Government cash grant	206,987	–	–	–	–
Special employment credit	1,914	1,524	414	–	–
Property tax rebate	122,360	–	–	–	–
Sundry income	5,546	12,647	35,588	25,659	38,489
Wage credit scheme	1,578	900	–	–	–
	378,507	84,786	36,002	25,659	38,489

8. Finance Costs

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Interest expense on:					
– Bank borrowings	442,953	376,030	334,160	274,561	424,685
– Lease liabilities	136,887	133,685	130,314	108,595	105,639
	579,840	509,715	464,474	383,156	530,324

9. Profit before Income Tax

The Target Company's profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December			Ten months ended 31 October	
	2020	**2021**	**2022**	**2022**	**2023**
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Auditors' remuneration	–	5,000	5,500	4,295	4,583
Employee benefits expense:					
– Salaries, bonuses and other costs	190,599	176,826	179,423	139,819	149,500
– Contributions to Central Provident Fund	30,547	29,317	30,029	23,331	24,965
Depreciation of property, plant and equipment	28,010	15,107	8,942	3,961	9,246
Depreciation of investment property	1,570,826	1,570,826	1,570,827	1,309,022	1,309,022
Depreciation of right-of-use asset	111,055	111,055	111,055	92,546	92,546
Professional fees	30,845	72,746	105,294	97,697	14,560
Allowance/(reversal) of Impairment loss on financial assets	14,022	(6,120)	–	–	–
Property tax	407,867	403,700	403,700	336,417	336,417
Repair and maintenance	497,796	298,706	272,776	227,212	352,865
Utilities	122,174	165,123	248,019	213,691	181,833

10. Income Tax Expense

The major components of income tax expense recognised in profit or loss were:

	Year ended 31 December			Ten months ended 31 October	
	2020	**2021**	**2022**	**2022**	**2023**
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Current income tax					
– Current year	877,000	640,000	743,010	604,168	819,419
– Under provision in prior years	87,347	58,103	41,311	–	–
Income tax expense recognised in profit or loss	964,347	698,103	784,321	604,168	819,419

A reconciliation between tax expense and the product of profit before tax multiplied by the applicable corporate tax rate were as follows:

	Year ended 31 December			Ten months ended 31 October	
	2020	**2021**	**2022**	**2022**	**2023**
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Profit before tax	3,936,292	2,293,570	2,662,898	2,117,576	3,403,302
Income tax using the statutory tax rate of 17%	669,169	389,907	452,693	359,988	578,561
Tax effects of:					
Non-deductible expenses	278,261	282,634	307,742	261,605	258,283
Non-taxable income	(42,008)	(4,003)	–	–	–
Utilisation of capital allowances	(2,497)	(2,613)	–	–	–
Partial tax exemption	(25,925)	(25,925)	(17,425)	(17,425)	(17,425)
Under provision in respect of prior years	87,347	58,103	41,311	–	–
Income tax expense recognised in profit or loss	964,347	698,103	784,321	604,168	819,419

11. Investment Property

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Cost				
Beginning and end of financial year/period	41,757,797	41,757,797	41,757,797	41,757,797
Accumulated depreciation				
Beginning of financial year	6,021,500	7,592,326	9,163,152	10,733,979
Depreciation during the year	1,570,826	1,570,826	1,570,827	1,309,022
End of financial year/period	7,592,326	9,163,152	10,733,979	12,043,001
Carrying amount	34,165,471	32,594,645	31,023,818	29,714,796
Fair value	46,500,000	42,500,000	42,500,000	75,000,000

The fair value of the investment property as at 31 October 2023 was determined based on an independent valuation performed by Valtech Valuation Advisory Limited (31 December 2022: DBS Bank Limited, 31 December 2021 and 31 December 2020: Premas Valuers and Property Consultants Pte Ltd) using the direct comparison method that consider sales of similar properties that have been transacted in open market. The fair value disclosed is categorised as Level 3 valuation. The key unobservable input used in valuing the investment property under the direct comparison approach was the prices per square meter. Significant increases/(decreases) in the unobservable input would result in a significant higher/(lower) fair value measurement. The highest and best use of the investment property of the Target Company does not differ from its current use.

The investment property held by the Target Company is as follows:

Description and Location	Existing use	Tenure	Unexpired lease term
9-Storey single-use general industrial development with temporary ancillary staff canteen and temporary secondary workers dormitory at 20 Senoko Drive, Singapore 758207.	Partly owner occupied and partly tenanted	Leasehold	19.0 years

The investment property is leased to the related and non-related parties under leases.

The investment property is mortgaged to the bank to secure the bank borrowings, as disclosed in Note 19.

11. Investment Property (Continued)

The following amounts are recognised in profit or loss:

	Year ended 31 December			Ten months ended 31 October	
	2020	**2021**	**2022**	**2022**	**2023**
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Rental income *(Note 6)*	6,001,168	5,623,448	6,120,610	4,994,295	6,449,284
Direct operating expenses arising from investment property that generated rental income during the year:					
Advertisement	76	38	–	–	–
Depreciation of investment property	1,570,826	1,570,826	1,570,827	1,309,022	1,309,022
Depreciation of right-of-use asset	111,055	111,055	111,055	92,546	92,546
Disposal of refuse	17,253	14,227	18,009	15,007	15,428
Professional fee	22,390	67,277	97,641	97,641	9,000
Property tax	407,867	403,700	403,700	336,417	336,417
Repairs and maintenance	497,796	298,706	272,775	227,212	352,865
Sublet fee	11,412	11,662	12,150	10,066	13,291
Workers charges for Dormitory	76,800	–	–	–	–
Utilities	122,174	165,123	248,019	213,691	181,833
	2,837,649	2,642,614	2,734,176	2,301,602	2,310,402

12. Property, Plant and Equipment

	Furniture and fittings	Office equipment	Tools and equipment	Total
Cost				
At 01.01.2020	72,332	14,210	47,710	134,252
Additions	–	11,600	–	11,600
At 31.12.2020 and 01.01.2021	72,332	25,810	47,710	145,852
Additions	2,037	–	–	2,037
At 31.12.2021 and 01.01.2022	74,369	25,810	47,710	147,889
Additions	–	3,210	29,896	33,106
Written off	(69,832)	(11,310)	(43,760)	(124,902)
At 31.12.2022 and 01.01.2023	4,537	17,710	33,846	56,093
Additions	–	–	1,410	1,410
At 31.10.2023	4,537	17,710	35,256	57,503
Accumulated depreciation				
At 01.01.2020	50,465	8,931	32,052	91,448
Depreciation during the year	14,466	4,002	9,542	28,010
At 31.12.2020 and 01.01.2021	64,931	12,933	41,594	119,458
Depreciation during the year	6,673	3,465	4,969	15,107
At 31.12.2021 and 01.01.2022	71,604	16,398	46,563	134,565
Depreciation during the year	907	3,007	5,028	8,942
Written off	(69,832)	(11,310)	(43,760)	(124,902)
At 31.12.2022 and 01.01.2023	2,679	8,095	7,831	18,605
Depreciation during the period	756	2,952	5,539	9,247
At 31.10.2023	3,435	11,047	13,370	27,852
Carrying amount				
At 31.12.2020	7,401	12,877	6,116	26,394
At 31.12.2021	2,765	9,412	1,147	13,324
At 31.12.2022	1,858	9,615	26,015	37,488
At 31.10.2023	1,102	6,663	21,886	29,651

13. Trade Receivables

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Trade receivables:				
– Third parties	147,346	177,095	111,581	137,704
Less: Allowance for ECLs	(49,615)	(43,495)	(43,495)	(43,495)
	97,731	133,600	68,086	94,209

Trade receivables were non-interest bearing and are generally on 30 days' terms.

ECLs

The movement in allowance for ECLs of trade receivables computed based on lifetime ECL was as follows:

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Movement in allowance accounts:				
Beginning balance of the year	35,593	49,615	43,495	43,495
Allowance/(reversal) of ECLs	14,022	(6,120)	–	–
Ending balance of the year/period	49,615	43,495	43,495	43,495

14. Other Receivables

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Prepayments	6,319	24,964	24,132	11,312
Refundable deposits	42,850	23,810	94,750	66,690
Others	–	1,290	–	–
	49,169	50,064	118,882	78,002

15. Amount Due from Related Parties

The amount due from related parties are trade in nature, unsecured, interest-free and repayable on demand.

16. Cash and Cash Equivalents

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Cash at banks	416,161	420,112	624,927	304,133
Cash on hand	1,211	1,211	1,200	1,200
	417,372	421,323	626,127	305,333

17. Trade Payables

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Trade payables:				
– Non-related parties	576,681	467,488	92,311	106,415

Ageing analysis of trade payables, based on invoice date, is as follows:

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
0-30 days	102,698	65,294	58,848	71,094
31-60 days	165,871	104,842	32,603	19,730
61-90 days	31,498	43,334	218	13,003
>90 days	276,614	254,018	642	2,588
	576,681	467,488	92,311	106,415

18. Other Payables

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Accruals	57,176	51,958	49,329	54,383
GST payable	145,281	56,728	74,314	162,710
Rental deposits	1,998,474	849,493	1,017,670	1,211,234
	2,200,931	958,179	1,141,313	1,428,327

19. Borrowings

	At 31 December 2020 S$	At 31 December 2021 S$	At 31 December 2022 S$	At 31 October 2023 S$
Current:				
– Lease liabilities *(Note 23)*	64,198	67,568	71,116	74,227
– Bank borrowings	2,283,868	2,448,868	2,487,213	2,183,886
	2,348,066	2,516,436	2,558,329	2,258,113
Non-current:				
– Lease liabilities *(Note 23)*	2,482,175	2,414,607	2,343,491	2,281,117
– Bank borrowings	21,748,102	19,297,130	16,309,916	12,000,509
	24,230,277	21,711,737	18,653,407	14,281,626
Total	26,578,343	24,228,173	21,211,736	16,539,739

	At 31 December 2020 S$	At 31 December 2021 S$	At 31 December 2022 S$	At 31 October 2023 S$
Bank borrowings				
– Term loan	20,941,970	18,809,519	16,628,144	13,742,445
– Fixed advance facility	2,000,000	2,000,000	1,500,000	–
– Temporary bridging loan	1,090,000	936,479	668,985	441,949
	24,031,970	21,745,998	18,797,129	14,184,394

Bank Borrowings

The term loan and fixed advance facility for the financial period ended 31 October 2023 bear interest at rate of 1.5% to 7.6% per annum (2022: 1.5% to 5.2% per annum, 2021: 1.25% to 1.88% per annum, 2020: 1.88% to 2.75% per annum) and are secured by:

(i) Legal mortgage of the Target Company's investment property (Note 11);

(ii) Legal assignment in favour of the bank of all the rental proceeds;

(iii) Personal guarantee from a director; and

(iv) Deed of subordination for all monies in relation to all present and future director's/shareholders' loans up to the full retirement of the facilities

19. Borrowings (Continued)

A reconciliation of liabilities arising from financing activities is as follows:

	1 January 2023	Cash flows	Non-cash changes Addition	Accretion of interests	Other	31 October 2023
	S$	S$	S$	S$	S$	S$
Liabilities						
Lease liabilities						
–Current	71,116	(164,902)	–	105,639	62,374	74,227
–Non-current	2,343,491	–	–	–	(62,374)	2,281,117
Bank borrowings						
–Current	2,487,213	(5,037,419)	–	424,685	4,309,407	2,183,886
–Non-current	16,309,916	–	–	–	(4,309,407)	12,000,509
	21,211,736	(5,202,321)	–	530,324	–	16,539,739

	1 January 2022	Cash flows	Non-cash changes Addition	Accretion of interests	Other	31 December 2022
	S$	S$	S$	S$	S$	S$
Liabilities						
Lease liabilities						
–Current	67,568	(197,882)	–	130,314	71,116	71,116
–Non-current	2,414,607	–	–	–	(71,116)	2,343,491
Bank borrowings						
–Current	2,448,868	(3,283,029)	–	334,160	2,987,214	2,487,213
–Non-current	19,297,130	–	–	–	(2,987,214)	16,309,916
	24,228,173	(3,480,911)	–	464,474	–	21,211,736

	1 January 2021	Cash flows	Non-cash changes Addition	Accretion of interests	Other	31 December 2021
	S$	S$	S$	S$	S$	S$
Liabilities						
Lease liabilities						
–Current	64,198	(197,883)	–	133,685	67,568	67,568
–Non-current	2,482,175	–	–	–	(67,568)	2,414,607
Bank borrowings						
–Current	2,283,868	(2,662,002)	–	376,030	2,450,972	2,448,868
–Non-current	21,748,102	–	–	–	(2,450,972)	19,297,130
	26,578,343	(2,859,885)	–	509,715	–	24,228,173

19. Borrowings (Continued)

	1 January 2020	Cash flows	Non-cash changes Addition	Accretion of interests	Other	31 December 2020
	S$	*S$*	*S$*	*S$*	*S$*	*S$*
Liabilities						
Amount due to a director	9,459,056	(5,400,000)	–	–	–	4,059,056
Lease liabilities						
–Current	60,996	(197,883)	–	136,889	64,196	64,198
–Non-current	2,546,371	–	–	–	(64,196)	2,482,175
Bank borrowings						
–Current	2,099,958	(1,138,509)	–	442,951	879,468	2,283,868
–Non-current	21,537,570	1,090,000	–	–	(879,468)	21,748,102
	26,244,895	(5,646,392)	–	579,840	–	30,637,399

20. Amount Due to a Director

The amount due to a director is non-trade in nature, unsecured, interest-free and repayable when there are sufficient cash flows.

21. Amount Due to a Related Party

The amount due to a related party is trade in nature, unsecured, interest-free and repayable on demand.

22. Share Capital

	Number of shares	*S$*
Issued and fully paid ordinary shares		
At 1 January and 31 December 2020, 2021, 2022 and 31 October 2023	1,000,000	1,000,000

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

23. Leases

Target Company as a Lessee

The Target Company has a lease contract for land. The Target Company's obligations under the lease are secured by the lessor's title to the leased asset. The Target Company is restricted from assigning and subleasing the leased asset.

a) Carrying amounts of right-of-use asset are as follows:

	Leasehold land
	S$
At 1 January 2020	2,554,266
Depreciation	(111,055)
At 31 December 2020 and 1 January 2021	2,443,211
Depreciation	(111,055)
At 31 December 2021 and 1 January 2022	2,332,156
Depreciation	(111,055)
At 31 December 2022 and 1 January 2023	2,221,101
Depreciation	(92,546)
At 31 October 2023	2,128,555

b) Lease Liabilities

The carrying amounts of lease liabilities (included under borrowings) and the movements during the year are disclosed in Note 19.

23. Leases (Continued)

Target Company as a Lessee (Continued)

c) Amounts Recognised in Profit or Loss

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Depreciation of right-of-use-assets	111,055	111,055	111,055	92,546	92,546
Interest expense on lease liabilities	136,887	133,685	130,314	108,595	105,639
Total amount recognised in profit or loss	247,942	244,740	241,369	201,141	198,185

d) Total Cash Outflow

The Target Company had total cash outflows for leases of S$164,902 in 2023 (2022: S$197,883, 2021: S$197,883, 2020: S$197,883).

Target Company as a Lessor

The Target Company has entered into operating leases on its investment property (Note 11). These leases are negotiated for terms ranging from one to three years, varying escalation clauses and renewal rights. Rental income from investment property is disclosed in Note 6. The future minimum rental receivable under non-cancellable operating leases contracted for at the reporting period are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Not later than one year	3,022,464	1,917,911	2,201,537	3,270,337	3,616,315
Later than one year but not later than five years	479,400	60,155	518,765	824,369	176,400
	3,501,864	1,978,066	2,720,302	4,094,706	3,792,715

24. Significant Related Party Transaction

In addition to the related party information disclosed elsewhere in the Historical Financial Information, the following transactions with related parties took place at terms agreed between the parties during each of the Track Record Period and the ten months ended 31 October 2022 and 31 October 2023:

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Rental income charged to related parties	2,116,080	2,264,312	2,191,942	1,906,609	1,932,032
Contract revenue charged to a related party	1,455,000	–	–	–	–
Water and electricity charged to a related party	164,911	171,567	229,225	194,977	173,313

Compensation of key management personnel	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Director's salaries and bonus	78,000	78,000	79,500	61,500	66,000
Employer's contribution to director's Central Provident Fund	13,260	13,260	13,515	10,455	11,220
	91,260	91,260	93,015	71,955	77,220

25. Financial Instruments by Category

At each of the reporting date, the aggregate carrying amounts of financial assets at amortised cost and financial liabilities at amortised cost were as follows:

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Financial assets measured at amortised cost				
Trade receivables *(Note 13)*	97,731	133,600	68,086	94,209
Other receivables *(Note 14)*	42,850	23,810	94,750	66,690
Amount due from related parties *(Note 15)*	1,606,675	737,399	30,969	29,603
Cash and cash equivalents *(Note 16)*	417,372	421,323	626,127	305,333
Total financial assets measured at amortised cost	2,164,628	1,316,132	819,932	495,835
Financial liabilities measured at amortised cost				
Borrowings *(Note 19)*	26,578,343	24,228,173	21,211,736	16,539,739
Amount due to a director *(Note 20)*	4,059,056	4,059,056	4,059,056	4,059,056
Amount due to a related party *(Note 21)*	961,975	961,975	–	–
Trade payables *(Note 17)*	576,681	467,488	92,311	106,415
Other payables *(Note 18)*	2,055,650	901,451	1,066,999	1,265,617
Total financial liabilities measured at amortised cost	34,231,705	30,618,143	26,430,102	21,970,827

26. Financial Risk Management

The Target Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (interest rate risk).

The Target Company Director reviews and agrees policies and procedures for the management of these risks, which are executed by the management team.

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

(a) Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Target Company. The Target Company's exposure to credit risk arises primarily from trade and other receivables and amount due from related parties. For other financial assets (including cash), the Target Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Target Company has adopted a policy of only dealing with creditworthy counterparties. The Target Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Target Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Target Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, or there is significant difficulty of the counterparty.

To minimise credit risk, the Target Company has developed and maintained the Target Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Target Company's own trading records to rate its major customers and other debtors.

26. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

The Target Company considers available reasonable and supportive forward-looking information which includes the following indicators:

– Internal credit rating

– External credit rating

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

– Actual or expected significant changes in the operating results of the debtor

– Significant increases in credit risk on other financial instruments of the same debtor

– Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment. The Target Company determined that its financial assets are credit-impaired when:

– There is significant difficulty of the debtor

– There is a breach of contract, such as a default or past due event

– It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

The Target Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due, financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

26. Financial Risk Management (Continued)

(a) *Credit Risk (Continued)*

The Target Company's current credit risk grading framework comprises the following categories:

Category	Definition of category	Basis for recognising ECL
I	Counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
II	Amount is more than 30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit -impaired
III	Amount is more than 60 days past due or there is evidence indicating the asset is credit impaired (in default)	Lifetime ECL –credit impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery	An amount is written off.

Trade Receivables (Note 13)

For trade receivables, the Target Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Target Company determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

26. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

Trade Receivables (Note 13) (Continued)

	Trade receivables days, based on invoice date				
	0-30 days	**31-60 days**	**61-90 days**	**>90 days**	**Total**
	S$	*S$*	*S$*	*S$*	*S$*
31 October 2023					
ECL rate	0%	0%	0%	20%	
Gross carrying amount	11,233	19,775	12,577	94,119	137,704
Loss allowance	–	–	–	(43,495)	(43,495)
					94,209
31 December 2022					
ECL rate	0%	0%	0%	20%	
Gross carrying amount	13,163	32,189	15,394	50,835	111,581
Loss allowance	–	–	–	(43,495)	(43,495)
					68,086
31 December 2021					
ECL rate	0%	0%	0%	20%	
Gross carrying amount	106,697	26,518	–	43,880	177,095
Loss allowance	–	–	–	(43,495)	(43,495)
					133,600
31 December 2020					
ECL rate	0%	0%	0%	20%	
Gross carrying amount	50,634	12,786	766	83,160	147,346
Loss allowance	–	–	–	(49,615)	(49,615)
					97,731

Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Target Company's performance to developments affecting a particular industry.

Exposure to Credit Risk

The Target Company has no significant concentration of credit risk. The Target Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

26. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

Other Receivables and Amount Due from Related Parties

The Target Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Target Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

(b) Liquidity Risk

Liquidity risk refers to the risk that the Target Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Target Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Target Company's operations are financed mainly through equity. The Target Company Director is satisfied that funds are available to finance the operations of the Target Company. In the management of liquidity risk, the Target Company monitors and maintains a level of bank balances deemed adequate by the Target Company to finance its operations and mitigate the effects of fluctuations in cash flows.

26. Financial Risk Management (Continued)

(b) Liquidity Risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Target Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations:

	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	S$	*S$*	*S$*	*S$*	*S$*
As at 31 October 2023					
Financial Asset					
Trade receivables	94,209	94,209	94,209	–	–
Refundable deposits	66,690	66,690	66,690	–	–
Amount due from related parties	29,603	29,603	29,603	–	–
Cash and cash equivalents	305,333	305,333	305,333	–	–
	495,835	495,835	495,835	–	–
Financial Liabilities					
Trade payables	106,416	106,416	106,416	–	–
Other payables and accruals	1,265,617	1,265,617	1,265,617	–	–
Amount due to a director	4,059,056	4,059,056	4,059,056	–	–
Borrowings	14,184,394	16,365,492	2,796,648	10,217,070	3,351,774
Lease liabilities	2,355,344	3,792,748	197,883	791,530	2,803,335
	21,970,827	25,589,329	8,425,620	11,008,600	6,155,109
Total net undiscounted financial liabilities	(21,474,992)	(25,093,494)	(7,929,785)	(11,008,600)	(6,155,109)
As at 31 December 2022					
Financial Asset					
Trade receivables	68,086	68,086	68,086	–	–
Refundable deposits	94,750	94,750	94,750	–	–
Amount due from related parties	30,969	30,969	30,969	–	–
Cash and cash equivalents	626,127	626,127	626,127	–	–
	819,932	819,932	819,932	–	–
Financial Liabilities					
Trade payables	92,311	92,311	92,311	–	–
Other payables and accruals	1,066,999	1,066,999	1,066,999	–	–
Amount due to a director	4,059,056	4,059,056	4,059,056	–	–
Borrowings	18,797,129	20,213,067	2,807,422	10,489,610	6,916,035
Lease liabilities	2,414,607	3,957,650	197,883	791,530	2,968,237
	26,430,102	29,389,083	8,223,671	11,281,140	9,884,272
Total net undiscounted financial liabilities	(25,610,170)	(28,569,151)	(7,403,739)	(11,281,140)	(9,884,272)

26. Financial Risk Management (Continued)

(b) Liquidity Risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	Carrying amount *S$*	Contractual cash flows *S$*	One year or less *S$*	Two to five years *S$*	More than five years *S$*
As at 31 December 2021					
Financial Asset					
Trade receivables	133,600	133,600	133,600	–	–
Refundable deposits	23,810	23,810	23,810	–	–
Amount due from related parties	737,399	737,399	737,399	–	–
Cash and cash equivalents	421,323	421,323	421,323	–	–
	1,316,132	1,316,132	1,316,132	–	–
Financial Liabilities					
Trade payables	467,488	467,488	467,488	–	–
Other payables and accruals	901,451	901,451	901,451	–	–
Amount due to a related party	961,975	961,975	961,975	–	–
Amount due to a director	4,059,056	4,059,056	4,059,056	–	–
Borrowings	21,745,998	23,286,746	2,767,751	10,640,107	9,878,888
Lease liabilities	2,482,175	4,155,533	197,883	791,530	3,166,120
	30,618,143	33,832,249	9,355,604	11,431,637	13,045,008
Total net undiscounted financial liabilities	(29,302,011)	(32,516,117)	(8,039,472)	(11,431,637)	(13,045,008)
As at 31 December 2020					
Financial Asset					
Trade Receivables	97,731	97,731	97,731	–	–
Refundable deposits	42,850	42,850	42,850	–	–
Amount due from related parties	1,606,675	1,606,675	1,606,675	–	–
Cash and cash equivalents	417,372	417,372	417,372	–	–
	2,164,628	2,164,628	2,164,628	–	–
Financial Liabilities					
Trade payables	576,681	576,681	576,681	–	–
Other payables and accruals	2,055,650	2,055,650	2,055,650	–	–
Amount due to a related party	961,975	961,975	961,975	–	–
Amount due to a director	4,059,056	4,059,056	4,059,056	–	–
Borrowings	24,031,970	25,845,729	2,681,815	10,865,043	12,318,871
Lease liabilities	2,546,373	4,353,416	197,883	791,530	3,364,003
	34,231,705	37,852,507	10,533,060	11,656,573	15,682,874
Total net undiscounted financial liabilities	(32,067,077)	(35,687,879)	(8,368,432)	(11,656,573)	(15,682,874)

(c) Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Target Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

26. Financial Risk Management (Continued)

(c) Market Risk (Continued)

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Target Company's financial instruments will fluctuate because of changes in market interest rates. The Target Company's exposure to interest rate risk arises primarily from their cash and cash equivalents and term loans.

The Target Company has no significant interest-bearing assets hence the Target Company's net income is substantially independent of changes in market interest rates in respect of the interest-bearing assets. The Target Company's exposure to cash flow interest rate risk arises mainly from term loans. If the interest rates increase/decrease by 0.05% as at 31 December 2020, 2021, 2022, 31 October 2022 and 2023 with all other variables including tax rate being held constant, the total comprehensive income would have been lower/higher by $12,000, $10,800, $9,300, $9,900 and $7,092.

27. Fair Value of Assets and Liabilities

Assets and Liabilities not Measured at Fair Value.

Cash and cash equivalents, other receivables, other payables and amount due to a director

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

Trade receivables, amount due from related parties, trade payables and amount due to a related party

The carrying amounts of these receivables and payables (including trade balances due from/to related parties) approximate their fair values as they are subject to normal trade credit terms.

Borrowings

The carrying amounts of borrowings approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

28. Capital Management

The primary objective of the Target Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholder value. The capital structure of the Target Company comprises issued share capital and retained earnings.

As at 31 October 2023, the Target Company's current liabilities exceeded its current assets by S$8,164,183 (2022: S$7,785,691, 2021: S$8,263,656, 2020: S$9,035,534). The ability of the Target Company to continue as a going concern is dependent upon the Target Company's ability to achieve profit from its operations and, factoring in that the amount due to a director is repayable when there are sufficient cash flows.

The Target Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes during the period ended 31 October 2023 and during the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

29. Subsequent Financial Statements

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 October 2023.