

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from the Company’s independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
C&N Holdings Limited

Vinco Capital Limited

Dear Sirs,

We report on the historical financial information of C&N Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) set out on pages I-5 to I-68, which comprises the combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 December 2015 and 2016 and 31 May 2017 and the statement of financial position of the Company as at 31 May 2017 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-68 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 initial [REDACTED] of the shares of the Company (the “[REDACTED]”) on the Growth Enterprise Market 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

APPENDIX I

ACCOUNTANTS’ REPORT

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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 financial position of the Group as at 31 December 2015 and 2016 and 31 May 2017 and of the financial position of the Company as at 31 May 2017 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

APPENDIX I**ACCOUNTANTS’ REPORT**

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 May 2016 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim 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 Interim Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**ADJUSTMENTS**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-5 have been made.

DIVIDENDS

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

APPENDIX I

ACCOUNTANTS' REPORT

NO HISTORICAL FINANCIAL STATEMENTS FOR THE COMPANY

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

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

APPENDIX I

ACCOUNTANTS' REPORT

Combined Statements of Profit or Loss and Other Comprehensive Income

		<u>Year ended 31 December</u>		<u>Five months ended 31 May</u>	
		<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
		S\$	S\$	S\$	S\$
	Notes			(Unaudited)	
Revenue	6	27,684,381	27,008,662	11,364,887	11,279,435
Cost of sales		(22,059,670)	(20,763,078)	(8,490,763)	(9,106,877)
Gross profit		5,624,711	6,245,584	2,874,124	2,172,558
Other income	7	428,741	392,968	328,954	134,609
Administrative expenses		(2,302,888)	(2,474,257)	(1,059,096)	(2,758,550)
Finance costs	8	(159,897)	(119,347)	(54,838)	(57,916)
Profit/(loss) before tax	9	3,590,667	4,044,948	2,089,144	(509,299)
Income tax expense	12	(545,663)	(699,297)	(313,152)	(168,882)
Profit/(loss) for the year/period		<u>3,045,004</u>	<u>3,345,651</u>	<u>1,775,992</u>	<u>(678,181)</u>
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Available-for-sale investment:					
Changes in fair value		(13,800)	(4,650)	—	—
Reclassification adjustments for losses included in the combined statements of profit or loss:					
Impairment losses		17,053	4,650	—	—
Other comprehensive income for the year/period		3,253	—	—	—
Total comprehensive income/(loss) for the year/period		<u>3,048,257</u>	<u>3,345,651</u>	<u>1,775,992</u>	<u>(678,181)</u>

APPENDIX I

ACCOUNTANTS' REPORT

Combined Statements of Financial Position

		31 December 2015	31 December 2016	31 May 2017
	Notes	S\$	S\$	S\$
ASSETS				
Non-current assets				
Property, plant and equipment	15	9,776,626	10,860,456	12,659,624
Deferred tax assets	16	127,505	—	39,108
Available-for-sale investment	17	11,400	6,750	6,750
Deposits	18	323,039	87,948	97,535
Total non-current assets		<u>10,238,570</u>	<u>10,955,154</u>	<u>12,803,017</u>
Current assets				
Trade receivables	19	4,136,359	4,639,182	5,094,309
Deposits and other receivables	18	99,792	286,622	293,943
Prepayments		22,583	—	518,635
Pledged deposits	20	302,455	304,575	304,575
Cash and bank balances	20	2,550,424	1,488,087	1,453,502
Total current assets		<u>7,111,613</u>	<u>6,718,466</u>	<u>7,664,964</u>
Current liabilities				
Trade payables	21	1,214,156	686,027	1,497,061
Other payables and accruals	22	3,344,473	696,498	2,750,278
Loans and borrowings	23	2,880,942	2,793,844	2,526,328
Tax payable		314,900	298,915	348,459
Total current liabilities		<u>7,754,471</u>	<u>4,475,284</u>	<u>7,122,126</u>
NET CURRENT				
(LIABILITIES)/ASSETS		<u>(642,858)</u>	<u>2,243,182</u>	<u>542,838</u>
TOTAL ASSETS LESS CURRENT				
LIABILITIES		<u>9,595,712</u>	<u>13,198,336</u>	<u>13,345,855</u>
Non-current liabilities				
Loans and borrowings	23	1,819,167	1,815,402	2,580,154
Deferred tax liabilities	16	160,387	421,125	482,073
Total non-current liabilities		<u>1,979,554</u>	<u>2,236,527</u>	<u>3,062,227</u>
NET ASSETS		<u>7,616,158</u>	<u>10,961,809</u>	<u>10,283,628</u>
EQUITY				
Share capital	24	—	—	—
Reserves	25	7,616,158	10,961,809	10,283,628
TOTAL EQUITY		<u>7,616,158</u>	<u>10,961,809</u>	<u>10,283,628</u>

APPENDIX I

ACCOUNTANTS' REPORT

Statement of Financial Position of the Company

		<u>31 May 2017*</u>
	Note	S\$
Current asset		
Cash and bank balances		—
NET ASSETS		<u>—</u>
EQUITY		
Share capital	24	—
TOTAL EQUITY		<u>—</u>

* Amount below S\$1.

APPENDIX I

ACCOUNTANTS' REPORT

Combined Statements of Changes in Equity

	Share capital	Retained earnings	Available- for-sale investment revaluation reserve	Other reserve	Total equity
	S\$	S\$	S\$	S\$	S\$
At 1 January 2015 (Unaudited)	—	1,571,154	(3,253)	3,200,000	4,767,901
Profit for the year	—	3,045,004	—	—	3,045,004
<i>Other comprehensive income for the year:</i>					
— Change in fair value of available-for-sale investment	—	—	(13,800)	—	(13,800)
— Impairment loss on available-for-sale investment	—	—	17,053	—	17,053
Other comprehensive income for the year	—	—	3,253	—	3,253
Total comprehensive income for the year	—	3,045,004	3,253	—	3,048,257
Dividend (note 13)	—	(200,000)	—	—	(200,000)
At 31 December 2015 and 1 January 2016	—	4,416,158*	—	3,200,000*	7,616,158
Profit for the year	—	3,345,651	—	—	3,345,651
<i>Other comprehensive income for the year:</i>					
— Change in fair value of available-for-sale investment	—	—	(4,650)	—	(4,650)
— Impairment loss on available-for-sale investment	—	—	4,650	—	4,650
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income for the year	—	3,345,651	—	—	3,345,651
At 31 December 2016 and 1 January 2017	—	7,761,809*	—	3,200,000*	10,961,809
Loss for the period and total comprehensive loss for the period	—	(678,181)	—	—	(678,181)
At 31 May 2017	—	7,083,628*	—	3,200,000*	10,283,628

APPENDIX I

ACCOUNTANTS’ REPORT

	Share capital	Retained earnings	Available- for-sale investment revaluation reserve	Other reserve	Total equity
	S\$	S\$	S\$	S\$	S\$
(Unaudited)					
At 1 January 2016	—	4,416,158	—	3,200,000	7,616,158
Profit for the period and total comprehensive income for the period	—	1,775,992	—	—	1,775,992
At 31 May 2016	—	6,192,150	—	3,200,000	9,392,150

* These reserve accounts comprise the combined reserves of S\$7,616,158, S\$10,961,809 and S\$10,283,628 in the combined statements of financial position as at 31 December 2015, 31 December 2016 and 31 May 2017, respectively.

APPENDIX I

ACCOUNTANTS' REPORT

Combined Statements of Cash Flows

	Notes	Year ended 31 December		Five months ended 31 May	
		2015	2016	2016	2017
		S\$	S\$	S\$	S\$
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		3,590,667	4,044,948	2,089,144	(509,299)
Adjustments for:					
Depreciation	9	1,783,351	1,702,186	678,577	825,806
Impairment losses on available-for-sale investment	9	17,053	4,650	—	—
Gain on disposal of items of property, plant and equipment	7	(11,000)	(17,283)	(5,000)	(31,506)
Finance costs	8	159,897	119,347	54,838	57,916
		<u>5,539,968</u>	<u>5,853,848</u>	<u>2,817,559</u>	<u>342,917</u>
Increase in trade receivables		(664,378)	(502,823)	(204,457)	(455,127)
(Increase)/decrease in deposits and other receivables		(9,059)	148,261	36,686	(16,908)
(Increase)/decrease in prepayments		(22,583)	22,583	—	(518,635)
(Decrease)/increase in trade payables		(452,547)	(528,129)	(382,460)	811,034
Increase/(decrease) in other payables and accruals		167,774	(70,268)	9,559	342,947
Cash generated from operations		<u>4,559,175</u>	<u>4,923,472</u>	<u>2,276,887</u>	<u>506,228</u>
Income tax paid		<u>(55,359)</u>	<u>(327,039)</u>	<u>(72,324)</u>	<u>(97,498)</u>
Net cash flows generated from operating activities		<u>4,503,816</u>	<u>4,596,433</u>	<u>2,204,563</u>	<u>408,730</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	15	(459,677)	(730,832)	(13,674)	(875,953)
Proceeds from disposal of items of property, plant and equipment		<u>11,000</u>	<u>20,999</u>	<u>5,000</u>	<u>55,422</u>
Net cash flows used in investing activities		<u>(448,677)</u>	<u>(709,833)</u>	<u>(8,674)</u>	<u>(820,531)</u>

APPENDIX I

ACCOUNTANTS' REPORT

	Notes	Year ended 31 December		Five months ended 31 May	
		2015	2016	2016	2017
		S\$	S\$	S\$	S\$
(Unaudited)					
CASH FLOWS FROM FINANCING ACTIVITIES					
New loans and borrowings		800,000	1,030,000	—	292,000
Increase in pledged deposits . .		(2,108)	(2,120)	—	—
Repayment of loans and borrowings.		(314,506)	(542,697)	(223,753)	(355,364)
(Repayment of an amount due to)/advance from a director . .		(147,493)	(2,577,707)	(517,047)	1,710,833
Repayment of obligations under finance leases		(2,608,638)	(2,682,097)	(1,034,968)	(1,167,306)
Advance to a director		—	(100,000)	—	—
Dividend paid	13	(200,000)	—	—	—
Interest paid		(159,897)	(119,347)	(54,838)	(57,916)
Net cash flows (used in)/ generated from financing activities		(2,632,642)	(4,993,968)	(1,830,606)	422,247
Net increase/(decrease) in cash and cash equivalents		1,422,497	(1,107,368)	365,283	10,446
Cash and cash equivalents at beginning of year/period		<u>1,127,927</u>	<u>2,550,424</u>	<u>2,550,424</u>	<u>1,443,056</u>
Cash and cash equivalents at end of year/period		<u><u>2,550,424</u></u>	<u><u>1,443,056</u></u>	<u><u>2,915,707</u></u>	<u><u>1,453,502</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	20	2,550,424	1,488,087	2,915,707	1,453,502
Bank overdrafts	23	—	(45,031)	—	—
Cash and cash equivalents as stated in the combined statements of cash flows		<u><u>2,550,424</u></u>	<u><u>1,443,056</u></u>	<u><u>2,915,707</u></u>	<u><u>1,453,502</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The Company’s registered office address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company was incorporated on 10 February 2017 and was incorporated for the purpose of acquiring the subsidiaries of the Group pursuant to the Reorganisation, details of which have been set out in the section headed “History, Reorganisation and Corporate structure — Reorganisation” in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation. During the Relevant Periods, the Company’s subsidiaries are engaged in offering various transport and storage services, primarily trucking and hubbing.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation which was completed on 25 September 2017. Upon the completion of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

At as the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation and place of business	Issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CA Transportation & Warehousing Pte Ltd (“CA Transportation”) (note a)	Singapore 12 February 1992	3,000,000	—	100%	Trucking and hubbing
Nexis Logistics Services Pte Ltd. (“Nexis”) (note b)	Singapore 30 April 2003	200,000	—	100%	Trucking and hubbing

APPENDIX I

ACCOUNTANTS’ REPORT

Company name	Place and date of incorporation and place of business	Issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
New Pine Global Limited (“New Pine”) (note c)	British Virgin Islands 29 November 2016	3	100%	—	Investment holding

Notes:

- (a) The statutory financial statements prepared in accordance with Singapore Financial Reporting Standards are audited by Ernst & Young LLP, Singapore (Chartered Accountants) for the year ended 31 December 2016 and were audited by Shangyew Public Accounting Corporation (Chartered Accountants) for the year ended 31 December 2015.
- (b) The statutory financial statements prepared in accordance with Singapore Financial Reporting Standards are audited by Ernst & Young LLP, Singapore (Chartered Accountants) for the period from 1 July 2016 to 31 December 2016 and were audited by Shangyew Public Accounting Corporation (Chartered Accountants) for the year ended 30 June 2016.

On 28 December 2016, the board of directors of Nexis resolved to change the financial year end date of Nexis from 30 June to 31 December in order to be in line with the financial year end date of the Group.

- (c) No statutory financial statements have been prepared for this entity since its incorporation as this entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate structure — Reorganisation” in the Document, the Company became the holding company of the companies now comprising the Group on 25 September 2017. The companies now comprising the Group were under the common control of Mr. Chua Kang Lim (the “Controlling Shareholder”) before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods and the five months ended 31 May 2016 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholder, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2015 and 2016 and 31 May 2017 have been prepared to present the assets and liabilities of the subsidiaries and/or business using the existing book values from the Controlling Shareholder’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”).

All IFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for an available-for-sale investment which has been measured at fair value.

APPENDIX I

ACCOUNTANTS’ REPORT

2.3 NEW AND REVISED IFRSs NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information:

	Effective date (annual periods beginning on or after)
Amendments to IFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to IFRS 4: <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	1 January 2018
IFRS 9: <i>Financial Instruments</i>	1 January 2018
Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	No mandatory effective date yet determined but available for adoption
IFRS 15: <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to IFRS 15: <i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16: <i>Leases</i>	1 January 2019
IFRS 17: <i>Insurance Contracts</i>	1 January 2021
IFRIC 22: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IFRIC 23: <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendment to IAS 40: <i>Transfers to Investment Property</i>	1 January 2018
Amendments to IFRS 1 included in Annual Improvements 2014–2016 Cycle: <i>First-time Adoption of International Financial Reporting Standards</i>	1 January 2018
Amendments to IAS 28 included in Annual Improvements 2014–2016 Cycle: <i>Investment in Associates and Joint Ventures</i>	1 January 2018

Except for IFRS 9, IFRS 15 and IFRS 16, the directors expect that the adoption of the standards and amendments above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of IFRS 9, IFRS 15 and IFRS 16 are described below.

APPENDIX I

ACCOUNTANTS' REPORT

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in IFRS 9 are based on an expected credit loss model and replace the IAS 39 incurred loss model.

(a) Classification and measurement

For equity securities, the Group will classify its available-for-sale quoted equity securities at fair value through profit or loss. The Group does not expect any significant impact arising from these changes.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect any significant impact from these changes.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

IFRS 15 and Clarifications to IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During the Relevant Periods, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. The Group is in the business of offering various transport and storage services and expects that the adoption of IFRS 15 will have no material impact on the financial statements in the period of initial application. However, there will be additional disclosures upon the adoption of IFRS 15.

APPENDIX I

ACCOUNTANTS’ REPORT

IFRS 16 Leases

IFRS 16 requires lessees to recognise most leases on the statement of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees — leases of “low value” assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs. The Group is still assessing the impact on its financial performance and position resulting from the adoption of IFRS 16 for the annual period beginning 1 January 2019. As set out in note 30 to the Historical Financial Information, the Group had total future minimum lease payments under non-cancellable operating leases of S\$1,621,750 as at 31 May 2017. The directors do not expect the adoption of IFRS16 as compared with the current accounting policy would result in a significant impact on the Group’s results but it is expected that certain portion of these lease commitments will be required to be recognised in the combined statement of financial position as right-of-use assets and lease liabilities resulting in increases in total assets and total liabilities, earnings before interest, tax, depreciation and amortisation and the gearing ratio.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

APPENDIX I

ACCOUNTANTS' REPORT

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, 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 groups of assets, in which case the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made as at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

APPENDIX I

ACCOUNTANTS’ REPORT

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) as at the end of each reporting period.

APPENDIX I

ACCOUNTANTS’ REPORT

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rate used for this purpose is as follows:

Motor vehicles	—	20% to 10%
Furniture and fittings	—	20%
Office equipment	—	100%
Computers	—	100%
Buildings	—	Over the remaining lease term
Leasehold improvements	—	50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each financial year.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person:

APPENDIX I**ACCOUNTANTS' REPORT**

- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as loans and receivables or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

APPENDIX I

ACCOUNTANTS’ REPORT

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in profit or loss.

Available-for-sale investments

Available-for-sale investments include equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale investments are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or

APPENDIX I

ACCOUNTANTS’ REPORT

- The Group transfers the contractual rights to receive the cash flows of the financial assets; or
- The Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in a “pass-through” arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses as at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

APPENDIX I

ACCOUNTANTS’ REPORT

Financial assets carried at amortised cost

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

The amount of any impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Available-for-sale investments

For available-for-sale investments, the Group assesses as at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss

APPENDIX I

ACCOUNTANTS’ REPORT

— is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, accruals and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

APPENDIX I

ACCOUNTANTS' REPORT

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Leases

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

APPENDIX I

ACCOUNTANTS' REPORT

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

(a) Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

(b) Deferred tax

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

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

APPENDIX I

ACCOUNTANTS' REPORT

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as 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 tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

APPENDIX I**ACCOUNTANTS' REPORT**

Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the combined statements of financial position.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Rendering of services

The majority of revenue is derived from the provision of transport management services, such as trucking and hubbing of customers' cargoes.

Trucking income is recognised when cargoes, primarily containers, are delivered from the customers' designated pick up points to their designated delivery points. Cargo delivery is normally completed within one day.

Hubbing income is recognised over the respective storage periods on a straight-line basis.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

APPENDIX I

ACCOUNTANTS’ REPORT

Employee benefits

(a) Defined contribution plans

The Group makes contributions to the Central Provident Fund (“CPF”) scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Functional currency

The Historical Financial Information is presented in S\$, which is the Company’s functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Government grants

Government grants are recognised at their fair value where 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, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

APPENDIX I

ACCOUNTANTS’ REPORT

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets as at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (“DCF”) model. The cash flows are derived from the budget and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

APPENDIX I**ACCOUNTANTS’ REPORT**

(b) Impairment of financial assets not carried at fair value

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(c) Impairment of available-for-sale investment

The Group records impairment charges on available-for-sale investment when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Judgements

Management is of the opinion that there is no significant judgement, apart from those involving estimations, made in applying accounting policies that has a significant effect on the amounts recognised in the Historical Financial Information.

5. SEGMENT INFORMATION

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

- (a) The trucking segment refers to the provision of cargo transportation and other related services. The Group offers cargo transportation services, primarily of containers, from the customers designated pick up points to their designated delivery points within Singapore.
- (b) The hubbing segment refers to the offering of the Group’s container storage facility at its logistic yard to its customers.

APPENDIX I**ACCOUNTANTS' REPORT**

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income, finance costs, as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and bank balances, available-for-sale investment and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, interest-bearing loans and borrowings, an amount due to a director, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

APPENDIX I

ACCOUNTANTS' REPORT

Year ended 31 December 2015

	<u>Trucking</u>	<u>Hubbing</u>	<u>Total</u>
	S\$	S\$	S\$
Segment revenue			
Sales to external customers	22,378,225	5,306,156	<u>27,684,381</u>
Segment results	2,243,619	3,381,092	5,624,711
<i>Reconciliation</i>			
Other income			428,741
Finance costs			(159,897)
Administrative expenses			<u>(2,302,888)</u>
Profit before tax			<u>3,590,667</u>
Segment assets	11,669,545	1,501,033	13,170,578
<i>Reconciliation</i>			
Deferred tax asset			127,505
Pledged deposit			302,455
Cash and cash balances			2,550,424
Available-for-sale investment			11,400
Corporate and other unallocated assets			<u>1,187,821</u>
Total assets			<u>17,350,183</u>
Segment liabilities	1,612,156	52,936	1,665,092
Tax payable			314,900
Loans and borrowings			4,700,109
Deferred tax liabilities			160,387
Amount due to director			2,577,707
Corporate and other unallocated liabilities			<u>315,830</u>
Total liabilities			<u>9,734,025</u>
Other segment information			
Depreciation	1,520,036	231,350	1,751,386
Unallocated amounts			<u>31,965</u>
			<u>1,783,351</u>
Capital expenditure*	1,203,466		<u>1,203,466</u>

* Represented additions to property, plant and equipment

APPENDIX I

ACCOUNTANTS' REPORT

Year ended 31 December 2016

	<u>Trucking</u>	<u>Hubbing</u>	<u>Total</u>
	S\$	S\$	S\$
Segment revenue			
Sales to external customers	22,054,945	4,953,717	<u>27,008,662</u>
Segment results	3,147,662	3,097,922	6,245,584
<i>Reconciliation</i>			
Other income			392,968
Finance costs			(119,347)
Administrative expenses			<u>(2,474,257)</u>
Profit before tax			<u>4,044,948</u>
Segment assets	12,411,077	2,330,202	14,741,279
<i>Reconciliation</i>			
Pledged deposit			304,575
Cash and bank balances			1,488,087
Available-for-sale investment			6,750
Corporate and other unallocated assets			<u>1,132,929</u>
Total assets			<u>17,673,620</u>
Segment liabilities	1,112,898	21,844	1,134,742
Tax payable			298,915
Loans and borrowings			4,609,246
Deferred tax liabilities			421,125
Corporate and other unallocated liabilities			<u>247,783</u>
Total liabilities			<u>6,711,811</u>
Other segment information			
Depreciation	1,426,194	239,683	1,665,877
Unallocated amounts			<u>36,309</u>
			<u>1,702,186</u>
Capital expenditure*	1,737,472	1,000,000	<u>2,737,472</u>

* Represented additions to property, plant and equipment

APPENDIX I

ACCOUNTANTS’ REPORT

Five months ended 31 May 2016 (Unaudited)

	<u>Trucking</u>	<u>Hubbing</u>	<u>Total</u>
	S\$	S\$	S\$
Segment revenue			
Sales to external customers	9,500,708	1,864,179	<u>11,364,887</u>
Segment results	1,947,442	926,682	2,874,124
<i>Reconciliation</i>			
Other income			328,954
Finance costs			(54,838)
Administrative expenses			<u>(1,059,096)</u>
Profit before tax			<u>2,089,144</u>
Other segment information			
Depreciation	572,325	93,750	666,075
Unallocated amounts			<u>12,502</u>
			<u>678,577</u>
Capital expenditure*	166,855	—	<u>166,855</u>

* Represented additions to property, plant and equipment

APPENDIX I

ACCOUNTANTS' REPORT

Five months ended 31 May 2017

	<u>Trucking</u>	<u>Hubbing</u>	<u>Total</u>
	S\$	S\$	S\$
Segment revenue			
Sales to external customers	9,669,650	1,609,785	<u>11,279,435</u>
Segment results	1,571,093	601,465	2,172,558
<i>Reconciliation</i>			
Other income			134,609
Finance costs			(57,916)
Administrative expenses			<u>(2,758,550)</u>
Loss before tax			<u>(509,299)</u>
Segment assets	14,343,899	2,255,671	16,599,570
<i>Reconciliation</i>			
Deferred tax assets			39,108
Pledged deposit			304,575
Cash and bank balances			1,453,502
Available-for-sale investment			6,750
Corporate and other unallocated assets			<u>2,064,476</u>
Total assets			<u>20,467,981</u>
Segment liabilities	1,901,338	51,977	1,953,315
Tax payable			348,459
Loans and borrowings			5,106,482
Deferred tax liabilities			482,073
Amount due to director			1,710,833
Corporate and other unallocated liabilities			<u>583,191</u>
Total liabilities			<u>10,184,353</u>
Other segment information			
Depreciation	631,105	135,417	766,522
Unallocated amounts			<u>59,284</u>
			<u>825,806</u>
Capital expenditure*	2,193,604	—	<u>2,193,604</u>

* Represented additions to property, plant and equipment

APPENDIX I

ACCOUNTANTS’ REPORT

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group’s revenue for the Relevant Periods and the five months ended 31 May 2016 is set out below:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	S\$	S\$	S\$	S\$
			(Unaudited)	
Customer A	11,404,360	11,044,344	4,644,617	4,449,512
Customer B	5,369,723	5,304,305	2,611,621	1,303,376
Gilmon Transportation & Warehousing Pte Ltd	N/A*	3,010,965	1,042,629	1,447,134

* Accounted for less than 10% of the Group’s revenue

The revenue from the above major customers was derived from both the trucking and hubbing segments.

Information about geographical areas

Since all of the Group’s revenue and profit were generated from the provision of trucking and hubbing services in Singapore and all of the Group’s non-current assets were located in Singapore, no geographical segment information in accordance with IFRS 8 *Operating Segments* is provided.

APPENDIX I

ACCOUNTANTS’ REPORT

6. REVENUE

Revenue represents the value of services rendered, net of GST, during the Relevant Periods and the five months ended 31 May 2016.

An analysis of revenue is as follows:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	S\$	S\$	S\$	S\$
			(Unaudited)	
Trucking services	22,378,225	22,054,945	9,500,708	9,669,650
Hubbing services	5,306,156	4,953,717	1,864,179	1,609,785
	<u>27,684,381</u>	<u>27,008,662</u>	<u>11,364,887</u>	<u>11,279,435</u>

7. OTHER INCOME

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	S\$	S\$	S\$	S\$
			(Unaudited)	
Gain on disposal of items of property, plant and equipment.	11,000	17,283[REDACTED]		31,506
One-off incentive for wage subsidies. . . .	417,741	375,685	323,954	103,103
	<u>428,741</u>	<u>392,968</u>	<u>328,954</u>	<u>134,609</u>

There were no unfulfilled conditions or contingencies relating to the incentives from Singapore Government.

APPENDIX I

ACCOUNTANTS’ REPORT

8. FINANCE COSTS

	<u>Year ended 31 December</u>		<u>Five months ended 31 May</u>	
	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
	S\$	S\$	S\$	S\$
			(Unaudited)	
Interest on bank and other loans	53,358	54,843	26,128	35,666
Interest on finance leases.	106,539	64,504	28,710	22,250
	<u>159,897</u>	<u>119,347</u>	<u>54,838</u>	<u>57,916</u>

9. PROFIT/(LOSS) BEFORE TAX

The Group’s profit/(loss) before tax is arrived at after charging:

	<u>Year ended 31 December</u>		<u>Five months ended 31 May</u>	
	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
	S\$	S\$	S\$	S\$
			(Unaudited)	
Depreciation (note 15)	1,783,351	1,702,186	678,577	825,806
Employee benefits (excluding directors’ remuneration (note 10))				
— Salaries and wages	7,363,534	7,430,943	3,093,876	3,052,820
— CPF contributions.	689,669	733,373	311,644	272,596
	<u>8,053,203</u>	<u>8,164,316</u>	<u>3,405,520</u>	<u>3,325,416</u>
Impairment losses on available-for-sale investment	17,053	4,650	—	—
Auditors’ remuneration	22,970	23,331	9,721	10,417
The [REDACTED] related expenses.	—	—	—	1,592,423
Rental expenses.	<u>1,538,248</u>	<u>1,267,564</u>	<u>611,018</u>	<u>635,058</u>

APPENDIX I

ACCOUNTANTS’ REPORT

10. DIRECTORS’ REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the two years ended 31 December 2015 and 2016 since the Company was incorporated in the Cayman Islands on 10 February 2017. On the date of incorporation of the Company, Mr. Chua Kang Lim and Ms. Chua Sui Feng were appointed as executive directors of the Company.

The directors received remuneration from the subsidiaries now comprising the Group, for their appointment as directors of these subsidiaries. The remuneration of each of the directors as recorded in the financial statements of the subsidiaries is set out below:

	Fees	Salaries and bonuses	CPF contributions	Total
	S\$	S\$	S\$	S\$
Year ended 31 December 2015				
Chua Kang Lim	200,000	288,250	11,900	500,150
Chua Sui Feng	—	65,625	10,137	75,762
	<u>200,000</u>	<u>353,875</u>	<u>22,037</u>	<u>575,912</u>
Year ended 31 December 2016				
Chua Kang Lim	100,000	389,250	18,745	507,995
Chua Sui Feng	—	79,525	13,520	93,045
	<u>100,000</u>	<u>468,775</u>	<u>32,265</u>	<u>601,040</u>
Five months ended 31 May 2016				
(Unaudited)				
Chua Kang Lim	—	143,750	7,089	150,839
Chua Sui Feng	—	26,875	4,569	31,444
	<u>—</u>	<u>170,625</u>	<u>11,658</u>	<u>182,283</u>
Five months ended 31 May 2017				
Chua Kang Lim	—	150,402	5,436	155,838
Chua Sui Feng	—	39,804	6,767	46,571
	<u>—</u>	<u>190,206</u>	<u>12,203</u>	<u>202,409</u>

Mr. Dax Teo Tak Sin, Mr. Kwong Choong Kuen and Ms. Grace Choong Mai Foong were appointed as the Company’s independent non-executive directors on 25 September 2017. During the Relevant Periods and the five months ended 31 May 2016, the independent non-executive directors did not receive the directors’ remuneration in the capacity of independent non-executive directors.

APPENDIX I

ACCOUNTANTS' REPORT

No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director waived or has agreed to waive any emoluments.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the five months ended 31 May 2016 included one, one, one and two directors, respectively, details of whose remuneration are set out in note 10 above. Details of the remuneration for the Relevant Periods and the five months ended 31 May 2016 of the remaining four, four, four and three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	S\$	S\$	S\$	S\$
			(Unaudited)	
Salaries and bonuses	353,500	407,831	159,559	132,500
CPF contributions	48,169	54,992	24,639	17,625
Total	<u>401,669</u>	<u>462,823</u>	<u>184,198</u>	<u>150,125</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees			
	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
			(Unaudited)	
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>

During the Relevant Periods and the five months ended 31 May 2016, no emoluments were paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

APPENDIX I

ACCOUNTANTS’ REPORT

12. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the Relevant Periods and the five months ended 31 May 2016.

The Singapore statutory income tax rate is 17% during the Relevant Periods and the five months ended 31 May 2016. Income tax expense of the Group relates wholly to the profits of its two operating subsidiaries, CA Transportation and Nexis, which were taxed at the statutory tax rate of 17% in Singapore. Major components of income tax expense for the Relevant Periods and the five months ended 31 May 2016 are:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	S\$	S\$	S\$	S\$
			(Unaudited)	
Current — Singapore				
— Charge for the year/period	314,901	319,920	235,925	148,080
— (Overprovision)/underprovision in prior periods	(142)	(8,866)	1,071	(1,038)
Deferred (note 16)	230,904	388,243	76,156	21,840
Total tax charge for the year/period	<u>545,663</u>	<u>699,297</u>	<u>313,152</u>	<u>168,882</u>

APPENDIX I

ACCOUNTANTS' REPORT

A reconciliation of the tax charge applicable to profit/(loss) before tax at the statutory rate for the jurisdiction in which the Company's subsidiaries are domiciled to the tax charge at the Group's effective tax rate is as follows:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	S\$	S\$	S\$	S\$
			(Unaudited)	
Profit/(loss) before tax	<u>3,590,667</u>	<u>4,044,948</u>	<u>2,089,144</u>	<u>(509,299)</u>
Income tax at statutory rate of 17%.	610,413	687,641	355,154	(86,581)
Expenses not deductible for tax	310,912	298,096	7,982	278,451
Effects of partial tax exemption and tax rebate	(76,989)	(68,458)	(35,552)	(22,262)
Tax relief	(311,174)	(198,538)	—	—
(Overprovision)/underprovision in respect of prior periods	(142)	(8,866)	1,071	(1,038)
Others	<u>12,643</u>	<u>(10,578)</u>	<u>(15,503)</u>	<u>312</u>
Tax charge at the Group's effective tax rate	<u>545,663</u>	<u>699,297</u>	<u>313,152</u>	<u>168,882</u>

Tax relief mainly related to accelerated deductions claimed for wear and tear of qualifying fixed assets bought and used in business.

13. DIVIDEND

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

The dividend declared/paid by the Company's subsidiaries to the shareholders during the Relevant Periods and the five months ended 31 May 2016 was as follows:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	S\$	S\$	S\$	S\$
			(Unaudited)	
Interim dividend	<u>200,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX I

ACCOUNTANTS’ REPORT

14. EARNINGS/LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earnings/loss per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods and the five months ended 31 May 2016 on a combined basis as set out in note 2.1 of this section.

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Furniture and fittings	Office equipment	Computers	Buildings	Leasehold improvements	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Cost							
At 1 January 2015	21,448,693	1,971	590	29,740	824,985	—	22,305,979
Additions	1,203,466	—	—	1,961	—	—	1,205,427
Disposals	(32,445)	—	—	—	—	—	(32,445)
	22,619,714	1,971	590	31,701	824,985	—	23,478,961
Accumulated depreciation							
At 1 January 2015	11,866,555	1,971	590	29,740	52,573	—	11,951,429
Charge for the year	1,751,386	—	—	1,961	30,004	—	1,783,351
Disposals	(32,445)	—	—	—	—	—	(32,445)
At 31 December 2015	13,585,496	1,971	590	31,701	82,577	—	13,702,335
Net book value							
At 31 December 2015	9,034,218	—	—	—	742,408	—	9,776,626
Cost							
At 1 January 2016	22,619,714	1,971	590	31,701	824,985	—	23,478,961
Additions	2,737,472	—	—	52,260	—	—	2,789,732
Disposals	(202,924)	—	—	—	—	—	(202,924)
	25,154,262	1,971	590	83,961	824,985	—	26,065,769
Accumulated depreciation							
At 1 January 2016	13,585,496	1,971	590	31,701	82,577	—	13,702,335
Charge for the year	1,665,877	—	—	6,305	30,004	—	1,702,186
Disposals	(199,208)	—	—	—	—	—	(199,208)
At 31 December 2016	15,052,165	1,971	590	38,006	112,581	—	15,205,313
Net book value							
At 31 December 2016	10,102,097	—	—	45,955	712,404	—	10,860,456

APPENDIX I

ACCOUNTANTS’ REPORT

	Motor vehicles	Furniture and fittings	Office equipment	Computers	Buildings	Leasehold improvements	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Cost							
At 1 January 2017	25,154,262	1,971	590	83,961	824,985	—	26,065,769
Additions	2,193,604	—	—	39,567	365,000	50,719	2,648,890
Disposals	(794,126)	—	—	—	—	—	(794,126)
	<u>26,553,740</u>	<u>1,971</u>	<u>590</u>	<u>123,528</u>	<u>1,189,985</u>	<u>50,719</u>	<u>27,920,533</u>
Accumulated depreciation							
At 1 January 2017	15,052,165	1,971	590	38,006	112,581	—	15,205,313
Charge for the period	766,522	—	—	36,140	16,804	6,340	825,806
Disposals	(770,210)	—	—	—	—	—	(770,210)
At 31 May 2017	<u>15,048,477</u>	<u>1,971</u>	<u>590</u>	<u>74,146</u>	<u>129,385</u>	<u>6,340</u>	<u>15,260,909</u>
Net book value							
At 31 May 2017	<u>11,505,263</u>	<u>—</u>	<u>—</u>	<u>49,382</u>	<u>1,060,600</u>	<u>44,379</u>	<u>12,659,624</u>

Assets held under finance leases

During the Relevant Periods, the Group acquired motor vehicles with an aggregate cost of S\$745,750, S\$2,058,900 and S\$1,772,937, respectively by means of finance leases. The cash outflows on acquisition of property, plant and equipment amounted to S\$459,677, S\$730,832 and S\$875,953 for the Relevant Periods. The carrying amounts of motor vehicles held under finance leases were S\$8,054,054, S\$9,104,983 and S\$10,256,406 as at 31 December 2015, 31 December 2016 and 31 May 2017, respectively. Leased assets are pledged as securities for the related finance lease liabilities.

Assets pledged as securities

In addition to the assets held under finance leases, the Group’s buildings with an aggregate carrying amount of S\$742,408, S\$712,404 and S\$1,060,600 were mortgaged to secure the Group’s bank loans as at 31 December 2015, 31 December 2016 and 31 May 2017, respectively (note 23).

APPENDIX I

ACCOUNTANTS' REPORT

16. DEFERRED TAX

The components of deferred tax assets and liabilities with the net balance recognised in the combined statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax liabilities arising from:

	Provisions	Excess of net book values of plant and equipment over tax values	Total
	S\$	S\$	S\$
At 1 January 2015	—	274,234	274,234
Charged to profit or loss during the year (note 12).	—	112,529	112,529
At 31 December 2015 and 1 January 2016.	—	386,763	386,763
Charged to profit or loss during the year (note 12).	959	230,691	231,650
At 31 December 2016 and 1 January 2017.	959	617,454	618,413
Credited to profit or loss during the period (note 12).	—	(161,072)	(161,072)
At 31 May 2017.	<u>959</u>	<u>456,382</u>	<u>457,341</u>

APPENDIX I

ACCOUNTANTS' REPORT

Deferred tax assets arising from:

	Tax benefit available for offsetting against future taxable profits
	<u>S\$</u>
At 1 January 2015	472,256
Charged to profit or loss during the year (note 12).	<u>(118,375)</u>
At 31 December 2015 and 1 January 2016	353,881
Charged to profit or loss during the year (note 12).	<u>(156,593)</u>
At 31 December 2016 and 1 January 2017	197,288
Charged to profit or loss during the period (note 12)	<u>(182,912)</u>
At 31 May 2017	<u><u>14,376</u></u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the combined statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	<u>31 December 2015</u>	<u>31 December 2016</u>	<u>31 May 2017</u>
	S\$	S\$	S\$
Net deferred tax assets recognised in the combined statements of financial position	127,505	—	39,108
Net deferred tax liabilities recognised in the combined statements of financial position	<u>(160,387)</u>	<u>(421,125)</u>	<u>(482,073)</u>
	<u><u>(32,882)</u></u>	<u><u>(421,125)</u></u>	<u><u>(442,965)</u></u>

There are no income tax consequences attaching to the payment of dividends by the Group to its shareholders.

APPENDIX I

ACCOUNTANTS’ REPORT

17. AVAILABLE-FOR-SALE INVESTMENT

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
Non-current:			
Listed equity investment, at fair value	11,400	6,750	6,750

Impairment losses

During the years ended 31 December 2015 and 2016, the Group recognised impairment losses of S\$17,053 and S\$4,650, respectively, for the quoted equity security as there was “significant” or “prolonged” decline in the fair value of this investment below its cost. During the five months ended 31 May 2017, the Group did not recognise any additional impairment loss. The Group regards “significant” generally as 20% and “prolonged” as greater than twelve months.

18. DEPOSITS AND OTHER RECEIVABLES

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
Non-current:			
Deposits	323,039	87,948	97,535
Current:			
Other receivables	41,841	35,111	43,715
Advance to a director	—	100,000	100,000
Deposits	57,951	151,511	150,228
	99,792	286,622	293,943

None of the above assets are either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The balances of other receivables and advance to a director are unsecured, interest-free and have no fixed terms of repayment.

APPENDIX I

ACCOUNTANTS' REPORT

19. TRADE RECEIVABLES

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
External parties	<u>4,136,359</u>	<u>4,639,182</u>	<u>5,094,309</u>

Trade receivables are non-interest bearing and are generally repayable on terms of 30 to 60 days.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice dates, is as follows:

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
Less than 30 days	2,143,768	2,555,729	2,967,481
31 to 60 days	1,529,979	1,564,159	1,502,924
61 to 90 days	245,775	285,914	496,640
More than 90 days	<u>216,837</u>	<u>233,380</u>	<u>127,264</u>
Total	<u>4,136,359</u>	<u>4,639,182</u>	<u>5,094,309</u>

As at the end of each of the Relevant Periods, the Group's trade receivables were not impaired. The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
Neither past due nor impaired	3,097,533	3,262,896	3,890,835
Less than 30 days past due	554,310	891,515	693,730
31 to 60 days past due	268,168	251,464	331,945
61 to 90 days past due	216,348	233,307	145,599
More than 90 days	<u>—</u>	<u>—</u>	<u>32,200</u>
Total	<u>4,136,359</u>	<u>4,639,182</u>	<u>5,094,309</u>

APPENDIX I

ACCOUNTANTS’ REPORT

See note 28 about credit risk of trade receivables which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

		31 December 2015	31 December 2016	31 May 2017
	Note	S\$	S\$	S\$
Cash and bank balances		2,550,424	1,488,087	1,453,502
Time deposits		302,455	304,575	304,575
		<u>2,852,879</u>	<u>1,792,662</u>	<u>1,758,077</u>
Less: Pledged time deposits:				
Pledged for bank overdraft facility	23(b)	<u>(302,455)</u>	<u>(304,575)</u>	<u>(304,575)</u>
Cash and bank balances		<u><u>2,550,424</u></u>	<u><u>1,488,087</u></u>	<u><u>1,453,502</u></u>

All the cash at banks is denominated in S\$ and earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

APPENDIX I

ACCOUNTANTS' REPORT

21. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally settled on terms of 30 days.

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice dates, is as follows:

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
Less than 30 days	856,114	664,226	982,245
31 to 60 days	177,357	18,496	431,333
61 to 90 days	79,263	3,144	66,599
More than 90 days	101,422	161	16,884
	<u>1,214,156</u>	<u>686,027</u>	<u>1,497,061</u>

22. OTHER PAYABLES AND ACCRUALS

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
Accrued liabilities	620,140	656,607	998,664
Amount due to a director	2,577,707	—	1,710,833
GST payable	146,626	39,891	40,781
	<u>3,344,473</u>	<u>696,498</u>	<u>2,750,278</u>

Other payables and accruals are non-interest-bearing and are normally repayable on demand.

As at 31 May 2017, the amount due to a director is unsecured, interest-free and has no fixed term of repayment. The amount due to a director as at 31 May 2017 was fully repaid in August 2017.

APPENDIX I

ACCOUNTANTS' REPORT

23. LOANS AND BORROWINGS

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
Current:			
Finance lease payables (note 31)	2,362,115	1,875,328	1,860,444
Bank overdraft — secured	—	45,031	—
Bank loans — secured	35,313	45,162	101,855
Bank loans — unsecured	84,426	127,184	135,884
Other loans — unsecured	399,088	701,139	428,145
	<u>2,880,942</u>	<u>2,793,844</u>	<u>2,526,328</u>
Non-current:			
Finance lease payables (note 31)	1,066,731	930,321	1,550,836
Bank loans — secured	528,574	481,932	684,194
Bank loans — unsecured	—	403,149	345,124
Other loans — unsecured	223,862	—	—
	<u>1,819,167</u>	<u>1,815,402</u>	<u>2,580,154</u>
Total	<u>4,700,109</u>	<u>4,609,246</u>	<u>5,106,482</u>
Analysed into:			
Bank loans and overdrafts:			
Within one year or on demand	119,739	217,377	237,739
In the second year	31,810	186,294	224,081
In the third to fifth years, inclusive.	148,131	442,866	522,973
Beyond five years	348,633	255,921	282,264
	<u>648,313</u>	<u>1,102,458</u>	<u>1,267,057</u>
Other borrowings:			
Within one year or on demand	2,761,203	2,576,467	2,288,589
In the second year	1,145,848	624,865	1,151,800
In the third to fifth years, inclusive.	144,745	305,456	399,036
	<u>4,051,796</u>	<u>3,506,788</u>	<u>3,839,425</u>
	<u>4,700,109</u>	<u>4,609,246</u>	<u>5,106,482</u>

Notes:

(a) Finance leases

The finance leases obligations are secured by charges over the leased assets, details of which are set out in note 15 of this section. For the Relevant Periods, the average effective interest rate of the leases is 2.41%, 2.49% and 2.62% per annum, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Bank loans, bank overdraft and other loans

For the Relevant Periods, the effective interest rates of the Group’s bank loans, bank overdraft and other loans range from 3.8% to 10.88%, 1.17% to 10.88% and 1.17% to 7.93% per annum, respectively.

The Group’s secured bank loans and overdraft are secured by:

- (i) mortgages over the Group’s buildings situated in Singapore, which had an aggregate carrying amount of S\$742,408, S\$712,404 and S\$1,060,600 as at 31 December 2015, 31 December 2016 and 31 May 2017, respectively;
- (ii) time deposits with carrying amounts of S\$302,455, S\$304,575 and S\$304,575 as at 31 December 2015, 31 December 2016 and 31 May 2017, respectively; and
- (iii) joint and several personal guarantees provided by the directors of the Company.

The Company’s directors have also provided joint and several personal guarantees in respect of the Group’s unsecured bank and other loans during the Relevant Periods.

24. SHARE CAPITAL

The Company was incorporated on 10 February 2017 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each. On the date of incorporation, one ordinary share was allotted and issued to its shareholder.

	At 31 May 2017
	S\$
Issued and nil paid	
1 ordinary share	—*
	—

* The issued capital as at 31 May 2017 was HK\$0.01.

Changes in the share capital of the Company pursuant to the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in the Document.

APPENDIX I

ACCOUNTANTS’ REPORT

25. RESERVES

The amounts of the Group’s reserves and the movements therein for the Relevant Periods and the five months ended 31 May 2016 are presented in the combined statements of changes in equity.

Available-for-sale investment revaluation reserve

Available-for-sale investment revaluation reserve represents the cumulative fair value changes, net of tax, of an available-for-sale investment until it is disposed of or impaired.

Other reserve

Other reserve represents the aggregate issued paid-up capital of the subsidiaries comprising the Group.

26. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	S\$	S\$	S\$	S\$
			(Unaudited)	
Remuneration paid to key management personnel (including directors’ remuneration (note 10))	699,212	844,228	273,916	321,814

APPENDIX I

ACCOUNTANTS' REPORT

27. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
<i>Loans and receivables:</i>			
Pledged deposits	302,455	304,575	304,575
Cash and bank balances	2,550,424	1,488,087	1,453,502
Trade receivables	4,136,359	4,639,182	5,094,309
Deposits and other receivables	422,831	374,570	391,478
	<u>7,412,069</u>	<u>6,806,414</u>	<u>7,243,864</u>
<i>Available-for-sale investment</i>	<u>11,400</u>	<u>6,750</u>	<u>6,750</u>
<i>Financial liabilities measured at amortised cost:</i>			
Trade payables	1,214,156	686,027	1,497,061
Other payables and accruals	3,045,838	390,029	2,253,243
Loans and borrowings	4,700,109	4,609,246	5,106,482
	<u>8,960,103</u>	<u>5,685,302</u>	<u>8,856,786</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Fair values of financial instruments

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
31 December 2015	S\$	S\$	S\$	S\$
Available-for-sale investment:				
Equity investment	11,400	—	—	11,400
31 December 2016	S\$	S\$	S\$	S\$
Available-for-sale investment:				
Equity investment	6,750	—	—	6,750
31 May 2017	S\$	S\$	S\$	S\$
Available-for-sale investment:				
Equity investment	6,750	—	—	6,750

APPENDIX I

ACCOUNTANTS’ REPORT

Liabilities for which fair values are disclosed:

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
31 December 2015	S\$	S\$	S\$	S\$
Finance lease payables	—	3,428,846	—	3,428,846
Loans and borrowings	—	1,271,263	—	1,271,263
Total	—	4,700,109	—	4,700,109
31 December 2016	S\$	S\$	S\$	S\$
Finance lease payables	—	2,805,649	—	2,805,649
Loans and borrowings	—	1,803,597	—	1,803,597
Total	—	4,609,246	—	4,609,246
31 May 2017	S\$	S\$	S\$	S\$
Finance lease payables	—	3,411,280	—	3,411,280
Loans and borrowings	—	1,695,202	—	1,695,202
Total	—	5,106,482	—	5,106,482

The carrying amounts of finance lease payables and loans and borrowings are reasonable approximation of their fair values, primarily because of the relative short-term nature of these loans and borrowings as well as the relative stable interest rate environment in which the Group has been operating during the Relevant Periods.

APPENDIX I

ACCOUNTANTS' REPORT

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than six months from the end of each of the Relevant Periods.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The Group's policy is to keep 60% to 80%, 60% to 90% and 60% to 80% of its loans and borrowings at fixed rates of interest for the Relevant Periods. Approximately 88%, 98% and 79% of the Group's loans and borrowings are at fixed rates of interest as at 31 December 2015, 31 December 2016 and 31 May 2017, respectively.

Sensitivity analysis for interest rate risk

As at the end of each of the Relevant Periods, if interest rates had been 75 basis points higher for the Group's floating rate debts with all other variables held constant, the Group's profit before tax for the year ended 31 December 2016 and the five months ended 31 May 2017 would have remained substantially unchanged. For the year ended 31 December 2015, it would have been S\$4,395 lower. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's main exposure to credit risk arises primarily from trade and other receivables. The credit risk on such trade and other receivables is minimal as the Group adopts the policy of dealing only with customers and counterparties of appropriate credit history.

APPENDIX I

ACCOUNTANTS’ REPORT

Exposure to credit risk

As at the end of each of the Relevant Periods, the Group’s maximum exposure to credit risk represented the carrying amount of each class of financial assets recognised in the combined statements of financial position.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the individual profile of its trade receivables on an on-going basis.

As at 31 December 2015, 31 December 2016 and 31 May 2017, approximately 78%, 69% and 63% of the Group’s trade receivables were due from the top three customers, respectively.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired relate to creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with no history of default.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in note 19 of this section.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a shortage of funds.

The Group’s exposure to liquidity risk arises in the general funding of the Group’s operating activities. The Group’s cash and bank balances and operating cash flows are actively managed to ensure adequate working capital requirements and that repayment and funding needs are met.

The table below summarises the maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted repayment obligations.

APPENDIX I

ACCOUNTANTS’ REPORT

	31 December 2015				31 December 2016			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Financial liabilities:								
Trade and other payables . . .	4,259,994	—	—	4,259,994	1,076,056	—	—	1,076,056
Finance lease payables	2,419,929	1,082,231	—	3,502,160	1,922,009	951,438	—	2,873,447
Bank loans, bank overdrafts and other loans	573,402	549,064	428,902	1,551,368	955,599	712,126	269,256	1,936,981
Total undiscounted financial liabilities	<u>7,253,325</u>	<u>1,631,295</u>	<u>428,902</u>	<u>9,313,522</u>	<u>3,953,664</u>	<u>1,663,564</u>	<u>269,256</u>	<u>5,886,484</u>

	31 May 2017			
	1 year or less	1 to 5 years	Over 5 years	Total
	S\$	S\$	S\$	S\$
Financial liabilities:				
Trade and other payables	3,750,304	—	—	3,750,304
Finance lease payables	1,926,516	1,579,790	—	3,506,306
Bank and other loans	730,957	827,164	298,222	1,856,343
Total undiscounted financial liabilities . . .	<u>6,407,777</u>	<u>2,406,954</u>	<u>298,222</u>	<u>9,112,953</u>

29. CONTINGENT LIABILITIES

Performance guarantees were given by financial institutions and insurance companies on behalf of the Group to certain suppliers. The Group in turn, provides a counter indemnity to the financial institutions and insurance companies. The aggregate amount of the performance guarantees given by the financial institutions and insurance companies was S\$610,000 as at 31 December 2015 and 2016 and 31 May 2017.

APPENDIX I

ACCOUNTANTS' REPORT

30. COMMITMENTS

(a) Operating lease commitments

The Group leases its logistics yard under operating lease arrangements.

Leases for logistics yard are negotiated for terms ranging from one to three years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
Within one year	1,504,824	1,479,000	1,479,000
In the second to fifth years, inclusive	1,440,000	759,000	142,750
	<u>2,944,824</u>	<u>2,238,000</u>	<u>1,621,750</u>

(b) Capital commitments

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
Contracted, but not provided for:			
Capital expenditure in respect of acquisition of items of property, plant and equipment	1,100,000	1,320,000	520,478
	<u>1,100,000</u>	<u>1,320,000</u>	<u>520,478</u>

APPENDIX I

ACCOUNTANTS' REPORT

31. FINANCE LEASE PAYABLES

The Group leases some of its motor vehicles under finance lease arrangements. These leases have remaining lease terms ranging from one to five years.

As at the end of each of the Relevant Periods, the total future minimum lease payments under finance leases and their present values were as follows:

	31 December 2015		31 December 2016		31 May 2017	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	S\$	S\$	S\$	S\$	S\$	S\$
Not later than one year	2,419,929	2,362,115	1,922,009	1,875,328	1,926,516	1,860,444
In the second year	935,916	921,986	641,989	624,865	1,177,202	1,151,800
In the third to fifth years, inclusive	146,315	144,745	309,449	305,456	402,588	399,036
Total minimum finance lease payments	3,502,160	3,428,846	2,873,447	2,805,649	3,506,306	3,411,280
Less: Amounts representing future finance charges	(73,314)	—	(67,798)	—	(95,026)	—
Total net finance lease payables	<u>3,428,846</u>	<u>3,428,846</u>	<u>2,805,649</u>	<u>2,805,649</u>	<u>3,411,280</u>	<u>3,411,280</u>
Portion classified as current liabilities	<u>(2,362,115)</u>		<u>(1,875,328)</u>		<u>(1,860,444)</u>	
Non-current portion	<u>1,066,731</u>		<u>930,321</u>		<u>1,550,836</u>	

APPENDIX I

ACCOUNTANTS' REPORT

32. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of S\$745,750, S\$2,058,900 and S\$1,772,937, respectively. For the five months ended 31 May 2016, the Group entered into finance lease agreement in respect of property, plant and equipment with a total capital value at the inception of the leases of S\$130,600.

(b) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities during the Relevant Periods and the five months ended 31 May 2016 are as follows:

	At		Non-cash changes		At
	1 January 2015	Cash flows	Acquisition of property, plant and equipment	Other changes	31 December 2015
	S\$	S\$	S\$	S\$	S\$
Pledged deposits	(300,347)	(2,108)	—	—	(302,455)
Loans and borrowings	6,077,503	(2,123,144)	745,750	—	4,700,109
Dividend payable	—	(200,000)	—	200,000	—
Amount due to a director included in other payables and accruals	2,725,200	(147,493)	—	—	2,577,707
Interest payable	—	(159,897)	—	159,897	—
Total liabilities from financing activities	<u>8,502,356</u>	<u>(2,632,642)</u>	<u>745,750</u>	<u>359,897</u>	<u>6,975,361</u>

APPENDIX I

ACCOUNTANTS' REPORT

	<u>Non-cash changes</u>				At 31 December 2016
	At 1 January 2016	Cash flows	Acquisition of property, plant and equipment	Other changes	
	S\$	S\$	S\$	S\$	S\$
Pledged deposits	(302,455)	(2,120)	—	—	(304,575)
Loans and borrowings	4,700,109	(2,194,794)	2,058,900	—	4,564,215
Amount due to a director included in other payables and accruals	2,577,707	(2,577,707)	—	—	—
Advance to a director included in deposits and other receivables	—	(100,000)	—	—	(100,000)
Interest payable	—	(119,347)	—	119,347	—
Total liabilities from financing activities	<u>6,975,361</u>	<u>(4,993,968)</u>	<u>2,058,900</u>	<u>119,347</u>	<u>4,159,640</u>

	<u>Non-cash changes</u>				At 31 May 2017
	At 1 January 2017	Cash flows	Acquisition of property, plant and equipment	Other changes	
	S\$	S\$	S\$	S\$	S\$
Pledged deposits	(304,575)	—	—	—	(304,575)
Loans and borrowings	4,564,215	(1,230,670)	1,772,937	—	5,106,482
Amount due to a director included in other payables and accruals	—	1,710,833	—	—	1,710,833
Advance to a director included in deposits and other receivables	(100,000)	—	—	—	(100,000)
Interest payable	—	(57,916)	—	57,916	—
Total liabilities from financing activities	<u>4,159,640</u>	<u>422,247</u>	<u>1,772,937</u>	<u>57,916</u>	<u>6,412,740</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	At 1 January 2016	Non-cash changes			At 31 May 2016
		Cash flows	Acquisition of property, plant and equipment	Other changes	
	S\$	S\$	S\$	S\$	S\$
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Pledged deposits	(302,455)	—	—	—	(302,455)
Loans and borrowings	4,700,109	(1,258,721)	130,600	—	3,571,988
Amount due to a director included in other payables and accruals	2,577,707	(517,047)	—	—	2,060,660
Interest payable	—	(54,838)	—	54,838	—
Total liabilities from financing activities	<u>6,975,361</u>	<u>(1,830,606)</u>	<u>130,600</u>	<u>54,838</u>	<u>5,330,193</u>

33. CAPITAL MANAGEMENT

The primary objective of the Group’s capital management is to safeguard its ability to continue as a going concern in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The gearing ratios which are total loans and borrowings divided by the total equity as at the end of each of the Relevant Periods were as follows:

	31 December 2015	31 December 2016	31 May 2017
	S\$	S\$	S\$
Total loans and borrowings	4,700,109	4,609,246	5,106,482
Total equity	<u>7,616,158</u>	<u>10,961,809</u>	<u>10,283,628</u>
Gearing ratio	<u>62%</u>	<u>42%</u>	<u>50%</u>

APPENDIX I

ACCOUNTANTS’ REPORT

34. EVENTS AFTER THE REPORTING PERIOD

In addition to events disclosed elsewhere in this Historical Financial Information, including the completion of the Reorganisation, the Group had the following material events occurred after the Relevant Periods:

- (a) On 25 September 2017, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$50,000,000 divided into 5,000,000,000 ordinary shares by the creation of additional 4,962,000,000 ordinary shares.
- (b) conditional upon the share premium amount of the Company being credited as a result of the [REDACTED] of the Company’s shares in connection with the [REDACTED], the Company’s directors were authorised to capitalise the amount of HK\$[REDACTED] from the amount standing to the credit of the share premium account of the Company and apply such sum to pay up in full at par [REDACTED] ordinary shares for allotment and issue to the person(s) whose name(s) appear(s) on the register of members of the Company at the close of business on 25 September 2017.
- (c) the share option scheme of the Company was adopted on 25 September 2017 and the principal terms of which are set out in Appendix IV to the Document.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 May 2017.