BUSINESS REVIEW AND OUTLOOK

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

The Group recorded a decrease in total revenue of approximately S$45.6 million, from approximately S$87.1 million for the year ended 30 September 2019 (restated) to approximately S$41.5 million for the year ended 30 September 2020. The Group incurred a gross loss of approximately S$2.0 million for the year ended 30 September 2020, as compared to a gross profit of approximately S$13.4 million for the year ended 30 September 2019 (restated). The Group also incurred a net loss of approximately S$7.1 million for the year ended 30 September 2020, as compared to the net profit of approximately S$1.4 million for the year ended 30 September 2019 (restated).

The above decreases were mainly attributable to (i) the material adverse impact from the outbreak of COVID-19 that took place in early 2020, which led to the imposition of the Circuit Breaker by the Singapore Government to combat the local transmission of the COVID-19 in Singapore. The COVID-19 pandemic and the Circuit Breaker have caused massive disruptions to the Group's supply chain and manpower resources. After the Circuit Breaker period, the Group's operations did not immediately resume to its normal level as the construction works in Singapore were resumed gradually in phases under the regulation of the BCA. As such, the Group's projects that were expected to commence after the Circuit Breaker period for the year ended 30 September 2020 were significantly delayed due to the impact of COVID-19. Meanwhile, the Group continued to incur costs for its direct labour which include staff costs and rental expenses for dormitories and costs for complying with the additional and controlled safe restart measures imposed by the BCA for each of the Group's projects; (ii) some of the sizable projects of the Group being substantially completed in the end of 2019 but fewer projects being awarded to the Group during the year ended 30 September 2020 as compared to the corresponding year ended 30 September 2019; and (iii) an increase in allowance for expected credit loss in respect of the Group's trade receivables and contract assets given the current market environment and the management's expectation of the collectability of trade receivables and contract assets impacted by the current economic downturn.

In the upcoming financial years, the Group anticipates a slow recovery to its business operations and financial performance from the adverse effects of COVID-19 as the growth of the construction industry in Singapore is expected to be weakened in the near future. The Group will continue to monitor and adapt to the overall economic environment and work with the Group's customers and the relevant government authorities closely to mitigate any potential risks and issues.

Furthermore, the Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties included the following:

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

The Group relies on subcontractors to carry out part of its projects, charges from which accounted for approximately 53.6% (2019 (restated): approximately 62.3%) of the Group's total cost of services for the year ended 30 September 2020. Any unexpected fluctuations in subcontracting charges during the course of execution of the Group's projects will thus have a negative impact on the Group's profitability. Besides, there is no assurance that the Group's subcontractors will always provide services at acceptable standards, and the Group may incur additional time and costs in rectifying substandard works, if any, which may cause cost overrun or delay to the projects.

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

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

Other risks facing the Group are set out in the section headed "Risk Factors" of the prospectus of the Company dated 29 August 2019 (the "**Prospectus**").

FINANCIAL REVIEW

Revenue

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

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

The following table sets forth the breakdown of the Group's revenue by segments:

	For the year ended 30 September			
	2020		2019	
	Revenue S$ million	**% of total revenue**	Revenue S$ million (Restated)	% of total revenue (Restated)
Construction services				
Civil engineering works	**35.3**	**85.0**	73.6	84.5
Building construction works	**5.4**	**13.0**	11.8	13.5
Other ancillary services	**0.4**	**1.0**	1.2	1.4
	41.1	**99.0**	86.6	99.4
Property investments	**0.4**	**1.0**	0.5	0.6
Total revenue	**41.5**	**100.0**	87.1	100.0

The Group's overall revenue decreased by approximately S$45.6 million or approximately 52.4% from approximately S$87.1 million for the year ended 30 September 2019 (restated) to approximately S$41.5 million for the year ended 30 September 2020. The decrease in the Group's total revenue was mainly driven by the decrease in revenue from both civil engineering works and building construction works by approximately S$38.3 million and S$6.4 million, respectively. Revenue contributed from property investments remained relatively stable during the years under review.

The following table sets forth the breakdown of the Group's revenue from construction services by type of customers:

	For the year ended 30 September			
	2020		2019	
	Revenue S$ million	**% of total revenue**	Revenue S$ million (Restated)	% of total revenue (Restated)
Public customers	**20.1**	**48.9**	47.5	54.8
Private customers	**21.0**	**51.1**	39.1	45.2
Total revenue from construction services	**41.1**	**100.0**	86.6	100.0

The decrease in the Group's revenue from construction services was mainly driven by the decrease in revenue from both public and private customers which have decreased significantly by approximately S$27.4 million or 57.7% and approximately S$18.1 million or 46.3%, respectively. The decrease in revenue from both public and private customers were mainly because of (i) the material adverse impact and disruptions from COVID-19, where the majority of the Group's construction works were halted during the Circuit Breaker period and the Group's operations did not immediately resume to normal operating levels thereafter; and (ii) some of the sizable projects of the Group were substantially completed in the end of 2019 and fewer projects were awarded to the Group during the year ended 30 September 2020 as compared to the corresponding period in the year ended 30 September 2019.

Cost of services

The Group's cost of services decreased by approximately S$30.1 million or 40.8% from approximately S$73.7 million for the year ended 30 September 2019 (restated) to approximately S$43.6 million for the year ended 30 September 2020. Such decrease in cost of services was mainly due to the decrease in revenue as discussed above. Despite the majority of the Group's projects were halted during the Circuit Breaker period, the Group continues to incur costs for its direct labour which includes staff costs and rental expenses for dormitories and costs for complying with the additional and controlled safe restart measures imposed by the BCA for each of the Group's projects.

Gross profit and gross profit margin

The Group recorded a gross loss for the year ended 30 September 2020 of approximately S$2.0 million, as compared to a gross profit of approximately S$13.4 million for the year ended 30 September 2019 (restated).

The Group recorded a significant drop in gross profit margin from approximately 15.4% for the year ended 30 September 2019 (restated) to gross loss of approximately 4.9% for the year ended 30 September 2020. The decrease in the Group's gross profit margin was mainly due to the relatively lower margin of the newly awarded projects during the year as compared to the previously awarded projects. The impact of COVID-19 also resulted in more unforeseen costs incurred as discussed above and thus the drop in gross profit margin of the on-going projects.

Other income

Other income mainly included (i) government grants; (ii) rental income from renting properties to the executive Directors; and (iii) rental income from renting equipment. For the year ended 30 September 2020, other income amounted to approximately S$2.6 million (2019: approximately S$0.2 million). The increase in other income was mainly driven by the increase in government grants for the purpose of alleviating the financial burden of Singapore companies resulting from COVID-19.

Other gains and losses

Other gains and losses mainly included (i) net gain on disposal of property, plant and equipment; (ii) gain from sale of scrap materials; and (iii) fair value gains/losses on investment properties and investment properties held under joint operations. For the year ended 30 September 2020, other gains and losses amounted to a net gain of approximately S$0.3 million (2019: approximately S$0.5 million). The decrease in net gain was mainly due to (i) the decrease in the fair value on investment properties held under joint operations, financial assets at fair value through profit or loss; and (ii) the non-recurrence of written off of payables, offset by (iii) the increase in net gain on disposal of property, plant and equipment.

Administrative expenses

Administrative expenses amounted to approximately S$5.8 million for the year ended 30 September 2020, as compared to approximately S$6.2 million for the year ended 30 September 2019. Such decrease was mainly due to the decrease in staff costs during the year ended 30 September 2020.

Impairment loss on financial assets and contract assets

Impairment loss on financial assets and contract assets amounted to approximately S$0.9 million for the year ended 30 September 2020, representing an increase of approximately S$0.8 million as compared to approximately S$0.1 million for the year ended 30 September 2019. The increase was mainly attributable to the increase in expected credit loss in respect of the Group's trade receivables and contract assets during the year given the current market environment and the management's expectation of the collectability of trade receivables and contract assets impacted by the current economic downturn.

Finance costs

The Group's finance costs increased by approximately S$0.3 million from approximately S$1.0 million for the year ended 30 September 2019 to approximately S$1.3 million for the year ended 30 September 2020. Such increase was mainly driven by the increase in the Group's bank borrowings.

Income tax expense

Income tax expense decreased from approximately S$1.7 million for the year ended 30 September 2019 (restated) to an income tax credit of approximately S$0.1 million for the year ended 30 September 2020. Such decrease was due to the loss before taxation for the year ended 30 September 2020, as compared to the profit before taxation for the year ended 30 September 2019.

Loss for the year
Profit for the year decreased significantly by approximately S$8.5 million from approximately S$1.4 million for the year ended 30 September 2019 (restated) to loss for the year of approximately S$7.1 million for the year ended 30 September 2020. This was mainly due to the significant drop in gross profit by approximately S$15.4 million to a gross loss for the year ended 30 September 2020.

Excluding listing expenses of approximately S$3.8 million and nil for the years ended 30 September 2019 and 30 September 2020, respectively, profit for the year ended 30 September 2019 (restated) would have been approximately S$5.2 million and the loss after taxation for the year ended 30 September 2020 would remain at approximately S$7.0 million.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of a final dividend for the year ended 30 September 2020 (2019: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of its debt and equity. The Group's overall strategy remains unchanged since the listing of the Company's shares (the "**Listing**") by way of share offer (the "**Share Offer**") in September 2019. The capital structure of the Group consists of debt, which includes bank overdrafts, bank borrowings and obligations under finance leases, net of bank deposits, bank balances and cash, and equity attributable to owners of the Company, comprising share capital and reserves.

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

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

As at 30 September 2020, the Group had bank balances and cash of approximately S$10.1 million as compared to approximately S$20.9 million as at 30 September 2019. The Group had total bank overdrafts, bank borrowings (including bank borrowings held under joint operations), lease liabilities of approximately S$28.9 million as compared to approximately S$26.2 million as at 30 September 2019.

Gearing ratio
Gearing ratio is calculated by dividing bank overdrafts, all borrowings, lease liabilities and obligations under finance leases by total equity at the year-end date and expressed as a percentage. The gearing ratio of the Group as at 30 September 2020 was approximately 69.1% (2019: approximately 53.8%).

Pledge of assets
The Group had pledged its bank deposits, owner-occupied properties, investment properties and investment properties held under joint operations to secure banking facilities, including bank borrowings, for the years ended 30 September 2019 and 2020.

Treasury policy

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

FOREIGN EXCHANGE RISK

The Group mainly operates in Singapore. Most of the operating transactions and revenue were settled in Singapore dollars and the Group's assets and liabilities are primarily denominated in Singapore dollars. However, the Group has certain bank balances and other payables denominated in Hong Kong dollars amounting to approximately S$8.9 million and S$0.03 million, respectively, as at 30 September 2020 which expose the Group to foreign currency risk. The Group does not have a foreign currency hedging policy. However, the Group manages the risk by closely monitoring the movements of the foreign currency rate and would consider hedging against significant foreign currency exposure should it be necessary.

CONTINGENT LIABILITIES

There was no contingent liabilities during the year ended 30 September 2020.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries, associate companies or joint ventures during the year ended 30 September 2020 and up to the date of this report.

SIGNIFICANT INVESTMENTS HELD

Save for the Group's investment properties (the details of which are set out in Notes 16 and 17 to the consolidated financial statements), keyman life insurance policies (the details of which are set out in Note 19 to the consolidated financial statements) and the Company's investment in various subsidiaries and a joint venture (the details of which are set out in Notes 18 and 35 to the consolidated financial statements), the Group did not hold any significant investments as at 30 September 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets as at 30 September 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group had a total of 228 employees (2019: 226 employees), including two executive Directors but excluding three independent non-executive Directors. Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes for the year ended 30 September 2020 amounted to approximately S$8.9 million (2019: approximately S$10.7 million).

In order to attract and retain high quality staff and to enable smooth operations within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from contributions to the Central Provident Fund and job training programs, salary increments and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Group's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

RETIREMENT BENEFIT COSTS

The Company only has defined contribution schemes and does not have any defined benefit plan. The Group operates its businesses principally in Singapore. Under the applicable Singapore Law, employers are required to pay both the employer and employee's share of the Central Provident Fund contributions every month. Employers are entitled to recover the employee's share from the employee's wages. The total Central Provident Fund contributions are computed based on a specific percentage of the payroll costs. The percentage and employee's share of Central Provident Fund contribution is not fixed and is determined by the age and total wages for the calendar month of the employees.

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

During the year ended 30 September 2020, there were no contributions forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 30 September 2020, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions.

PERFORMANCE BONDS

As at 30 September 2020, the Group had performance bonds of approximately S$13.4 million (2019: approximately S$9.1 million) given in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and the customers. The performance guarantees will be released upon completion of the contracts.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

During the year ended 30 September 2020, the Group acquired items of property, plant and equipment of approximately S$5.1 million (2019: approximately S$2.0 million). Save for the future plans and the use of proceeds from the listing as set out in the Prospectus, the Group had no material capital commitments as at 30 September 2020.

USE OF NET PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Share Offer (after deducting listing expenses) amounted to approximately HK$86.3 million (equivalent to approximately S$15.2 million). An analysis of the utilisation of the net proceeds from the Share Offer from 19 September 2019 (the "**Listing Date**") up to 30 September 2020 is set out below:

Purposes	**Planned use of net proceeds** HK$ million	%	**Planned amount of net proceeds to be utilised from the Listing Date up to 30 September 2020** HK$ million	**Actual amount of net proceeds utilised from the Listing Date up to 30 September 2020** HK$ million	**Unutilised amount of net proceeds as at 30 September 2020** HK$ million	**Expected timeline for the use of the remaining balance of the net proceeds**
Strengthening the Group's financial position	21.8	25.3	21.8	21.8	–	N/A
Enhancing the Group's machinery fleet	31.0	36.0	31.0	10.1	20.9	by 30 September 2022
Strengthening the Group's workforce	11.6	13.4	11.6	2.6	9.0	by 30 September 2022
Developing production area for steel bar fabrication	2.0	2.3	2.0	1.1	0.9	by 30 September 2022
Investing in BIM and ERP systems	5.3	6.1	5.3	–	5.3	by 30 September 2022
Acquiring investment properties	14.6	16.9	14.6	–	14.6	by 30 September 2022
Total	**86.3**	**100.0**	**86.3**	**35.6**	**50.7**	

As at 30 September 2020, part of the unutilised amount of net proceeds was placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong and Singapore. Up to 30 September 2020, the utilised net proceeds were applied in accordance with the planned use as previously disclosed in the Prospectus and the remaining net proceeds are expected to be used as planned.

The delay in utilising the net proceeds up to 30 September 2020 was mainly due to the outbreak of COVID-19 and the imposition of the Circuit Breaker. Save for strengthening the Group's financial position, the Company delayed its use of net proceeds so as to preserve the cash position and liquidity of the Group given the uncertainty caused by COVID-19. It is expected that the remaining unutilised amount of net proceeds will be utilised by the year ending 30 September 2022 depending on the development of COVID-19 and its impact on the economic conditions in Singapore.