

KHOON GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 924

2020
Annual Report

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In the event of any inconsistencies between the English and Chinese text in this annual report, the English text shall prevail.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ang Jui Khoon (*Chairman*)
Mr. Ang Kok Kwang (Hong Guoguang)
(*Chief Executive Officer*)
Mr. Ang Yong Kwang (Hong Yongquan)

Independent Non-Executive Directors

Ms. Tan Pei Fung
Mr. Yeo Kwang Maccann
Mr. Hon Chin Kheong (Han Zhenqiang)

AUDIT COMMITTEE

Ms. Tan Pei Fung (*Chairlady*)
Mr. Yeo Kwang Maccann
Mr. Hon Chin Kheong (Han Zhenqiang)

REMUNERATION COMMITTEE

Mr. Yeo Kwang Maccann (*Chairman*)
Ms. Tan Pei Fung
Mr. Ang Kok Kwang (Hong Guoguang)

NOMINATION COMMITTEE

Mr. Ang Jui Khoon (*Chairman*)
Mr. Ang Yong Kwang (Hong Yongquan)
Ms. Tan Pei Fung
Mr. Yeo Kwang Maccann
Mr. Hon Chin Kheong (Han Zhenqiang)

COMPANY SECRETARY

Ms. Leung Hoi Yan

AUTHORISED REPRESENTATIVES

Mr. Ang Kok Kwang (Hong Guoguang)
Ms. Leung Hoi Yan

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

Block 5000
Ang Mo Kio Avenue 5
#04-01 Techplace II
Singapore 569870

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 17/F, United Centre
95 Queensway, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point, Hong Kong

LEGAL ADVISER

As to Hong Kong law:
Guantao & Chow Solicitors and Notaries
Suites 1801-03
18/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

PRINCIPAL BANKERS

RHB Bank Berhad (Bukit Timah Branch)
United Overseas Bank Limited

AUDITOR

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

COMPLIANCE ADVISER

Kingsway Capital Limited
7/F, Tower One
Lippo Centre
89 Queensway, Hong Kong

COMPANY'S WEBSITE

www.khoongroup.com

STOCK CODE

924

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Khoon Group Limited (the "Company", together with its subsidiaries, the "Group", "we" or "us"), I am delighted to present to our shareholders the annual report of the Group for the year ended 30 June 2020.

2019 was an exciting year for us and entering 2020, it looked even more promising until Coronavirus Disease 2019 ("COVID-19") struck globally, causing drastic disruptions to air traffic and supply chain. In Singapore, Circuit Breaker measures were imposed by the Singapore Government from 7 April 2020 to 1 June 2020 to combat the local transmission of COVID-19. As construction works are identified as non-essential services according to the Circuit Breaker measures mentioned above, majority of the Group's construction projects were halted and resulted in a significant slowdown in the progress of the Group's electrical engineering works.

COVID-19 is a crisis of the generation and brought about a new set of challenges across all industries. As we get used to the new norm, it has driven digitalisation within our group and toughened our people to manage and overcome this crisis, collectively and cohesively.

As our forefather, Mr. Lee Kuan Yew once said, "A nation is great not by its size alone. It is the will, the cohesion, the stamina, the discipline of its people and the quality of its leaders which ensure it an honorable place in history".

Indeed, it is this will and perseverance of our people that ensured our steady growth over the past few years. With this and humbly, I am honored to share that on 18 August 2020, our Group was named as one of the 6 Singapore companies among Forbes' Top 200 Listed Asia-Pacific firms with less than US\$1 billion sales.

With this strong recognition from Forbes and despite the bleak outlook for Singapore's construction industry in the short term due to the COVID-19 outbreak, the Group is confident that we will be able to weather through any storms with our ever-committed management team and staff.

We would like to take this opportunity to express our sincere gratitude to our directors, the management team and our dedicated staff for their contribution through the years, as well as to the shareholders and business partners for their trust and support.

Ang Jui Khoon

Chairman and Executive Director

Singapore, 31 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a M&E engineering contractor in Singapore specialised in providing electrical engineering solutions and our scope of services comprises of (i) customisation and/or installation of electrical systems; (ii) assisting to obtain statutory approvals; and (iii) testing and commissioning. The Group has been established for over 30 years and our services are essential for ensuring the functionality and connectedness of the electrical systems as well as their compliance with the prescribed designs and statutory requirements. Our electrical engineering services are widely required in new building developments, redevelopment, additions and alternations (“A&A”) works and upgrading projects, which involve residential, commercial and industrial buildings. In particular, we have established solid track record in undertaking electrical engineering works in public residential developments initiated by the Housing Development Board (“HDB”), the public housing authority of the Singapore Government.

During the year ended 30 June 2020, our Group’s revenue decreased by 22.1% to approximately S\$37.9 million as compared to approximately S\$48.6 million for the year ended 30 June 2019. Our Group’s gross profit also decreased by 28.2% to approximately S\$6.9 million, as compared to approximately S\$9.6 million for the year ended 30 June 2019. The decrease was mainly due to the Circuit Breaker measures being imposed by the Singapore Government from 7 April 2020 to 1 June 2020 (both dates inclusive) (the “Circuit Breaker Period”) to combat the local transmission of Coronavirus Disease 2019 (“COVID-19”) in Singapore. Majority of the Group’s construction projects were halted during the Circuit Breaker Period and resulted in a significant slowdown in the progress of the Group’s electrical engineering works. Our net profit has remained constant at approximately S\$3.7 million for the years ended 30 June 2020 and 2019.

Based on advance estimates released by the Singapore Ministry of Trade and Industry, the Singapore economy contracted by 12.6% on a year-on-year basis in the second quarter of 2020, due to the Circuit Breaker measures that were implemented. Specifically, construction sector contracted by 54.7% on a year-on-year basis in the second quarter. The contraction is expected to ease in the second half of 2020 once the construction sites are reopened progressively. The outlook remains gloomy given the uncertainty of the development of the outbreak of COVID-19. However, given that the Singapore Government has introduced several stimulus packages, it is expected that the impact of such challenges will be mitigated and would not affect the business operations or financial conditions of the Group materially and adversely in the long run.

As at 30 June 2020, we had 35 projects on hand (including contracts in progress) with a notional or estimated contract value of approximately S\$153.1 million, of which approximately S\$53.0 million had been recognised as revenue in prior years, approximately S\$36.0 million had been recognised as revenue during the year ended 30 June 2020 and the remaining balance will be recognised as our revenue in accordance with the stage of completion. The remaining S\$1.9 million recognised as revenue during the year ended 30 June 2020 is mainly attributed to projects which have been completed during the year.

FINANCIAL REVIEW

	For the year ended 30 June		
	2020	2019	Change
	S\$ million	S\$ million	%
Revenue	37.9	48.6	(22.1)
Gross profit	6.9	9.6	(28.2)
Gross profit margin	18.1%	19.8%	(1.7)
Net profit	3.7	3.7	1.5

Revenue

The Group's principal operating activities are in the provision of electrical engineering services for both public and private sector projects. Our electrical engineering services are widely required in new building developments, redevelopment, A&A and upgrading projects, which involve residential, commercial and industrial buildings.

	For the year ended 30 June					
	2020			2019		
	Number of projects with revenue contribution	Revenue S\$ million	% of total revenue	Number of projects with revenue contribution	Revenue S\$ million	% of total revenue
Public sector projects	38	26.8	70.7	41	42.1	86.6
Private sector projects	21	11.1	29.3	13	6.5	13.4
Total	59	37.9	100.0	54	48.6	100.0

The Group's overall revenue decreased by approximately S\$10.7 million or approximately 22.1% from approximately S\$48.6 million for the year ended 30 June 2019 to approximately S\$37.9 million for the year ended 30 June 2020. The decrease is mainly due to the Circuit Breaker measures being imposed by the Singapore Government during the Circuit Breaker Period and majority of the Group's construction projects were halted and resulted in a significant slowdown in the progress of the Group's electrical engineering works.

Cost of Services

The Group's cost of services decreased by approximately S\$8.0 million or approximately 20.6% from approximately S\$39.1 million for the year ended 30 June 2019 to approximately S\$31.0 million for the year ended 30 June 2020. Such decrease in cost of services was generally in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

	For the year ended 30 June					
	2020			2019		
	Revenue S\$ million	Gross profit S\$ million	Gross profit margin %	Revenue S\$ million	Gross profit S\$ million	Gross profit margin %
Public sector projects	26.8	4.6	17.1	42.1	8.3	19.7
Private sector projects	11.1	2.3	20.7	6.5	1.3	20.0
Total	37.9	6.9	18.1	48.6	9.6	19.8

MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit of the Group for the year ended 30 June 2020 amounted to approximately S\$6.9 million, representing a decrease of approximately 28.2% as compared with approximately S\$9.6 million for the year ended 30 June 2019, which was consistent with the decrease in revenue for the same period. The Group's gross profit margin for the year ended 30 June 2020 was approximately 18.1% as compared with approximately 19.8% for the year ended 30 June 2019. The reduction was mainly due to lower profit margins from new public residential projects that commenced during the year ended 30 June 2020, as well as projects' running costs that were incurred during the Circuit Breaker Period which slightly reduced margins of the projects.

Other Income

Other income mainly included income from (i) interest income from banks, (ii) government grants, (iii) rental income, and (iv) sundry income. During the year ended 30 June 2020, other income amounted to approximately S\$0.9 million (2019: approximately S\$0.2 million). The increase in other income was mainly due to more bank interest income and government support grants due to COVID-19 recognised for the year ended 30 June 2020.

Other Gains and Losses

Other gains and losses mainly included (i) net exchange gains and (ii) written off trade receivables. During the year ended 30 June 2020, other gains amounted to approximately S\$0.4 million (2019: approximately S\$0.3 million). The increase in other gains was mainly due to the strengthening of US\$ and HK\$ against S\$ during the year ended 30 June 2020.

(Allowance for) Reversal of Impairment Losses

There was an allowance of impairment losses of approximately S\$0.4 million during the year ended 30 June 2020 as compared to a reversal of impairment losses of approximately S\$32,000 during the year ended 30 June 2019. The difference was mainly due to additional allowance being provided for impairment losses on trade receivables and retention receivables where the likelihood of recovery is remote.

Administrative Expenses

The administrative expenses of the Group for the year ended 30 June 2020 amounted to approximately S\$2.8 million, representing an increase of approximately 17.2% compared with approximately S\$2.4 million for the year ended 30 June 2019, mainly due to the increase in compliance charges incurred after the Group's Listing.

Finance Costs

Finance costs for the year ended 30 June 2020 was approximately S\$6,000 compared to S\$Nil for the year ended 30 June 2019. The increase was due to the adoption of IFRS 16 to recognise interest expense on lease liabilities.

Income Tax Expense

The Group's income tax expense decreased to approximately S\$0.8 million for the year ended 30 June 2020 from approximately S\$1.4 million for the year ended 30 June 2019. Such decrease was mainly due to the decrease in assessable profit.

Net Profit

Profit attributable to owners of the Company for the year ended 30 June 2020 remained constant at approximately S\$3.7 million as with the year ended 30 June 2019. Excluding the listing expenses of approximately S\$2.6 million and S\$0.4 million for the years ended 30 June 2019 and 30 June 2020 respectively, the profit for the years ended 30 June 2019 and 30 June 2020 of the Group would have been approximately S\$6.3 million and S\$4.1 million respectively and the decrease of profit would have been approximately 34.1% year-on-year.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 30 June 2020 (2019: S\$Nil).

Liquidity, Financial Resources and Capital Structure

The Shares were successfully listed on the Main Board of the Stock Exchange on 5 July 2019 and there has been no change in capital structure of the Group since then. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination of its cash and cash equivalents, cash flows generated from operations and net proceeds from the Share Offer.

The Group adopts a prudent cash and financial management policy. The Group's cash, mainly denominated in SGD, USD and HKD, are generally deposited with certain reputable financial institutions.

As at 30 June 2020, the Group had bank balances and cash of approximately S\$15.7 million and short-term investments of S\$5.8 million, as compared with bank balances and cash of approximately S\$6.0 million and short-term investments of S\$Nil as at 30 June 2019. The Group did not have any bank borrowings as at 30 June 2020.

Pledge of Assets

As at 30 June 2020, the Group had approximately S\$0.3 million (as at 30 June 2019: S\$18,000) of pledged bank deposit as part of the collateral for performance guarantees in favour of the Group's customer.

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 all the time.

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 denominated in US\$ and Hong Kong Dollars amounting to approximately S\$13.7 million which exposes the Group to foreign currency risk. The Group manages the risk by closely monitoring the movement of the foreign currency rate.

Gearing Ratio

Gearing ratio is calculated by dividing all borrowings by total equity at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 30 June 2020 was S\$Nil (as at 30 June 2019: S\$Nil).

Significant Investment Held, Material Acquisitions and Disposal of Subsidiaries, Associated Companies or Joint Ventures

Apart from the Reorganisation in relation to the Listing (as set out under the section headed “History, Development and Reorganisation” of the prospectus of the Company dated 20 June 2019 (the “Prospectus”)), there were no significant investments held, material acquisitions or disposals of subsidiaries, associated companies or joint ventures by the Group during the years ended 30 June 2019 and 30 June 2020. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 30 June 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 June 2020.

Employees and Remuneration Policy

As at 30 June 2020, the Group had a total of 159 employees (2019: 191 employees), including executive Directors. Total staff costs including Directors’ emoluments, salaries, wages and other staff benefits, contributions and retirement schemes in the year ended 30 June 2020 amounted to approximately S\$5.3 million (2019: approximately S\$6.0 million). In order to attract and retain high quality staff and to enable smooth operation 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 central provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company’s operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Environmental Policies and Performance

Details of environmental policies, performance and compliance with laws and regulations are set out in the “Environmental, Social and Governance Report” in the annual report.

Contingent Liabilities

As at 30 June 2020, the Group had performance bonds of approximately S\$2.6 million (2019: S\$0.9 million) given by a bank and an insurance company in favour of the Group’s customers as security for the due performance and observance of our Group’s obligation under the contracts entered into between our 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 June 2020, the Group acquired items of plant and equipment of approximately S\$0.3 million (2019: S\$0.1 million).

As at 30 June 2020, the Group had no material capital commitments.

Use of Net Proceeds from the Share Offer

The net proceeds from the Share Offer were approximately HK\$95.0 million (S\$16.6 million) (after deducting listing expenses). The Group has utilized the net proceeds from the Share Offer in accordance with the intended plan and purposes as outlined in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As disclosed in the announcement of the Group titled “Changes in Use of Proceeds” dated 13 May 2020, the Board resolved to change the use of the unutilised net proceeds. Set out below is the revised allocation of the unutilised net proceeds:

	Planned use of Net Proceeds as disclosed in the Prospectus S\$ million (approximately)	Utilised Net Proceeds up to 13 May 2020 S\$ million (approximately)	Unutilised Net Proceeds up to 13 May 2020 S\$ million (approximately)	Re-allocation of the Unutilised Net Proceeds S\$ million (approximately)	Unutilised Net Proceeds after re-allocation ("Re-allocated Net Proceeds") S\$ million (approximately)
(i) Acquisition of a Singapore-based air-conditioning and mechanical ventilation contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least "L4" grade	7.1	0.0	7.1	(3.6)	3.5
(ii) Strengthening the Group's manpower by recruiting additional staff	2.5	0.2	2.3	(1.5)	0.8
(iii) Expanding the Group's premises for its various operational needs	1.8	0.0	1.8	(1.8)	-
(iv) Financing the Group's upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects (<i>existing new projects</i>)	1.7	1.7	0.0	+3.5	3.5

MANAGEMENT DISCUSSION AND ANALYSIS

	Planned use of Net Proceeds as disclosed in the Prospectus S\$ million (approximately)	Utilised Net Proceeds up to 13 May 2020 S\$ million (approximately)	Unutilised Net Proceeds up to 13 May 2020 S\$ million (approximately)	Re-allocation of the Unutilised Net Proceeds S\$ million (approximately)	Unutilised Net Proceeds after re-allocation ("Re-allocated Net Proceeds") S\$ million (approximately)
(iv) Financing the Group's upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects (<i>new potential projects</i>)		0.0	0.0	+3.0	3.0
(v) Financing the acquisition of additional machinery and equipment	1.4	0.1	1.3	(0.7)	0.6
(vi) Purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading the Group's enterprise resource planning system	0.9	0.1	0.8	(0.4)	0.4
(vii) Financing the acquisition of additional lorries	0.3	0.1	0.2	-	0.2
(viii) Reserved as the Group's general working capital	0.9	0.9	0.0	+1.5	1.5
Total	16.6	3.1	13.5	-	13.5

MANAGEMENT DISCUSSION AND ANALYSIS

The use of the Re-allocated Net Proceeds from the Share Offer as at 30 June 2020 was approximately as follows:

	Re-allocated Net Proceeds S\$ million (approximately)	Utilised from 13 May 2020 to 30 June 2020 S\$ million (approximately)	Unutilised Re-allocated Net Proceeds up to 30 June 2020 S\$ million (approximately)	Expected date to fully utilise the unutilised Re-allocated Net Proceeds
(i) Acquisition of a Singapore-based air-conditioning and mechanical ventilation contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least "L4" grade	3.5	0.0	3.5	On or before 30 June 2023
(ii) Strengthening the Group's manpower by recruiting additional staff	0.8	0.1	0.7	On or before 30 June 2023
(iii) Expanding the Group's premises for its various operational needs	-	-	-	
(iv) Financing the Group's upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects (existing new projects)	3.5	0.5	3.0	On or before 30 June 2021
(v) Financing the Group's upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects (new potential projects)	3.0	0.2	2.8	On or before 30 June 2022
(vi) Financing the acquisition of additional machinery and equipment	0.6	0.0	0.6	On or before 30 June 2023
(vii) Purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading the Group's enterprise resource planning system	0.4	0.0	0.4	On or before 30 June 2023
(viii) Financing the acquisition of additional lorries	0.2	0.1	0.1	On or before 30 June 2023
(ix) Reserved as the Group's general working capital	1.5	1.5	-	N/A
Total	13.5	2.4	11.1	

As at 30 June 2020, the unutilised amount of net proceeds was placed in licensed banks in Hong Kong and Singapore and the Board expects that it will be utilised in the same manner as disclosed in the Prospectus and the Company's announcement dated 13 May 2020. Due to the adverse impact of the outbreak of COVID-19 on worldwide economies and the three-phased approach embarked by the Singapore Government to resume usual daily activities after the implementation of Circuit Breaker measures, the Board will continue to closely monitor the situation and evaluate the impact on the timeline to utilise the unutilised Re-allocated Net Proceeds and will keep shareholders and potential investors of the Company informed if there is any material change.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ang Jui Khoon (“Mr. JK Ang”), aged 69, is the executive Director and one of the controlling shareholders of the Company. He was re-designated as the executive Director and appointed as the chairman of the Board on 31 August 2018. Mr. JK Ang is a co-founder of the Group, and also a director of KHOON ENGINEERING CONTRACTOR PTE. LTD. (“Khoon Engineering”) as well as a director of TOP STRIDE INVESTMENT LIMITED, a Company’s subsidiary, and a director of LEAD DEVELOPMENT INVESTMENT LIMITED, a controlling shareholder of the Company. Mr. JK Ang is responsible for the overall strategic planning, business development and corporate management of the Group. His appointment as the chairman of nomination committee of the Company takes effect on 5 July 2019. Mr. JK Ang is the father of Mr. KK Ang and Mr. YK Ang.

Mr. JK Ang has over 48 years of relevant experience in the electrical engineering industry. From June 1972 to March 1973, Mr. JK Ang was employed by Great Electrical Enterprise (Pte) Limited as an electrician. He then worked for Reliance Electric (Pte) Limited as an electrician from April 1973 to November 1975. In April 1975, Mr. JK Ang founded Khoon Engineering Contractor as a sole proprietorship and commenced the business of providing electrical engineering contracting services in Singapore. Subsequently, Mr. JK Ang founded Khoon Engineering as a majority shareholder in May 1988.

Mr. JK Ang holds an Electrician’s Licence which was granted by the Energy Market Authority of Singapore for lifetime in July 2016. Mr. JK Ang has been the representative of Khoon Engineering as a corporate member of Singapore Electrical Contractors and Licensed Electrical Workers Association since March 2014. Mr. JK Ang was awarded Grade Three of National Trade Certificate in Electrical Fitting & Installation (Industrial) by Industrial Training Board Singapore in May 1975.

In recognition of his contributions to the community, Mr. JK Ang was awarded the Public Service Medal (Pingat Bakti Masyarakat – PBM) by the President of Singapore in 2019.

Mr. Ang Kok Kwang (Hong Guoguang) (“Mr. KK Ang”), aged 45, is the executive Director, the chief executive officer and one of the controlling shareholders of the Company. He is responsible for the day-to-day operations and overall project management, formulating corporate and business strategies and making major operation decisions of the Group. His appointment as a member of remuneration committee of the Company takes effect on 5 July 2019. Mr. KK Ang is the son of Mr. JK Ang and the elder brother of Mr. YK Ang.

Mr. KK Ang has over 20 years of relevant experience in the electrical engineering industry. Since January 1999, he has been a director of Khoon Engineering. He is also a director of LEAD DEVELOPMENT INVESTMENT LIMITED, a controlling shareholder of the Company as well as a director of TOP STRIDE INVESTMENT LIMITED, a Company’s subsidiary.

Mr. KK Ang obtained a Diploma in Electrical Engineering from Singapore Polytechnic in May 1994 and a Bachelor of Engineering with Honours from the University of Melbourne in Australia in December 1998. Mr. KK Ang currently holds a Wiring Installer Licence issued by the Info-communications Development Authority of Singapore in April 2008. Mr. KK Ang has also been registered in the Building and Construction Authority of Singapore (“BCA”) as a trade foreman of electrical works, the latest registration of which was granted by the BCA in June 2019 and will be expired in August 2021.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ang Yong Kwang (Hong Yongquan) (“Mr. YK Ang”), aged 35, is the executive Director and the general manager of the Company. He is responsible for the day-to-day operations, overall project management and administrative matters of the Group. His appointment as a member of nomination committee of the Company takes effect on 5 July 2019. Mr. YK Ang is the son of Mr. JK Ang and the younger brother of Mr. KK Ang.

Mr. YK Ang has over 10 years of experience in the electrical engineering industry. Mr. YK Ang began his career when he joined Khoon Engineering as a project manager in August 2010. He was promoted to general manager of Khoon Engineering in July 2016.

Mr. YK Ang obtained a Diploma in Information Technology from Ngee Ann Polytechnic in Singapore in August 2004. He further obtained a Bachelor of Information Technology (major in network administration and design, major in computer security) from the Edith Cowan University in Australia in August 2009.

Independent Non-executive Directors

Ms. Tan Pei Fung (“Ms. Tan”), aged 37, was appointed as the independent non-executive Director on 10 June 2019. Her appointment as the chairlady of audit committee of the Company and a member of remuneration committee and nomination committee of the Company takes effect on 5 July 2019. She is primarily responsible for providing independent judgment to the Board.

Ms. Tan has over 18 years of experience in the accounting and finance industry. In February 2002, Ms. Tan joined Likok Paper Trading Pte Ltd as a finance and administration manager. She was promoted to her current position as group finance director in June 2008. In April 2020, Ms. Tan was also appointed as the managing director of Likok Logistics Pte Ltd, one of the subsidiaries under Likok Paper Trading Pte Ltd. Ms. Tan was admitted to full membership of CPA Australia in August 2011.

Ms. Tan obtained a Bachelor of Commerce from University of Tasmania in Australia in December 2005. Part of the curriculum of the said degree was taught in Singapore, while the remaining part was taught in Australia.

Mr. Yeo Kwang Maccann (“Mr. Yeo”), aged 35, was appointed as the independent non-executive Director on 10 June 2019. His appointment as the chairman of remuneration committee of the Company and a member of audit committee and nomination committee of the Company takes effect on 5 July 2019. He is primarily responsible for providing independent judgment to the Board.

Mr. Yeo has over 10 years of experience in the financial industry and business management. Mr. Yeo began his career when he was employed by the Monetary Authority of Singapore in August 2009 as an associate of its capital markets intermediaries department. He left the Monetary Authority of Singapore in April 2011. Mr. Yeo was employed by Credit Suisse Group AG (Singapore) as a senior analyst from May 2011 to June 2012. After that, Mr. Yeo joined TriOptima Asia Pacific Pte. Ltd. from June 2012 to July 2017 as a client manager. In August 2017, Mr. Yeo joined Roman Deco Pte Ltd as a managing director.

Mr. Yeo obtained a Bachelor of Accountancy and a Bachelor of Business Management from Singapore Management University in June 2009.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hon Chin Kheong (Han Zhenqiang) (“Mr. Hon”), aged 46, was appointed as the independent non-executive Director on 10 June 2019. His appointment as a member of the audit committee and nomination committee of the Company takes effect on 5 July 2019. He is primarily responsible for providing independent judgment to the Board.

Mr. Hon has over 20 years of experience in the architectural profession. From March 2000 to April 2001, Mr. Hon was employed by Otis Koglin Wilson Architects in Chicago, USA, as a junior architect. After that, he joined P&T Consultants Pte Ltd in Singapore from 2001 to 2013, where his last position was senior associate. In September 2013, Mr. Hon joined Swan & Maclaren Architects Pte Ltd as a director.

Mr. Hon was granted Diploma in Mechanical Engineering from Singapore Polytechnic in May 1994, and was granted Bachelor of Architecture from Illinois Institute of Technology in the United States in May 2001. Mr. Hon was admitted as a member of the Singapore Board of Architects in July 2005.

SENIOR MANAGEMENT

Mr. Lim Shi Ann (Lin Shi'an) (“Mr. Lim”), aged 36, is the chief financial officer of the Company and is responsible for overall accounting and financial matters of the Group.

Mr. Lim has over 9 years of experience in the accounting industry. Mr. Lim was employed by Ernst & Young Solutions LLP from March 2011 to December 2017 where his last position was manager. In April 2018, Mr. Lim joined Khoon Engineering as its financial controller. He was promoted to chief financial officer of the Company in October 2019.

Mr. Lim obtained a Diploma in Banking & Financial Services from Singapore Polytechnic in May 2004. Mr. Lim was certified as an affiliate of the Association of Chartered Certified Accountants in December 2009, and was qualified as a chartered accountant of Singapore in April 2015.

Mr. Ong Qijie (Wang Qijie) (“Mr. Ong”), aged 38, is the assistant general manager of the Company and is responsible for the procurement and performance of electrical engineering projects of the Group.

Mr. Ong has over 8 years of experience in the electrical engineering industry. Mr. Ong joined Khoon Engineering in August 2012 and was promoted to senior project manager in July 2016. Mr. Ong was appointed as the project director of Khoon Engineering in April 2018. He was promoted to assistant general manager of the Company in October 2019.

Mr. Ong obtained a Diploma in Electronics, Computer & Communication Engineering from Singapore Polytechnic in May 2002. He further obtained a Bachelor of Engineering from Singapore University of Social Sciences (previously known as SIM University) in September 2010.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Junming, Calvin (“Mr. Li”), aged 37, is the assistant general manager of the Company and is responsible for overseeing and coordinating the activities of various departments of the Group, assisting the general manager and other executive Directors in developing strategies to improve the service quality and productivity, and assisting in the human resources functions.

Mr. Li has over 8 years of experience in the financial industry and business management. Mr. Li began his career in July 2011 when he was employed by GFI Group as a FOREX/derivative broker. He left GFI Group in April 2013. From May 2013 to June 2014, he was employed by DBS Bank Ltd. where his last position was senior relationship manager. Mr. Li was employed by Advanced Recycling Pte Ltd as a project manager from July 2014 to February 2016. Mr. Li joined Khoon Engineering in February 2016 as the project manager. In April 2018, Mr. Li was promoted to assistant general manager of Khoon Engineering.

Mr. Li obtained a Diploma in Electronics, Computer & Communication Engineering from Singapore Polytechnic in May 2004. He further obtained a Bachelor of Business (Economics and Finance) from Royal Melbourne Institute of Technology in Australia in August 2011.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

Throughout the period from the date of listing of the shares of the Company on the Stock Exchange on 5 July 2019 (the “Listing Date”) to 30 June 2020, the Company had complied with the code provisions set out in the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by Directors and by relevant employees of the Company. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and its code of conduct regarding directors’ securities transactions throughout the period from the Listing Date to 30 June 2020.

BOARD OF DIRECTORS

The Company is governed by the Board which is responsible for the overall strategic planning, business development and corporate management of the Group; the day-to-day operations and overall project management, formulating corporate and business strategies, making major operation decisions and administrative matters of the Group; and providing independent judgements on the Group’s compliance, internal control and corporate governance. The Board sets the overall policies, strategy and directions for the Group with a view to developing its business and enhancing the shareholders value. The Board meets regularly throughout the year to formulate overall strategy, monitor business development as well as the financial performance of the Group. The Board has delegated certain duties and authorities to the management for overall accounting and financial matters of the Group; procurement and performance of the electrical engineering projects of the Group; overseeing and coordinating the activities of various departments of the Group; assisting the general manager and other executive Directors in developing strategies to improve the service quality and productivity; and assisting in the human resources functions. The Board may discharge its corporate governance duties by establishment of board committees and delegation of certain management and administration functions to the management. During the year ended 30 June 2020, the Board reviewed the effectiveness of the risk management and internal controls systems of the Group.

BOARD COMPOSITION

The Board should regularly review the contribution required from the Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Board currently comprises three executive Directors, namely Mr. Ang Jui Khoon (chairman), Mr. Ang Kok Kwang (Hong Guoguang) (chief executive officer (“CEO”)) and Mr. Ang Yong Kwang (Hong Yongquan) and three independent non-executive Directors (the “INED”), namely Ms. Tan Pei Fung, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang).

Mr. Ang Jui Khoon is the father of Mr. Ang Kok Kwang (Hong Guoguang) and Mr. Ang Yong Kwang (Hong Yongquan). Mr. Ang Kok Kwang (Hong Guoguang) is the elder brother of Mr. Ang Yong Kwang (Hong Yongquan).

The attendance records of the Directors for the regular Board, committees and general meetings of the Company for the year are as follows:

Directors	No. of meetings attended/No. of meetings held				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Executive Director					
Mr. Ang Jui Khoon (<i>Chairman</i>)	4/4	N/A	N/A	2/2	1/1
Mr. Ang Kok Kwang (Hong Guoguang) (<i>CEO</i>)	4/4	N/A	2/2	N/A	1/1
Mr. Ang Yong Kwang (Hong Yongquan)	4/4	N/A	N/A	2/2	1/1
Independent Non-Executive Director					
Mr. Hon Chin Kheong (Han Zhenqiang)	4/4	2/2	N/A	2/2	1/1
Ms. Tan Pei Fung	4/4	2/2	2/2	2/2	1/1
Mr. Yeo Kwang Maccann	4/4	2/2	2/2	2/2	1/1

The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

DIRECTOR'S TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 30 June 2020, according to the records provided by the Directors, all Directors, namely Mr. Ang Jui Khoon, Mr. Ang Kok Kwang (Hong Guoguang), Mr. Ang Yong Kwang (Hong Yongquan), Ms. Tan Pei Fung, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang), participated in continuous professional development activities by way of reading materials covering topics including director's duties, inside information, notifiable transactions and connected transactions.

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

APPOINTMENT AND RE-ELECTION OF NON-EXECUTIVE DIRECTORS

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The term of appointment pursuant to the letters of appointment of Ms. Tan Pei Fung, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang) is for a period of three years till July 2022. The non-executive Directors are subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting pursuant to the amended and restated articles of association of the Company ("Articles of Association").

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the audit committee, remuneration committee and nomination committee of the Company are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

All members of the audit committee of the Company and the majority of the members of the remuneration committee and the nomination committee of the Company are INEDs.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG Code of the Listing Rules. The audit committee comprises three INEDs, namely Ms. Tan Pei Fung, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang). The audit committee is chaired by Ms. Tan Pei Fung.

The primary duties of the audit committee are to review the risk management and internal control systems, the Group's financial and accounting policies and practices and the financial statements and reports of the Company; approve the terms of engagement of the auditor; and discuss the scope of audit work with the auditor. The audit committee is also responsible for developing and reviewing the Company's policies and practices on corporate governance; reviewing the Company's compliance with the CG code and disclosure in the corporate governance report; and reviewing and monitoring the training and continuous professional development of directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements; and etc.

During the year ended 30 June 2020, the audit committee reviewed the accounting principles and practices adopted by the Group with the management and the Company's auditor; discussed auditing, internal control and financial reporting matters including the audited financial statements and unaudited interim financial statements; reviewed the compliance with the CG Code and the disclosure in the corporate governance report; reviewed and approved the relevant disclosure statements in the annual report and interim report in relation to the audit committee of the Company; and reviewed the terms of reference of the audit committee of the Company.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with the CG Code of the Listing Rules. The remuneration committee comprises one executive Director, namely Mr. Ang Kok Kwang (Hong Guoguang), and two INEDs, namely Mr. Yeo Kwang Maccann and Ms. Tan Pei Fung. The remuneration committee is chaired by Mr. Yeo Kwang Maccann.

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

During the year ended 30 June 2020, the remuneration committee reviewed the Group's remuneration policy and structure; reviewed the remuneration packages of the executive Directors and senior management of the Company; reviewed and approved the relevant disclosure statements in the annual report and interim report in relation to the remuneration committee of the Company and reviewed the terms of reference of the remuneration committee of the Company.

Details of emoluments of the Directors for the year ended 30 June 2020 are disclosed in note 11 to the consolidated financial statements and the retirement benefit schemes are disclosed in note 26 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with the CG Code of the Listing Rules. The nomination committee comprises two executive Directors, namely Mr. Ang Jui Khoon and Mr. Ang Yong Kwang (Hong Yongquan), and three INEDs, namely Ms. Tan Pei Fung, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang). The nomination committee is chaired by Mr. Ang Jui Khoon.

The primary duties of the nomination committee are reviewing the structure, size and composition of the Board; considering inter alia the skills, knowledge, professional experience, qualifications, gender, age, cultural and educational background, independence and diversity of perspectives of the Board as a whole; identifying qualified individuals to become members of the Board; assessing the independence of independent non-executive Directors; developing and reviewing the policy for the nomination of Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

Nomination committee of the Company assists the Board in making recommendations to the Board on the appointment and re-appointment of Directors, and succession planning for Directors. When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the nomination committee shall consider a variety of factors including reputation for integrity; accomplishment, experience and reputation in the relevant industry and other relevant sectors; commitment in respect of sufficient time, interest and attention to the Company's business; diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge; the ability to assist and support management and make significant contributions to the Company's success; compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an INED.

The secretary of the nomination committee shall invite nominations of candidates from Board members (if any), for consideration by the nomination committee. The nomination committee may also nominate candidates for its consideration. In the context of appointment of any proposed candidate to the Board, the nomination committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval. In the context of re-appointment of any existing member(s) of the Board, the nomination committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

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

According to Article 108(a)-(b) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

According to Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under the Articles of Association shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

During the year ended 30 June 2020, the nomination committee reviewed the structure, size and composition of the Board; assessed the independence of INEDs; reviewed and approved the relevant disclosure statements in the annual report and interim report in relation to the nomination committee of the Company and reviewed the terms of reference of the nomination committee of the Company.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the “Policy”) which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board and the quality of the Company’s performance.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, experience, skills and knowledge. The ultimate decision on selection of candidates will be based on merit and contribution that the selected candidates will bring to the Board. The nomination committee of the Company will review the Policy from time to time, as appropriate, to ensure the effectiveness of the Policy and monitor the implementation of the Policy. The Company will also take into consideration its own specific needs from time to time in determining the optimum composition of the Board.

DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR AND THEIR REMUNERATION

During the year ended 30 June 2020, Deloitte & Touche LLP was engaged as the Group’s independent auditor. The statement by the auditor of the Company about their reporting responsibilities on the Group’s consolidated financial statements for the year ended 30 June 2020 is set out in the section “Independent Auditor’s Report” of this annual report. During the year, remuneration paid and payable to the Group’s independent auditor in respect of the year ended 30 June 2020 is S\$205,000 for annual audit fee and nil for non-audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company is aiming to develop a good risk management and internal control system for managing operational and financial risks. The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems in order to safeguard the interests of the shareholders and the assets of the Company against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations. The Board oversees the overall risk management of the Group and endeavours to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The Board is responsible for reviewing the effectiveness and adequacy of the Group's risk management and internal control systems.

The Company has established a risk management policy for the Group setting out the process of identification, evaluation and management of the principal risks affecting the business. Each division is responsible for identifying, assessing and managing risks within its divisions, as well as identifying and assessing the principal risks on a quarterly basis with mitigation plans to manage those risks. The management is responsible for overseeing the risk management and internal control activities of the Group, and for convening quarterly meetings with each division to ensure principal risks are properly managed and new or changing risks are identified and documented. The main features of the risk management and internal control systems together with the risk management policies, risk register and an implementation framework, are to allow the audit committee of the Company and the Board to have a better overview of the Group's major business risks and how the Group's management had sought to monitor and mitigate them. The risk management framework, coupled with the Group's internal controls, ensures that the risks associated with different divisions are effectively controlled in line with the Group's risk appetite. The risk assessment report will be submitted to the audit committee of the Company and the Board for reviewing the effectiveness of the risk management and internal control systems and resolving any material internal control defects on an annual basis. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

During the year ended 30 June 2020, the Board reviewed the effectiveness of the Group's risk management and internal control systems and considered the Group's risk management and internal control systems to be effective and adequate.

The Group does not have an internal audit function within the Group. The Company engaged an external consultant, CT Partners Consultants Limited, to carry out internal audit function and had during the year conducted review of the effectiveness of the Group's risk management and internal control systems. The internal control review report was submitted to the audit committee of the Company and the Board for review. The audit committee of the Company has requested the management to follow up the recommendations of the external consultant to remedy the control issues identified or to further improve the internal control system.

COMPANY SECRETARY

The Company engages Ms. Leung Hoi Yan, who has been working with BPO Global Services Limited, as its company secretary. Its primary corporate contact person at the Company is Mr. Lim Shi Ann, the chief financial officer of the Company. For the year ended 30 June 2020, Ms. Leung Hoi Yan has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Pursuant to the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders of the Company (the "Shareholder(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

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

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

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

INVESTOR RELATIONS

The objective of the Shareholders' communication is to ensure that the Shareholders, both individual and institutional, and the investment community at large, are provided with ready, equal and timely access to transparent, accurate, balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company.

Information shall be communicated to the Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened as well as by making available all the disclosures submitted to the Stock Exchange and all its corporate communications and other corporate publications on the Company website and the Stock Exchange website. All press releases, newsletters and etc. issued by the Group will be made available on the Company website (www.khoongroup.com) which provides an effective communication platform to the public and the Shareholders.

The amended and restated memorandum and articles of association of the Company was adopted on 10 June 2019 (the "Adoption Date"). There had been no significant change in the Company's constitutional documents since the Adoption Date.

REPORT OF THE DIRECTORS

The Directors are pleased to present this report together with the consolidated financial statements of the Group for the year ended 30 June 2020 (“Financial Statements”).

The Company was incorporated in the Cayman Islands with limited liability on 24 July 2018. The Company completed the corporate reorganisation (the “Reorganisation”) on 12 March 2019 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the section headed “History, Development and Reorganisation” in the Prospectus. The Shares were listed on the Stock Exchange on 5 July 2019 by way of share offer.

PRINCIPAL PLACE OF BUSINESS

The headquarters and principal place of business of the Company is located at Block 5000, Ang Mo Kio Avenue 5, #04-01 Techplace II, Singapore 569870.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its operating subsidiary, Khoon Engineering, are the provision of electrical engineering services. The principal activities of the subsidiaries of the Group are set out in note 28 to the Financial Statements. There were no significant changes in the nature of the Group’s principal activities during the year ended 30 June 2020.

RESULTS/BUSINESS REVIEW

The results of the Group for the year ended 30 June 2020 are set out in the Financial Statements in this annual report. A review of the business of the Group for the year ended 30 June 2020, which includes a description of the principal risks and uncertainties facing the Group, an analysis using financial key performance indicators of the Group’s business, particulars of important events affecting the Group, an indication of likely future developments in the Group’s business, and discussion on the Company’s environmental policies and performance and the relationships with its stakeholders, can be found in the sections headed “Chairman’s Statement”, “Management Discussion and Analysis”, “Corporate Governance Report”, “Environmental, Social and Governance Report” and Financial Statements of this annual report. The review forms part of this report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 30 June 2020, as far as the Directors are aware, the Company did not have any non-compliance with relevant laws and regulations that is material or systemic in nature.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year ended 30 June 2020 are set out in note 13 to the Financial Statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries during the year ended 30 June 2020 are set out in note 28 to the Financial Statements.

KEY RISKS AND UNCERTAINTIES

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 30 June 2020 are set out in the "Consolidated Statement of Changes in Equity" on page 53 of this annual report. As at 30 June 2020, the Group has reserves amounting to approximately S\$16.6 million available for distribution (2019: approximately S\$12.8 million).

DIRECTORS

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

Executive Directors:

Mr. Ang Jui Khoon (*Chairman*)
Mr. Ang Kok Kwang (Hong Guoguang) (*Chief Executive Officer*)
Mr. Ang Yong Kwang (Hong Yongquan)

Independent Non-executive Directors:

Ms. Tan Pei Fung
Mr. Yeo Kwang Maccann
Mr. Hon Chin Kheong (Han Zhenqiang)

In accordance with articles 108 (a)-(b) of the Articles of Association, Mr. Ang Jui Khoon and Mr. Ang Yong Kwang (Hong Yongquan) will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considered all independent non-executive Directors to be independent.

Biographical information of the directors of the Company and the senior management of the Group are set out on pages 12 to 15 of this annual report.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and thereafter will continue unless terminated by not less than three months' written notice served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date and thereafter shall continue year to year subject to retirement and rotation and re-election in accordance with the Articles of Association, unless terminated by not less than one month's written notice served by either party on the other or such shorter notice period as may be agreed by both parties.

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 June 2020.

REPORT OF THE DIRECTORS

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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 ("Model Code") of the Listing Rules were as follows:

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

Name of Director	Nature of interest	Number of Shares held	Percentage of issued share capital
Mr. Ang Jui Khoon ("Mr. JK Ang") (<i>Note</i>)	Interest in controlled corporation	550,000,000	55.00%
Mr. Ang Kok Kwang (Hong Guoguang) ("Mr. KK Ang") (<i>Note</i>)	Interest held jointly with another person	550,000,000	55.00%

Note: LEAD DEVELOPMENT INVESTMENT LIMITED ("Lead Development") is legally and beneficially owned as to 87.27% by Mr. JK Ang and 12.73% by Mr. KK Ang. On 31 October 2018, Mr. JK Ang and Mr. KK Ang entered into the deed of confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert and that they would continue to act in the same manner regarding the affairs of the Group upon the listing of the Shares on the Main Board of the Stock Exchange. Accordingly, by virtue of the SFO, Mr. JK Ang and Mr. KK Ang are deemed to be interested in the Shares held by Lead Development.

On 20 March 2020 (after trading hours), 200,000,000 Shares then held by Lead Development (the "Placing Shares"), representing 20% of the existing issued share capital of the Company, were successfully placed to certain investors at HK\$0.265 per Placing Share pursuant to the terms of a placing agreement dated 11 March 2020.

The long positions of Mr. JK Ang and Mr. KK Ang in the Shares were also notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO.

(b) Long positions in the shares of associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Percentage of interest in associated corporation
Mr. JK Ang <i>(Note)</i>	Lead Development	Beneficial owner	13,091	87.27%
Mr. KK Ang <i>(Note)</i>	Lead Development	Beneficial owner	1,909	12.73%

Note: Lead Development is the direct shareholder of the Company and is an associated corporation within the meaning of Part XV of the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

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

As at 30 June 2020, the following persons had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares

Name of shareholder	Nature of Interest	Number of Shares held	Percentage of issued share capital
Lead Development <i>(Note 1)</i>	Beneficial owner	550,000,000	55.00%
Mr. JK Ang <i>(Note 1)</i>	Interest in controlled corporation	550,000,000	55.00%
Mr. KK Ang <i>(Note 1)</i>	Interest held jointly with another person	550,000,000	55.00%
Ms. Pan Moi Kia <i>(Note 2)</i>	Interest of spouse	550,000,000	55.00%
Ms. Chong Sze Yen, Josephine <i>(Note 3)</i>	Interest of spouse	550,000,000	55.00%

REPORT OF THE DIRECTORS

Notes:

1. Lead Development is the direct shareholder of the Company. Lead Development is legally and beneficially owned by Mr. JK Ang as to 87.27% and Mr. KK Ang as to 12.73%. On 31 October 2018, Mr. JK Ang and Mr. KK Ang entered into the deed of confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert and that they would continue to act in the same manner regarding the affairs of the Group upon the listing of the Shares on the Main Board on the Stock Exchange. Accordingly, by virtue of the SFO, Mr. JK Ang and Mr. KK Ang are deemed to be interested in the Shares held by Lead Development.

On 20 March 2020 (after trading hours), 200,000,000 Placing Shares, representing 20% of the existing issued share capital of the Company, were successfully placed to certain investors at HK\$0.265 per Placing Share pursuant to the terms of a placing agreement dated 11 March 2020.

2. Ms. Pan Moi Kia is the spouse of Mr. JK Ang. Accordingly, Ms. Pan Moi Kia is deemed or taken to be interested in the Shares in which Mr. JK Ang is interested in under the SFO.
3. Ms. Chong Sze Yen, Josephine is the spouse of Mr. KK Ang. Accordingly, Ms. Chong Sze Yen, Josephine is deemed or taken to be interested in the Shares in which Mr. KK Ang is interested in under the SFO.

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2020.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed herein, at no time during the year ended 30 June 2020 was the Company or any of its subsidiaries or a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in note 27 to the Financial Statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries or its holding company was a party, and in which a Director or an entity connected with a Director had a material interest, directly or indirectly subsisted at the end of the year or at any time during the year ended 30 June 2020.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders of the Company or any of their subsidiaries had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 30 June 2020.

CONNECTED/RELATED PARTY TRANSACTIONS

During the year ended 30 June 2020, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

Details of the significant related party transactions undertaken in the normal course of business are set out in the note 27 to the Financial Statements.

NON-COMPETITION UNDERTAKING

Mr. JK Ang, Mr. KK Ang and Lead Development (collectively, the "Covenantors") entered into a Deed of Non-Competition dated 10 June 2019 in favour of the Company (for itself and as trustee for other members of our Group) (the "Deed of Non-Competition"). Pursuant to the Deed of Non-Competition, each of the Covenantors irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and as trustee for other members of the Group), among others, that, during the period which (i) the Shares remain listed on the Stock Exchange and (ii) the Covenantors, individually or collectively with their close associates (other than members of the Group) are, directly or indirectly, interested in not less than 30% of the Shares in issue, or are otherwise regarded as Covenantors, each of the Covenantors shall not, and shall procure each of his/its close associates (other than the Group) not to carry on or be engaged, concerned or interested, or otherwise be involved directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or any business activity to be conducted by any member of the Group from time to time.

Each of the Covenantors further undertakes that if any business investment or other commercial opportunity which may compete with the business of the Group is identified by or offered to him/it, he/it shall procure that his/its close associates to promptly notify the Group in writing not later than seven days from the date of offer and the Group shall have a right of first refusal of such opportunity. The Group shall within 30 business days after the receipt of the written notice (or such longer period, a maximum of 60 business days if the Group is required further time to assess and complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantors whether the Group will exercise the right of refusal.

The Covenantors confirm that they have complied with the undertakings in the Deed of Non-Competition during the year ended 30 June 2020 and up to the date of this report.

COMPETING INTERESTS

The controlling shareholders, the Directors and their respective close associates confirm that each of them does not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules during the year ended 30 June 2020.

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Kingsway Capital Limited ("Kingsway"), as at 30 June 2020, except for the compliance adviser agreement entered into between the Company and Kingsway dated 31 August 2018, none of Kingsway, its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISIONS

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

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “Share Option Scheme”) on 10 June 2019. The principal terms of the Share Option Scheme are summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to provide incentives or rewards to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 10 June 2019, and there is no outstanding share option as at 30 June 2020.

The maximum number of shares which can be awarded under the Share Option Scheme is 10% (i.e. 100,000,000 Shares) of the Shares in issue as at the Listing Date. Upon acceptance of an offer for grant of option(s) under the Share Option Scheme, the participant shall pay HK\$1.00 to our Company by way of consideration for the grant, which option(s) will be offered for acceptance for a period of 21 days from the date of grant.

Unless approved by Shareholders in a general meeting, the amount of Shares which can be awarded to a substantial Shareholder or an INED or their respective associates in the Share Option Scheme in the 12-month period up to and including the date of such grant for any particular aforementioned person in aggregate, is at maximum 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, of a maximum of HK\$5.0 million.

The subscription price for the Shares subject to any particular option under the Share Option Scheme shall be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of the grant of the option(s), which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of the grant of the option(s); and (iii) the nominal value of a Share.

EQUITY-LINKED AGREEMENTS

Except for the Share Option Scheme disclosed above, no equity-linked agreement subsisted at the end of the year ended 30 June 2020 or was entered into during the year ended 30 June 2020.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2020, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 15.0% and 45.9% (2019: approximately 16.5% and 47.2%) respectively of the Group's total purchases. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 15.2% and 51.6% (2019: approximately 16.1% and 63.5%) respectively of the Group's total revenue for the year ended 30 June 2020. To the best of the Directors' knowledge, none of the Directors and none of the Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) and none of their respective close associates had any material beneficial interest in the Group's five largest customers or suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

Employees

The Group has maintained good relationship with our employees. The Group offers to our employees' salary, bonuses and other allowances. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

Customers

The Group has established stable business relationships with our major customers. Directors consider that our long-term business relationships with our major customers and suppliers would further enhance our market recognition and enable us to attract more potential business opportunities.

A majority of the Group's five largest customers have long-standing business relationship with the Group for a period ranging from approximately three to nine years.

Suppliers and Subcontractors

The Group maintains an internal list of approved suppliers. We carefully evaluate the performance of our suppliers and select them based on a number of factors such as pricing, quality of material or equipment provided, timeliness of delivery and ability to comply with our requirements and specifications. The Group will review and update our internal list of approved suppliers according to our assessment of their performance on an ongoing basis.

The Group maintains an internal list of approved subcontractors. We carefully evaluate the performance of our subcontractors and select subcontractors based on their experience relevant to the particular project as well as their availability and fee quotations. The Group will review and update our internal approved list of subcontractors according to our assessment of their performance on an ongoing basis.

REPORT OF THE DIRECTORS

Subject to the Group's capacity, resource level, cost effectiveness, complexity of the projects and customers' requirements, the Group may subcontract certain electrical engineering works such as (i) communal antennae broadcasting distribution system installation works; (ii) extra-low voltage works; (iii) fibre optic connection works; (iv) underground installation works; and (v) air-conditioning and mechanical ventilation works to other subcontractors in a project. The Group is accountable to customers for the works performed in a project, including those carried out by our subcontractors.

RETIREMENT SCHEME

The Group participates in the central provident fund, which is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement. Save as the aforesaid, the Group did not participate in any other pension schemes during the year ended 30 June 2020.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of our Group during the year ended 30 June 2020 and 30 June 2019 are set out in note 11 to the Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient minimum public float under the Listing Rules for the year ended 30 June 2020 and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to existing Shareholders by reason of their holdings in the Shares.

DIVIDEND POLICY

The Company has adopted a dividend policy which sets forth the Company's approach when considering the payment of dividends and to allow Shareholders to participate in the Company's profits whilst retaining adequate reserves for the future growth of the Group and provided that the Group records profits and that the declaration and payment of dividends does not affect the normal operations of the Group.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the general financial condition of the Group; the capital and debt level of the Group; future cash requirements and availability for business operations, business strategies and future development needs; any restrictions on payment of dividends that may be imposed by the Group's lenders; the general market conditions; and any other factors that the Board deems appropriate.

The payment of dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rules and regulations and the Articles of Association of the Company. The dividend policy will be reviewed by the Board from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

DIVIDEND

The Board has not declared or paid interim dividends during the year ended 30 June 2020.

The Board did not recommend the payment of a final dividend for the year ended 30 June 2020 (2019: S\$Nil).

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed “Corporate Governance Report” on pages 16 to 24 in this annual report.

AUDIT COMMITTEE

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

AUDITOR

The Financial Statements have been audited by Deloitte & Touche LLP, who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company. There has been no change in auditors during the years ended 30 June 2020 and 30 June 2019.

EVENTS AFTER THE REPORTING PERIOD

As at mid-August, most of the Group’s electrical engineering projects have resumed, albeit at a reduced capacity as compared to pre-pandemic times as some of its foreign workers are still in isolation and due to additional safe distancing measures that will be applied at project sites to prevent a resurgence of the pandemic.

The Group will closely monitor the development of the pandemic and assess its impact on its operations continuously. Given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities, the actual financial impact of the COVID-19 outbreak on the Group’s future performance could be significantly different from estimates depending on how the situation evolves.

Save as disclosed above, there are no significant events affecting the Group which have occurred after the year ended 30 June 2020 and up to the date of this report.

On behalf of the Board

Ang Jui Khoon

Chairman and Executive Director

Singapore, 31 August 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This is the Environmental, Social and Governance (“ESG”) report prepared by Khoon Group Limited pursuant to the Environmental, Social and Governance reporting guide provided in Appendix 27 of the Listing Rules.

We are a Singapore-based mechanical and engineering service provider specialised in providing electrical engineering solutions with an operating history of 30 years. Our electrical engineering services mainly comprise (i) customisation and/or installation of electrical systems; (ii) assisting to obtain statutory approvals; and (iii) testing and commissioning. Our services are essential for ensuring the functionality and connectedness of the electrical systems as well as their compliance with the prescribed designs and statutory requirements. This report covers the whole of our operations.

We place emphasis on providing consistently high-quality services and ensuring the safety and functionality of the electrical systems. Our quality management system has been certified to satisfy the requirement of ISO 9001:2008.

We also set up an occupational health and safety management system which complies with the requirement of ISO 45001:2018 to promote safe working practices among employees and to prevent the occurrence of accidents.

Our environmental management system complies with ISO 14001:2004 to promote environmental awareness and to prevent pollution of the environment resulting from projects undertaken by us.

Our Directors exercise oversight and regular assessment of our ESG issues and believe that our stringent quality assurance system and strong commitment to environmental and occupational health and safety management will allow us to be better positioned to deliver quality works on time and within budget, thereby strengthening our position as an established electrical engineering solutions provider in Singapore.

The board of directors identifies sustainability issues that are considered relevant and important to our business and stakeholders based on a review of a number of factors by senior management. The factors include the following:

- Nature of construction activities and types of wastes and emissions that would be generated;
- Staff demographics including racial diversity and age groups;
- Types of working environment that our staff are exposed to;
- Nature of purchased products/services received from suppliers and subcontractors;
- Types of energy consumed by the Group; and
- Applicable laws and regulations to the Group’s business of the countries where the Group has operations in.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Senior management assesses the importance of issues based on the expectations of stakeholders. It then prioritises the issues based on their significant impacts (if any) on the Group's ability to create long-term and sustainable values.

Senior management is responsible to monitor the efforts in mitigating ESG impacts and would discuss with department heads on the possible ESG mitigation measures that can be implemented in operations. It oversees the implementation of these sustainability strategies, monitors performance against ESG related goals and targets set and holds department heads accountable. From time to time, senior management will report to the board of directors progress on achieving ESG related goals and targets.

To achieve sustainable development, the Group maintains close relationships and continuously communicate with its stakeholders. The communications enabled the Group to accurately assess the potential impacts of its business activities in terms of ESG. The table below highlights the Group's key stakeholders as well as the Group's methods in engaging them:

Stakeholder Groups	Specific Stakeholders	Methods of Communication	Concerns of stakeholders/the Group	Our responses
Investors	Shareholders	Corporate website Annual financial report Conference call	Return on investments Corporate strategy and governance	Effective risk management and internal control system Compliance with best corporate governance practices
Employees	Senior Management Employees Potential recruits	Training, seminars Face-to-face meetings Independent focus groups and interviews Corporate social responsibility ("CSR") and volunteering activities	Compensation and benefits Career development opportunities Occupational health and safety ("OHS")	Competitive remuneration packages Adequate training related to career and OHS Anti-discrimination working environment with emphasis on equity
Customers	Government department Main contractors	Face-to-face meetings Designated customer hotline Interviews	Customer data protection Quality of services/products of the Group Environmental/Safety compliance of the Group	Confidentiality agreement signed with staff Restricting staff exposure to sensitive customer data Continuous communication with customers regarding service quality Strict compliance with applicable environmental/safety regulations
Suppliers/ Contractors	Suppliers Contractors	Supplier assessment Daily work review Site inspection/meeting with contractors	Effective project management OHS Ethical business practices	Works supervision and quality control by professional project teams Health and safety management system in conformance with ISO 45001: 2018 and "bizSAFE"

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Groups	Specific Stakeholders	Methods of Communication	Concerns of stakeholders/the Group	Our responses
Government	Government Regulatory authorities	Written or electronic correspondences	Compliance in aspects including environmental, human resources, taxation, and OHS	Members of senior management responsible to monitor compliance in relevant aspects Engage professional consultants to advise on compliance matters

In the following sections, the Group presents its efforts in fulfilling its corporate social responsibility under the “Environmental” and “Social” aspects for the year ended 30 June 2020 (“Reporting Period”).

Aspects	Material topics
Environmental	Greenhouse Gas (“GHG”) emissions Environmental management Waste management
Social	Workplace equity Service responsibility Community engagement Employees’ OHS Data privacy Supply chain management
Governance	Anti-corruption

I. ENVIRONMENTAL

Environment and Natural Resources

Although the Group is engaged in the construction industry, the nature of our trade, being electrical and mechanical engineering, enables us to produce only minimal if not nil water, air or noise pollution to the environment.

Nevertheless, the Quality, Environment, Health and Safety policy adopted by us states that it is the Group’s duty to promote environmental protection awareness among employees and that we are committed to the prevention of pollutions and wastage from our operations.

To the best of the Group’s knowledge, there were no material non-compliances concerning environmental laws and regulations during the Reporting Period.

Greenhouse Gas (GHG) Emissions

In the Reporting Period, the Group did not use any liquified petroleum gas (LPG) or gas and had produced nil hazardous wastes from its operations. Therefore, it has no relevant GHG emissions to report.

Consistent with the financial year ended 30 June 2019, calculations of the following GHG emissions for the Reporting Period were based on methodologies and conversions factors contained in the “Appendix 2: Reporting Guidance on Environmental KPIs” from the guidance materials on ESG issued by the Stock Exchange of Hong Kong Limited:

Direct GHG emissions from use of vehicles:

Aspect A1.1	Unit	2020	2019
Nitrogen oxides	gram	64,209.83	88,195.07
Sulphur oxides	gram	214.02	310.45
Respiratory suspended particles	gram	5,845.71	8,217.75

Direct GHG emissions from mobile combustion sources:

Aspect A1.2	Unit: kg (CO ₂ equivalent)	2020	2019
Scope 1			
Carbon dioxide	kg	34,501.11	50,048.8
Methane	kg	56.61	101.14
Nitrous oxide	kg	3,935.85	7,002.41

Indirect GHG emission resulting from the generation of purchased electricity and water processing:

Aspect A1.2	Unit	2020	2019
Scope 2			
Indirect GHG emissions	kg (CO ₂ equivalent)	14,494.79	17,493.88
Indirect GHG emissions intensity	kg (CO ₂ equivalent)/office	14,494.79	17,493.88

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

The Group implemented a series of measures to enhance the awareness of environmental protection among employees with the aim to save energy, fully utilise resources and recycle wastes in the Group's operations.

At the Group's office, the major commercial waste that the Group would produce is paper. As such, the Group had instructed our staff recycle used papers for daily printing, save up used envelope for internal communication or drafting, and would prioritize using electronic communication means over printed copies for daily operations. Recycling bins are placed beside printers to encourage scrap paper recycling.

Paper Consumption:

Aspect A1.4	Unit	2020	2019
Paper	Kg	639.00	667.12
Paper used intensity	Kg/office	639.00	667.12

Most of the electrical appliances at the Group's office are energy-efficient. When using air conditioning, employees are advised to set the temperature at an eco-friendly level of 25.5 degrees Celsius.

The following presents the Group's direct energy and water consumption for the Reporting Period:

Direct energy consumption in total and intensity

Aspect A2.1	Unit	2020	2019
Electricity usage	kWh	32,843	39,639
Electricity usage intensity	kWh/office	32,843	39,639

Water consumption in total and intensity

Aspect A2.2	Unit	2020	2019
Water consumption	cubic metre	50.3	63
Water consumption intensity	cubic metre/office	50.3	63

II. SOCIAL

Employment and Labour Standards

The Group is grateful to have the support of a dedicated team of industry professionals and employees. The HR policies that the Group adopts are in line with the employment laws in Singapore. The policies cover the Group's standard in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare. Directors and senior management would participate in formulating remuneration packages for the entire employees which would correspond to their positions, job nature, qualifications and experiences. Remunerations are subject to annual review and would be adjusted appropriately based on performance appraisals. Internal promotions would be prioritized over external recruitment whenever there are development opportunities within the Group.

The Group prides itself as an equal opportunity employer. The Group builds a workplace with equity by a fair and just recruitment process in which applicant would be selected based solely on their experiences and skills. An applicant's age, gender, family status, sexual orientation, physical disability, ethnicity and religion would not in any degree affect his or her chances of joining the Group. The same principle applies to employee appraisal and counselling processes.

As an employer of foreign workers, we are required to comply with the rule and regulation as stipulated by the Ministry of Manpower of Singapore ("MOM"). Hence, we have a specific policy in place to ensure the recruitment process is in compliance with MOM's regulations and requirements, provide equal opportunity in employment practices without discrimination in race and religion, and fill the vacancies with suitable candidates.

For the Reporting Period, the Group had no material incidents of non-compliance with relevant laws and regulations regarding employment practices.

Protecting Employee's Health and Safety

The Group is committed to providing both its employees and subcontractors with a safe and healthy working environment.

We have also set up an occupational health and safety system to promote safe working practice among all employees and to prevent the occurrence of accidents through safety inspections. Our health and safety management system has been certified to be in conformance with ISO 45001 and we have obtained a bizSAFE Level Star certification which is the highest bizSAFE level that may be awarded under the bizSAFE program.

Our safety manual is reviewed and updated by an independent third party safety consultant on an annual basis. We require our employees and our subcontractors' employees to follow our workplace safety rules as set out in the safety manual. Our workplace and safety rules identify common safety and health hazards and recommendations on prevention of workplace accidents. Pursuant to the Workplace Safety and Health (Risk Management) Regulations, we have from time to time conducted risk assessment in relation to the safety and health risks at our work site.

Due to the nature of the construction industry, however, the risk of work injuries cannot be completely eliminated. In the Reporting Period, there were two injury cases reported and seven lost workings days due to injuries.

The Group was not aware of any material non-compliance with the health and safety laws and regulations during the Reporting Period.

The Group is well aware of the potential health hazard the COVID-19 epidemic may bring to the countries where the Group had operations. Accordingly, the Group had implemented the following measures to contribute to fighting against the epidemic:

- Providing face masks and disinfectant products at head office and site offices for staff's use;
- Requiring staff to adhere to the Group's office hygiene requirement in response to COVID-19; and
- Placing educational material regarding COVID-19 at head office to raise staff's hygiene awareness.

The above measures did not only protect health of our staff but also our customers and the communities close to the worksites where the Group had operations. The Group will continue to optimise its work practices for the sake of staff health and safety with the aim of creating a safe, healthy and comfortable working environment.

Training and Development

To allow employees to excel at their career, while at the same time to ensure their safety at work, the Group had provided them with adequate support and on-site training.

The Group arranges training workshops or courses for its employees in relation to the skills and techniques required for carrying out the Group's construction services, as well as knowledge on occupational health and safety, which are to be conducted either through internal training or by external parties such as other training authorities through sponsorship of admission fees.

Supply Chain Management

To support the Group's commitment to delivering the best services to customers and adding value to the Group's stakeholders in terms of ESG, the Group's operation department practises thorough supply chain management.

Specifically, approved lists of suppliers and subcontractors are maintained. Procurement of goods or services will only be made from these suppliers and subcontractors.

The Group's suppliers are selected based on the following factors:

- Environmental compliance of products supplied;
- Quality of materials; and
- Any background issues concerning potential conflict of interests in supplying goods to the Group.

For subcontractors, the following factors would be considered:

- Past safety records;
- Quality of works delivered to customers;
- Environmental compliance;
- Complaint records by customers;
- Labour practices, in particular the hiring of illegal labour; and
- Any background issues concerning potential conflict of interests in providing services to the Group.

Regular inspection on the quality and progress delivered by subcontractors would be performed by the responsible project team. The Group made it clear to subcontractors that it is a must to comply with labour laws and regulations when handling safety and employment matters at construction sites.

Service pledge to customers

The cornerstone to the Group's success has been the trust built between itself and its customers. Accordingly, customer communication channels were set up, including office hotline and construction site representatives, for handling customers enquiries and complaints. The Group pledges to resolve any enquiries and complaints to the satisfaction of its customers and deliver the best construction services available.

The Group also strive to deliver the best construction service available. Each of our construction projects would be assigned a project team to be in charge of the quality of works delivered. The teams would frequently perform site visits to their respective projects in order to monitor the workmanship of workers and subcontractors. Quality of the construction works would also have to be certified by customers before the Group can receive payment.

Regarding customer data protection, within the Group's employee handbook, confidentiality of information is emphasized to employees to ensure they will carefully handle customer data collected during execution of their duties and responsibilities. The Group also restrict employees' exposure to sensitive customer information such as that related to contract pricing to a limited number of managerial grade employees.

During the Reporting Period, legal liabilities arising from defective construction works, disputes with customers, or customer data protection issues were not noted.

Anti-Corruption

Over the years, the Group witnessed nil suspected or actual bribery, extortion, fraud and money laundering activities occurring within the Group. The Group stands firmly by its anti-corruption policies and procurement practices as stated in its internal manuals. Acceptance of kickbacks, commissions or any forms of benefits are strictly prohibited during any procurement, contract negotiations or other business dealings.

The manuals also outline guidance over conflicts of interest, intellectual property rights, privacy and information confidentiality, bribery and corruption, and equal opportunities.

Gift policy in the Group's internal manuals clearly states the required process and procedure for handling and accepting gifts and advantages.

The Group adopted a whistle-blowing policy to encourage and enable employees to raise serious concerns within the Group. The policy allows employees to raise genuine concerns without fear of reprisal about possible improprieties in matters of financial reporting, compliance, and other malpractices at the earliest opportunity, and in an appropriate way.

Community Involvement

In future, we will:

- Continue our efforts in environmental protection and implement more effective measures to mitigate environmental pollution;
- Uphold our high standards of occupational health and safety, promote awareness of occupational safety among staff, and develop better safety equipment as appropriate; and
- Nurture more professionals and young people for the construction industry.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of KHOON GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Khoon Group Limited (the “Company”) and its subsidiaries (herein referred to as the “Group”) set out on pages 51 to 119, which comprise the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
<p>Contract Revenue Recognition (Note 6) and Accounting for Electrical Engineering Services (Note 18)</p> <p>The Group is involved in provision of electrical engineering services, for which revenue is recognised over time using the input method (i.e. based on actual costs incurred to date as a percentage of total budgeted costs to complete the project) to measure the Group's progress towards complete satisfaction of a performance obligation, in accordance with IFRS 15 <i>Revenue from contracts with customers</i>.</p> <p>The revenue and profit recognised in a year on these projects is dependent on, amongst others, the assessment of the Group's efforts or inputs to the projects (i.e. contract costs incurred for work performed) relative to the total expected inputs to the projects (i.e. estimated total budgeted contract costs committed for the projects).</p> <p>Management's judgement and estimation in determining the budgeted costs to complete may have a significant impact on the Group's revenue and profit.</p> <p>The Group's revenue recognition policy and key source of estimation uncertainty are set out in Notes 4 and 5 to the consolidated financial statements.</p>	<p>We have evaluated management's process on the accounting for contract revenue and tested the key controls around contract revenue recognition.</p> <p>We assessed the Group's revenue recognition practices to determine that they are in compliance with IFRS 15 <i>Revenue from Contracts with Customers</i> including the Group's efforts or inputs to the projects (i.e. contract costs incurred for work performed) relative to the expected inputs to the construction projects (i.e. estimated total budgeted contract costs committed for the projects).</p> <p>For selected projects, our audit procedures included the following:</p> <ul style="list-style-type: none"> i. agreed projects contract sum to signed contracts and variation orders; ii. assessed the reasonableness of costs incurred against our understanding of the projects; iii. vouched the actual costs incurred during the year to details of supplier invoices and subcontractors to check the validity and accuracy of the costs; iv. performed cut-off testing to verify contract costs were taken up in the appropriate financial year; v. assessed and vouched the estimated costs to complete by substantiating costs that have been committed to quotations and contracts entered; vi. performed retrospective review by comparing the total actual contract costs incurred at completion against the total budgeted contract costs to assess the reasonableness of the estimates used by the management;

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
	<p>vii. for projects in progress, we further recomputed the percentage of the progress of the contract based on input method to test the accuracy of the percentage of the progress to determine the revenue; and</p> <p>viii. for projects completed during the year, we obtained the customer-issued project completion documents and verified that the remaining revenue has been captured.</p> <p>Further, we then compared total contract revenue to actual costs incurred plus estimated costs to complete, and assessed for foreseeable losses.</p> <p>We obtained a complete list of projects from management and ascertained that revenue and contract balances for ongoing projects during the year have been recognised.</p> <p>We also examined the project documentation (including contracts effective during the financial year, terms and conditions) and discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns which may result in liquidated damages.</p> <p>Lastly, we assessed the appropriateness and adequacy of relevant disclosures in the consolidated financial statements.</p> <p>Based on our procedures above, we have assessed the Group's revenue and actual costs recognised in profit or loss to be appropriate.</p>

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

- (a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidences regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Tay Hwee Ling.

Deloitte & Touche LLP

Public Accountants and Chartered Accountants

Singapore

31 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 S\$	2019 S\$
Revenue	6	37,898,045	48,647,372
Cost of services		(31,023,927)	(39,073,159)
Gross profit		6,874,118	9,574,213
Other income	7a	885,735	158,333
Other gains and losses	7b	419,811	266,609
(Allowance for) Reversal of impairment losses	7c	(416,486)	31,926
Administrative expenses		(2,810,793)	(2,397,859)
Finance costs	8	(5,665)	–
Listing expenses	10	(423,905)	(2,616,260)
Profit before taxation		4,522,815	5,016,962
Income tax expense	9	(818,417)	(1,366,703)
Profit and other comprehensive income for the year	10	3,704,398	3,650,259
Basic and diluted earnings per share (S\$ cents)	12	0.37	0.49

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 S\$	2019 S\$
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	13	733,238	881,242
Investment property	14	855,912	871,934
Right-of-use assets	15	254,594	–
Deposits	17a	402,450	113,700
		2,246,194	1,866,876
Current assets			
Trade receivables	16	2,854,253	2,688,824
Other receivables, deposits and prepayments	17b	826,782	1,704,862
Contract assets	18	39,632,362	32,768,152
Investments	19	5,579,022	–
Bank balances and cash	20	15,753,748	5,993,458
		64,646,167	43,155,296
Current liabilities			
Trade and other payables	21	26,405,017	29,041,325
Contract liabilities	18	300,528	–
Lease liabilities	22	175,042	–
Income tax payable		1,319,311	1,578,237
		28,199,898	30,619,562
Net current assets		36,446,269	12,535,734
Total assets less current liabilities		38,692,463	14,402,610
Non-current liabilities			
Deferred tax liabilities	23	61,338	53,603
Lease liabilities	22	85,326	–
		146,664	53,603
Net assets		38,545,799	14,349,007
EQUITY			
Capital and reserves			
Share capital	24	1,742,143	52
Share premium		31,669,457	12,917,842
Merger reserve		(11,417,891)	(11,417,891)
Accumulated profits		16,552,090	12,849,004
Equity attributable to owners of the Company		38,545,799	14,349,007

The consolidated financial statements on pages 51 to 119 were approved and authorised for issue by the Board of Directors on 31 August 2020 and are signed on its behalf by:

Ang Jui Khoon
Chairman and Executive Director

Ang Kok Kwang
Executive Director

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Share capital S\$	Share premium (Note a) S\$	Merger reserve (Note b) S\$	Accumulated profits S\$	Total S\$
Balance at 1 July 2018	1,500,003	–	–	9,198,745	10,698,748
<i>Total comprehensive income for the year:</i>					
Profit for the year	–	–	–	3,650,259	3,650,259
<i>Transactions with owners, recognised directly in equity:</i>					
Elimination of share capital pursuant to reorganisation (Notes 2 and 24)	(1,500,003)	–	–	–	(1,500,003)
Issue of shares pursuant to the reorganisation (Notes 2 and 24)	52	12,917,842	(11,417,891)	–	1,500,003
Balance at 30 June 2019	52	12,917,842	(11,417,891)	12,849,004	14,349,007
Adjustment on adoption of IFRS 16 (Note 3)	–	–	–	(1,312)	(1,312)
Balance at 1 July 2019	52	12,917,842	(11,417,891)	12,847,692	14,347,695
<i>Total comprehensive income for the year:</i>					
Profit for the year	–	–	–	3,704,398	3,704,398
<i>Transactions with owners, recognised directly in equity:</i>					
Issue of shares under the capitalisation issue (Note 24)	1,306,568	(1,306,568)	–	–	–
Issue of shares under the Share Offer (Note 24)	435,523	21,356,376	–	–	21,791,899
Share issue expenses		(1,298,193)	–	–	(1,298,193)
Balance at 30 June 2020	1,742,143	31,669,457	(11,417,891)	16,552,090	38,545,799

Note:

- a. Share premium represents the excess of share issue over the par value.
- b. Merger reserve represents the difference between the cost of acquisition pursuant to the reorganisation (Notes 2 and 24) and the total value of share capital of the entity acquired.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020 S\$	2019 S\$
Operating activities		
Profit before taxation	4,522,815	5,016,962
Adjustments for:		
Allowance for (Reversal of) impairment losses	416,486	(31,926)
Written off trade receivables	30,802	–
Reversal of liquidated damages	–	(189,062)
Depreciation of investment property	16,022	16,022
Depreciation of plant and equipment	416,433	455,898
Depreciation of right-of-use assets	159,322	–
Exchange gains, net	(450,613)	(86,296)
Loss on disposal of plant and equipment	–	8,749
Finance costs	5,665	–
Bank interest income	(311,032)	(36,982)
Operating cash flows before movements in working capital	4,805,900	5,153,365
(Increase) Decrease in trade receivables	(407,717)	703,854
Decrease (Increase) in other receivables, deposits and prepayments	589,330	(1,106,289)
Increase in contract assets	(7,069,210)	(21,327,666)
(Decrease) Increase in trade and other payables	(2,636,308)	16,427,634
Increase (Decrease) in contract liabilities	300,528	(42,365)
Cash used in operations	(4,417,477)	(191,467)
Income tax paid	(1,069,608)	(1,118,160)
Net cash used in operating activities	(5,487,085)	(1,309,627)
Investing activities		
Repayment from directors	–	1,319,742
Placement of investments	(29,330,298)	–
Withdrawal of investments	23,751,276	–
Bank interest received	311,032	36,982
Purchase of plant and equipment	(268,429)	(137,664)
Net cash (used in) from investing activities	(5,536,419)	1,219,060
Financing activities		
Repayment of lease liabilities (Note 29)	(154,860)	–
Proceeds from issue of shares	21,791,899	–
Share issues expenses paid	(1,298,193)	–
Interest paid (Note 29)	(5,665)	–
Net cash from financing activities	20,333,181	–
Net increase (decrease) in cash and cash equivalents	9,309,677	(90,567)
Cash and cash equivalents at beginning of year	5,993,458	5,997,729
Effect of foreign exchange rate changes	450,613	86,296
Cash and cash equivalents at end of year, represented by bank balances and cash	15,753,748	5,993,458

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

1 GENERAL

Khoon Group Limited (the “Company”) was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 24 July 2018 and its registered office is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) on 18 September 2018 and the principal place of business in Hong Kong is Unit B, 17/F, United Centre, 95 Queensway, Hong Kong. The head office and principal place of business of the Group is at Block 5000 Ang Mo Kio Avenue 5, #04-01, Techplace II, Singapore 569870. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 5 July 2019.

The Company is a subsidiary of Lead Development Investment Limited (“Lead Development”), incorporated in the British Virgin Islands (the “BVI”), which is also the Company’s ultimate holding company. Lead Development is owned by Mr. Ang Jui Khoon (“Mr. JK Ang”) and his son Mr. Ang Kok Kwang (“Mr. KK Ang”). Upon the entering into the concert party deed, Mr. JK Ang and Mr. KK Ang through Lead Development became the controlling shareholders of Khoon Group Limited and its subsidiaries (the “Group”) (together referred to as the “Controlling Shareholders”).

The Company is an investment holding company and the principal activities of its operating subsidiary are the provision of electrical engineering services. The details of the subsidiaries are set out in Note 28.

The consolidated financial statements are presented in Singapore Dollars (“S\$”), which is also the functional currency of the Company.

The consolidated financial statements are approved by the Board of Directors of the Company on 31 August 2020.

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

In preparing for the initial listing of the shares of the Company on the Stock Exchange, the companies comprising the Group underwent a group reorganisation (the “Reorganisation”) as described below. Prior to the Reorganisation, Khoon Engineering Contractor Pte. Ltd. (“Khoon Engineering”), the only operating subsidiary of the Group, was controlled by Mr. JK Ang and Mr. KK Ang, who owned 87.3% and 12.7% of equity interest in Khoon Engineering respectively.

The Reorganisation comprised the following steps:

(i) Incorporation of Lead Development and Top Stride Investment Limited (“Top Stride”)

On 4 July 2018, Lead Development was incorporated in the BVI with liability limited by shares and is authorised to issue a maximum of 50,000 shares of a single class with no par value. On 4 July 2018, 13,091 ordinary shares and 1,909 ordinary shares of Lead Development were issued and allotted to Mr. JK Ang and Mr. KK Ang respectively, for cash consideration, pursuant to the memorandum and articles of association of Lead Development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(i) Incorporation of Lead Development and Top Stride Investment Limited (“Top Stride”) (continued)**

On 28 June 2018, Top Stride was incorporated in the BVI with liability limited by shares and is authorised to issue a maximum of 50,000 shares of a single class with no par value. On 28 June 2018, 13,091 ordinary shares and 1,909 ordinary shares of Top Stride were issued and allotted to Mr. JK Ang and Mr. KK Ang respectively with a total consideration of United States dollar (“US\$”) 2 (equivalent to S\$3) pursuant to the memorandum and articles of association of Top Stride.

(ii) Incorporation of the Company

On 24 July 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of Hong Kong Dollar (“HK\$”) 100,000 divided into 10,000,000 shares with par value of HK\$0.01 each.

On 24 July 2018, one nil-paid subscriber share was allotted and issued to the initial subscriber, and was transferred to Lead Development on the same day, after which the Company became wholly-owned by Lead Development.

(iii) Acquisition of Khoon Engineering by Top Stride

On 31 August 2018, Mr. JK Ang and Mr. KK Ang, as vendors, and Top Stride, as purchaser, entered into a sale and purchase agreement, pursuant to which Top Stride acquired 1,309,090 shares and 190,910 shares of Khoon Engineering, representing all of its issued shares in aggregate, from Mr. JK Ang and Mr. KK Ang, at the consideration of S\$10,606,810 and S\$1,546,835 respectively. In settlement of the aforesaid consideration, Top Stride issued and allotted 13,091 ordinary shares and 1,909 ordinary shares, credited as fully paid, to Mr. JK Ang and Mr. KK Ang respectively.

Upon completion of the above acquisition on 31 August 2018, Khoon Engineering became a wholly-owned subsidiary of Top Stride.

(iv) Acquisition of Top Stride by the Company

On 12 March 2019, Mr. JK Ang and Mr. KK Ang, as vendors, and the Company, as purchaser, entered into a sale and purchase agreement, pursuant to which the Company acquired 26,182 shares and 3,818 shares of Top Stride, representing all of its issued shares in aggregate, from Mr. JK Ang and Mr. KK Ang respectively, at the consideration of S\$11,273,877 and S\$1,644,017 respectively. In settlement of the aforesaid consideration, the Company issued and allotted 29,999 shares, credited as fully paid, to Lead Development, and crediting as fully paid at par one nil-paid share held by Lead Development, at the instructions of Mr. JK Ang and Mr. KK Ang.

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

(iv) Acquisition of Top Stride by the Company (continued)

Following the aforesaid acquisition, Khoon Engineering became indirectly wholly owned by the Company.

As a result of the Reorganisation as completed on 12 March 2019, the Company became the holding company of the Group with its business being conducted through the operating subsidiary in Singapore, i.e. Khoon Engineering.

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

Movement of Lead Development's interest in the Company

On 20 March 2020 (after trading hours), 200,000,000 shares of the Company then held by Lead Development (the "Placing Shares"), representing 20% of the existing issued share capital of the Company, were successfully placed to certain investors at HK\$0.265 per Placing Share pursuant to the terms of a placing agreement dated 11 March 2020 (the "Placing").

Upon completion of the Placing, Lead Development held 550,000,000 shares of the Company, representing 55% of the existing issued share capital of the Company, and remained a controlling shareholder of the Group.

3 ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 4. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3 ADOPTION OF NEW AND REVISED STANDARDS (continued)*New and amended IFRS Standards that are effective for the current year (continued)**Impact of initial application of IFRS 16 Leases (continued)*

The date of initial application of IFRS 16 for the Group is 1 July 2019.

The Group has applied IFRS 16 using the cumulative catch-up approach, which:

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of accumulated profits at the date of initial application; and
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

3 ADOPTION OF NEW AND REVISED STANDARDS (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Impact of initial application of IFRS 16 Leases (continued)

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- (a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3 ADOPTION OF NEW AND REVISED STANDARDS (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Impact of initial application of IFRS 16 Leases (continued)(b) **Impact on Lessee Accounting (continued)**(i) *Former operating leases (continued)*

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(c) **Impact on Lessor Accounting**

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3 ADOPTION OF NEW AND REVISED STANDARDS (continued)**New and amended IFRS Standards that are effective for the current year (continued)***Impact of initial application of IFRS 16 Leases (continued)***(d) Financial impact of initial application of IFRS 16**

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 2.29% per annum.

The following table shows the operating lease commitments disclosed applying IAS 17 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on accumulated profits as at 1 July 2019

	S\$
Operating lease commitments at 30 June 2019 (Note 25)	298,290
Short-term leases	(64,312)
Effect of discounting the above amounts	(5,886)
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	8,720
Lease liabilities recognised at 1 July 2019	236,812
Analysed as:	
Current	118,177
Non-current	118,635
	236,812

Right-of-use assets were measured initially at the present value of the future lease payments as if the Standard had been applied since the commencement date. Consequently, upon transition to IFRS 16, the Group has recognised S\$235,500 of right-of-use assets (Note 15) and S\$236,812 of lease liabilities relating to previous operating lease commitment under IAS 17. The difference of S\$1,312 is recognised in accumulated profits.

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 July 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3 ADOPTION OF NEW AND REVISED STANDARDS (continued)*New and revised IFRS Standards issued but not yet effective*

At the date of authorisation of these consolidated financial statements, the Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective, which are relevant to the Group:

Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ¹
Amendments to IFRS 3 Framework	<i>Definition of a Business</i> ² <i>Amendments to References to the Conceptual Framework in IFRS Standards</i> ¹
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions</i> ³
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ⁴
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ⁴
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ⁴
Amendments to IFRSs	<i>Annual Improvements to IFRS Standards 2018-2020</i> ⁴
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ⁵

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for business combinations and assets acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 June 2020, with early application permitted, including in financial statements not yet authorised for issue at 28 May 2020. The amendment is also available for interim reports.

4 Effective for annual periods beginning on or after 1 January 2022.

5 Effective for annual periods beginning on or after 1 January 2022. On 4 May 2020, an ED *Classification of Liabilities as Current or Non-current* (Proposed amendment to IAS 1) was issued for comments to defer the effective date of the amendment by one year to annual reporting periods beginning on or after 1 January 2023.

The directors of the Company anticipates that the application of the other new and amendments to IFRS Standards will have no material impact on the Group's consolidated financial position and performance as well as disclosures in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”).

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and the applicable disclosures required by the Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the following accounting policies which conform to IFRSs. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Shared-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 July 2019) or IAS 17 (before 1 July 2019), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the assets 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.

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

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

The principal accounting policies adopted are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

Merger accounting for business combination involving entities under common control

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Basis of consolidation (continued)***Merger accounting for business combination involving entities under common control (continued)*

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

Revenue recognition

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

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

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

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

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

- (a) the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs; or
- (b) the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- (c) the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue is measured based on the consideration specified in contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from provision of electrical engineering services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)*Revenue recognition (continued)**Revenue from provision of electrical engineering services*

The Group provides services on electrical engineering works under long-term contracts with customers. Such contracts are entered into before the services begin. Under the term of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the Group's performance creates and enhances an asset that the customer controls as the Group performs.

Revenue from provision of electrical engineering works is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15.

Contract assets and liabilities

A contract asset represents the Group's right to consideration from customers in exchange for the provision of electrical engineering services that the Group has transferred to a customer that is not yet unconditional. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer when the Group's right to payment becomes unconditional other than passage of time.

Contract assets are assessed for impairment in accordance with IFRS 9.

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Other income

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

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Sponsorship income is recognised when the services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Retirement benefit costs

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

Short-term employee benefits

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

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

Taxation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Taxation (continued)**

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Foreign currencies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment

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

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use.

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

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

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment loss.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of tangible assets**

At the end of each reporting period, the management of the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating-units, or otherwise they are allocated to the smallest group of cash-generating-units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Cash and cash equivalents

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

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

Financial instruments

Initial Recognition

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Financial assets

Classification of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15. All recognised financial assets that are within the scope of IFRS 9 are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

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

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

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

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

By default, all other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

All recognised financial assets of the Group are subsequently measured at amortised cost (including trade receivables, other receivables and deposits, and bank balances and cash) or FVTPL (dual currency investments).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)***Financial assets (continued)***Amortised cost and effective interest method**

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

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss using the effective interest method and is included in the “other income” line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)***Financial assets (continued)***Impairment under ECL model**

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on trade receivables and contract assets are assessed individually.

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

Significant increase in credit risk

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)***Financial assets (continued)***Definition of default**

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

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

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial assets.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Credit-impaired financial assets

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

- a) significant financial difficulty of the issuer or the borrower; or
- b) a breach of contract, such as a default or past due event; or
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession (s) that the lender (s) would not otherwise consider; or
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over one year, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)***Financial liabilities and equity instruments**Classification as debt or equity*

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

Equity instruments

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

Financial liabilities subsequently measured at amortised cost

All financial liabilities (including trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

Leases

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Before the application of IFRS 16 on 1 July 2019

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Before the adoption of IFRS 16 on 1 July 2019 (continued)

The Group as lessor

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

The Group as lessee

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

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the period in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Upon the application of IFRS 16 on 1 July 2019

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Leases (continued)***After the adoption of IFRS 16 on 1 July 2019 (continued)***The Group as lessor**

The Group enters into lease agreements as a lessor with respect to its investment property.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable; and
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

After the adoption of IFRS 16 on 1 July 2019 (continued)

The Group as lessee (continued)

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Leases (continued)***After the adoption of IFRS 16 on 1 July 2019 (continued)***The Group as lessee (continued)**

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Plant and equipment' policy.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

Dividend distribution

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

Offsetting arrangements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Revenue recognition of electrical engineering services

The Group recognises contract revenue from provision of electrical engineering works over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

Estimated impairment of trade receivables, other receivables and contract assets

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

As at 30 June 2020, the carrying amounts of trade receivables, net of allowance for impairment losses of S\$233,811 (2019: S\$22,325), other receivables (excluding prepayments and deferred issue costs) and contract assets of the Group, net of allowance for impairment losses of S\$205,000 (2019: S\$Nil), are S\$2,854,253 (2019: S\$2,688,824) (Note 16), S\$1,200,879 (2019: S\$675,744) (Note 17) and S\$39,632,362 (2019: S\$32,768,152) (Note 18) respectively.

6 REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from provision of electrical engineering services being recognised over time, mainly comprising of (i) assisting to obtain statutory approvals; (ii) customisation and/or installation of electrical systems; and (iii) testing and commissioning by the Group to external customers. It also represents the revenue from contracts with customers.

Information is reported to the executive directors of the Company, being the chief operating decision makers ("CODMs") of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group's accounting policies described in Note 4. No other analysis of the Group's result nor assets and liabilities is regularly provided to the CODMs for review and the CODMs review the overall results and financial performance of the Group as a whole. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

6 REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's revenue for the financial year is as follows:

	2020	2019
	S\$	S\$
Contract revenue from provision of electrical engineering services, recognised over time	37,898,045	48,647,372

All the Group's services are rendered directly with the customers. Contracts with the Group's customers are agreed in fixed-price with terms from 2 months to 58 months (2019: 2 months to 67 months).

Included in the Group's revenue for the year ended 30 June 2020 is S\$26,797,479 (2019: S\$42,073,088) derived from provision of electrical engineering services to customers in the public sector. The other remaining revenue is derived from provision of electrical engineering services to the customers in private sector.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) as at the end of the reporting period.

	2020	2019
	S\$	S\$
Provision of electrical engineering services:		
– Within one year	46,317,867	39,713,754
– More than one year but not more than two years	13,290,200	16,973,469
– More than two years but not more than five years	4,450,061	6,229,643
	64,058,128	62,916,866

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the unsatisfied (or partially satisfied) contracts as at 30 June 2020 and 2019 will be recognised as revenue during the years ended/ending 30 June 2020 to 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

6 REVENUE AND SEGMENT INFORMATION (continued)**Information about the major customers**

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

	2020	2019
	S\$	S\$
Customer I	5,766,127	6,739,033
Customer II	4,293,050	N/A*
Customer III	4,142,432	N/A*
Customer IV	N/A*	7,808,565
Customer V	N/A*	6,890,587
Customer VI	N/A*	5,730,029

* Revenue did not contribute over 10% of total revenue of the Group for the respective years.

Geographical information

The Group principally operates in Singapore, which is also the place of domicile. Revenue derived from Singapore represents 100% of the total revenue for the year ended 30 June 2020 (2019: 100%) based on the location of services delivered. The Group's non-current assets are all located in Singapore.

7 a. OTHER INCOME

	2020	2019
	S\$	S\$
Bank interest income	260,148	36,982
Interest income from FVTPL investments	50,884	-
Government grants (Note 1)	540,327	34,404
Rental income	33,345	34,200
Sponsorship income (Note 2)	-	30,000
Others	1,031	22,747
	885,735	158,333

Note 1: Government grants in 2020 mainly include COVID-19-related support by the Singapore government to help companies tide through this period of economic uncertainty, such as the Foreign Worker Levy ("FWL") rebates and the Job Support Scheme ("JSS"). Under the JSS, the government will co-fund between 25% to 75% of the first S\$4,600 of gross monthly wages paid to each local employee in a ten-month period through cash subsidies.

While JSS and FWL rebates were recognised as grant income, FWL waivers obtained of approximately S\$126,000 were offset against related FWL expenses in cost of services.

All government grants are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.

Note 2: During the year ended 30 June 2019, the Group received S\$30,000 sponsorship income from various suppliers for their participation in an enterprise ceremony.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

7 b. OTHER GAINS AND LOSSES

	2020 S\$	2019 S\$
Loss on disposal of plant and equipment	–	(8,749)
Exchange gains, net	450,613	86,296
Written off trade receivables	(30,802)	–
Reversal of provision for liquidated damages	–	189,062
	419,811	266,609

7 c. (ALLOWANCE FOR) REVERSAL OF IMPAIRMENT LOSSES

	2020 S\$	2019 S\$
(Allowance for) Reversal of impairment loss on trade receivables (Note 16)	(211,486)	31,926
Allowance for impairment loss on retention receivables (Note 18)	(205,000)	–
	(416,486)	31,926

8 FINANCE COSTS

	2020 S\$	2019 S\$
Interest on lease liabilities	5,665	–

9 INCOME TAX EXPENSE

	2020 S\$	2019 S\$
Tax expense comprises:		
Current tax:		
– Singapore corporate income tax (“CIT”)	851,550	1,319,023
– Overprovision of tax in prior years	(40,868)	–
Deferred tax expense (Note 23)	7,735	47,680
	818,417	1,366,703

CIT is calculated at 17% of the estimated assessable profit and the Group is further eligible for CIT rebate of 25%, capped at S\$15,000 for the Year of Assessment 2020. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$190,000 of normal chargeable income for both the Years of Assessment 2020 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

9 INCOME TAX EXPENSE (continued)

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

	2020 S\$	2019 S\$
Profit before taxation	4,522,815	5,016,962
Tax at applicable tax rate of 17%	768,879	852,884
Tax effect of expenses not deductible for tax purpose	268,336	547,379
Tax effect of income not taxable for tax purpose	(159,542)	(16,135)
Effect of tax concessions and partial tax exemptions	(17,425)	(17,425)
Overprovision of tax in prior years	(40,868)	–
Others	(963)	–
Taxation for the year	818,417	1,366,703

10 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2020 S\$	2019 S\$
Depreciation of plant and equipment (Note 13)	416,433	455,898
Depreciation of right-of-use assets (Note 15)	159,322	–
Depreciation of investment property (Note 14)	16,022	16,022
Audit fees to auditors of the Company:		
– Annual audit fees	205,000	175,000
– Audit fees in connection with the listing of the Company (Note)	–	251,250
Listing expenses (Note)	423,905	2,616,260
Directors' remuneration (Note 11)	1,225,384	1,310,765
Other staff costs:		
– Salaries and other benefits	3,904,934	4,556,874
– Contributions to CPF	175,081	176,899
Total staff costs	5,305,399	6,044,538
Cost of materials recognised as cost of services	9,189,104	12,219,318
Subcontractor costs recognised as cost of services	16,576,616	21,133,207
Gross rental income from investment property recognised as other income (Note 7a)	(33,345)	(34,200)
Less: Direct operating expenses incurred for investment property that generated rental income	1,028	2,883
	(32,317)	(31,317)

Note: Included in listing expenses are audit fees of S\$Nil (2019: S\$251,250) paid to auditors of the Company, and non-audit fees of S\$Nil (2019: S\$217,500) paid to other auditors of the Group.

Included in deferred issue costs (Note 17b) are audit fees of S\$Nil (2019: S\$112,500) paid to auditors of the Company, and non-audit fees of S\$Nil (2019: S\$102,500) paid to other auditors of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

11 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION**Directors' emoluments**

Mr. JK Ang and Mr. KK Ang were appointed as directors of the Company on 24 July 2019 and they were re-designated as executive directors on 31 August 2019, whilst Mr. Ang Yong Kwang ("Mr. YK Ang") was appointed on 24 July 2019. Ms. Tan Pei Fung, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong were appointed as independent non-executive directors of the Company on 10 June 2019. Fees paid to the independent non-executive directors of the Company have been time-proportioned to be effective from 5 July 2019 onwards.

The emoluments paid or payable to the directors of the Company (including emoluments for services as employee/directors of the group entities now comprising the Group prior to becoming the directors of the Company) by entities comprising the Group are as follows:

Year ended 30 June 2020

	Fees S\$	Discretionary bonus (Note c) S\$	Salaries and allowances S\$	Contributions to retirement benefit scheme (Note d) S\$	Total S\$
Executive Directors					
Mr. JK Ang (Note a)	40,000	42,000	336,000	7,650	425,650
Mr. KK Ang (Note b)	40,000	39,000	323,742	17,340	420,082
Mr. YK Ang	40,000	27,000	233,734	16,830	317,564
Independent Non-Executive Directors					
Ms. Tan Pei Fung	20,696	-	-	-	20,696
Mr. Yeo Kwang Maccann	20,696	-	-	-	20,696
Mr. Hon Chin Kheong	20,696	-	-	-	20,696
	182,088	108,000	893,476	41,820	1,225,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

11 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION (continued)

Directors' emoluments (continued)

Year ended 30 June 2019

	Fees S\$	Discretionary bonus (Note c) S\$	Salaries and allowances S\$	Contributions to retirement benefit scheme (Note d) S\$	Total S\$
Executive Directors					
Mr. JK Ang (Note a)	40,000	42,000	336,000	8,550	426,550
Mr. KK Ang (Note b)	40,000	96,830	332,012	18,870	487,712
Mr. YK Ang	–	159,459	220,214	16,830	396,503
Independent Non-Executive Directors					
Ms. Tan Pei Fung	–	–	–	–	–
Mr. Yeo Kwang Maccann	–	–	–	–	–
Mr. Hon Chin Kheong	–	–	–	–	–
	80,000	298,289	888,226	44,250	1,310,765

Notes:

- (a) Mr. JK Ang acts as the chairman of the Company.
- (b) Mr. KK Ang acts as chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.
- (c) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (d) No other retirement benefits were paid to the directors of the Company in respect of their respective undertaking services in connection with the management of the affairs of the Company or its subsidiaries.

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

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

11 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION (continued)

During the years ended 30 June 2020 and 2019:

- (i) No remuneration was paid by the Group to any director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office;
- (ii) There was no early termination of appointment of directors and accordingly, no termination benefit was provided to or receivable by any director;
- (iii) No consideration was provided to or receivable by third parties for making available directors' services; and
- (iv) No loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities, and the Company's holding company.

No significant transactions, arrangements, and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years ended 30 June 2020 and 2019 or at any time during the years.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three were directors of the Company during the year ended 30 June 2020 (2019: three) whose emoluments are included in the disclosures above. The emoluments of the remaining two (2019: two) individuals were as follows:

	2020	2019
	S\$	S\$
Salaries and allowances	195,587	195,600
Discretionary bonus	44,600	37,500
Contribution to retirement benefits scheme	32,062	30,855
	272,249	263,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

11 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION (continued)**Employees' emoluments (continued)**

The emoluments of the five highest paid individuals (including directors) were within the following bands:

	Number of individuals	
	2020	2019
Nil to HK\$1,000,000	2	2
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	2	2
HK\$2,500,001 to HK\$3,000,000	–	1

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 30 June 2020 and 2019. None of the directors of the Company or the five highest paid individuals (including directors and employees) waived or agreed to waive any emoluments for the years ended 30 June 2020 and 2019.

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2020	2019
Profit for the year attributable to owners of the Company (S\$)	3,704,398	3,650,259
Weighted average number of ordinary shares in issue	997,267,760	750,000,000
Basic and diluted earnings per share (S\$ cents)	0.37	0.49

The calculation of basic earnings per share for the years ended 30 June 2020 and 2019 is based on the profit for the year attributable to owners of the Company and the weighted average number of shares in issue.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 30 June 2019 had been determined on the assumption that the Reorganisation to enable the Company to become the holding company of the Group had been effective on 1 July 2018 and 750,000,000 shares in issue upon completion of the Reorganisation as detailed in Note 24.

Diluted earnings per share is the same as the basic earnings per share because the Group has no dilutive securities that are convertible into shares during the years ended 30 June 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

13 PLANT AND EQUIPMENT

	Plant and machinery	Computers	Office equipment	Motor vehicles	Furniture and fittings	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Cost:						
At 1 July 2018	682,231	142,387	45,999	1,379,447	40,763	2,290,827
Additions	46,248	24,209	36,277	–	30,930	137,664
Disposals	(200,069)	(35,662)	(17,028)	–	(33,992)	(286,751)
At 30 June 2019	528,410	130,934	65,248	1,379,447	37,701	2,141,740
Additions	22,038	36,640	–	208,700	1,051	268,429
At 30 June 2020	550,448	167,574	65,248	1,588,147	38,752	2,410,169
Accumulated depreciation:						
At 1 July 2018	314,024	130,978	21,238	579,964	36,398	1,082,602
Charge for the year	143,213	31,785	19,279	255,901	5,720	455,898
Elimination on disposals	(192,561)	(35,662)	(16,066)	–	(33,713)	(278,002)
At 30 June 2019	264,676	127,101	24,451	835,865	8,405	1,260,498
Charge for the year	109,173	20,615	13,632	265,262	7,751	416,433
At 30 June 2020	373,849	147,716	38,083	1,101,127	16,156	1,676,931
Carrying amounts:						
At 30 June 2019	263,734	3,833	40,797	543,582	29,296	881,242
At 30 June 2020	176,599	19,858	27,165	487,020	22,596	733,238

The above items of plant and equipment are depreciated on a straight-line basis at the following useful lives:

Plant and machinery	5 years
Computers	1 year
Office equipment	5 years
Motor vehicles	5 years
Furniture and fittings	5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

14 INVESTMENT PROPERTY

	2020 S\$	2019 S\$
Cost:		
At beginning and end of the year	933,509	933,509
Accumulated depreciation:		
At beginning of the year	61,575	45,553
Charge for the year	16,022	16,022
At end of the year	77,597	61,575
Carrying amount:		
At end of the year	855,912	871,934

The investment property is leased to a third party. The leases contain initial non-cancellable period of three years. Subsequent renewals are negotiated with the lessee.

The investment property is depreciated on a straight-line basis over 57 years.

As at 30 June 2020, the fair value of the investment property amounted to S\$1,020,000 (2019: S\$1,020,000). The fair value measurement of the Group's investment property as at 31 January 2019 was carried out by Ascent Partners Valuation Service Limited, an independent valuer not related to the Group, and who has the appropriate qualifications and relevant experience. Management has assessed that the key inputs and assumptions used by the valuer for valuation dated 31 January 2019 remain applicable and reasonable as at 30 June 2019 and 2020.

The fair values were based on comparable market transactions of similar properties in the neighbourhood that have been transferred in the open market with the significant unobservable input being the price per square meter where any significant isolated increase (decrease) in this input would result in a significantly higher (lower) fair value measurement.

The investment property is categorised within level 3 of the fair value hierarchy.

In estimating the fair value of the property, the highest and best use of the property is its current use.

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

Address	Tenure	Fair value as at	
		2020 S\$	2019 S\$
Level 3			
No.3 Ang Mo Kio St. #04-34, Link@AMK, Singapore 569139	57 years	1,020,000	1,020,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

15 RIGHT-OF-USE ASSETS (GROUP AS A LESSEE)

	Dormitories S\$	Office S\$	Office equipment S\$	Total S\$
Cost:				
At 1 July 2019 (Upon adoption of IFRS 16)	88,141	232,804	11,213	332,158
Additions	178,416	–	–	178,416
At 30 June 2020	266,557	232,804	11,213	510,574
Accumulated Depreciation:				
At 1 July 2019 (Upon adoption of IFRS 16)	42,308	51,734	2,616	96,658
Charge for the year	79,478	77,601	2,243	159,322
At 30 June 2020	121,786	129,335	4,859	255,980
Carrying amount				
At 30 June 2020	144,771	103,469	6,354	254,594

The Group leases several assets including staff dormitories, office and office equipment. The lease term is two to five years (2019: two to three years).

The Group has no options to purchase any of its leased assets at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

Certain leases for staff dormitories expired in the current financial year. The expired contracts were either replaced by new leases for similar underlying assets or extended through exercising options. This resulted in additions to right-of-use assets of S\$178,416 in 2020.

The maturity analysis of lease liabilities is presented in Note 22.

Amounts recognised in profit or loss

	2020 S\$
Depreciation expense on right-of-use assets (Note 10)	159,322
Interest expense on lease liabilities (Note 8)	5,665
Expense relating to short-term leases	72,160

At 30 June 2020, the Group is committed to S\$4,800 for short-term leases.

The total cash outflow for leases in 2020 amounts to approximately S\$233,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

16 TRADE RECEIVABLES

	2020 S\$	2019 S\$
Trade receivables	3,088,064	2,711,149
Less: Allowance for impairment losses	(233,811)	(22,325)
	2,854,253	2,688,824

As at 1 July 2018, trade receivables amount to S\$3,360,752.

The Group grants credit term to customers typically 30 to 35 days from invoice date for trade receivables to all customers for the financial year ended 30 June 2020 (2019: 30 to 35 days). The following is an aged analysis of trade receivables, net of allowance for impairment losses, presented based on the invoice date which approximated the revenue recognition date at the end of each reporting year:

	2020 S\$	2019 S\$
Within 30 days	1,726,441	2,326,057
31 days to 60 days	326,514	264,919
61 days to 90 days	384,793	16,887
91 days to 120 days	14,964	26,222
More than 120 days	401,541	54,739
	2,854,253	2,688,824

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed when necessary. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

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

The Group applies the simplified approach to provide impairment loss measured as expected credit losses prescribed by IFRS 9. The impairment methodology is set out in Notes 4 and 32(b) of the consolidated financial statements.

To measure the ECL of trade receivables, trade receivables are assessed individually for all customers.

As part of the Group's credit risk management, the Group assesses the impairment for its customers by reference to past default experience and current past due exposure of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

16 TRADE RECEIVABLES (continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. As at 30 June 2020, the Group recognised S\$233,811 impairment allowance based on individual assessment for all customers.

There has been no changes in the estimation techniques or significant assumption made during the current reporting period.

The table below is an analysis of trade receivables as at year end:

Analysis of trade receivables:

	2020	2019
	S\$	S\$
Not past due and not impaired	1,726,441	2,326,057
Past due but not impaired	1,127,812	362,767
	2,854,253	2,688,824
Past due and impaired	233,811	22,325
Less: Allowance for impairment losses	(233,811)	(22,325)
	2,854,253	2,688,824

The following is an analysis of trade receivables by age, presented based on the due date at the end of each reporting period, net of allowance for impairment losses:

Receivables that are past due but not impaired:

	2020	2019
	S\$	S\$
Within 30 days	326,514	264,919
31 days to 60 days	384,793	16,887
61 days to 90 days	14,964	26,222
91 days to 120 days	6,212	1,685
More than 120 days	395,329	53,054
	1,127,812	362,767

Included in the Group's trade receivables are carrying amount of approximately S\$1,127,812 which are past due at 30 June 2020 (2019: S\$362,767), for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable based on repayment history of respective customers. Management has assessed that the receivables as at 30 June 2020 that are past due beyond 90 days are not in default as a significant portion of these relate to backcharges to a subcontractor, to which the Group is in a net payable position to as at 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

16 TRADE RECEIVABLES (continued)

Movements in the allowance for impairment losses on trade receivables:

	2020	2019
	S\$	S\$
Balance at beginning of year	22,325	54,251
Impairment losses recognised (reversed) (Note 7c)	211,486	(31,926)
Balance at end of year	233,811	22,325

The movement for the financial years ended 30 June 2020 and 2019, i.e., in lifetime ECL, has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9.

17 a. DEPOSITS

The amounts as at 30 June 2020 relate to cash deposits placed directly either with a customer or with a bank (for performance guarantee issued) as security for due performance and observance of the Group's obligations under contracts entered into between the Group and its customers, where the projects are due to be completed in January 2022 and December 2021 respectively.

The amount as at 30 June 2019 relates to cash deposit placed directly with a customer as security for due performance and observance of the Group's obligations under a contract entered into between the Group and a customer, where the project is due to be completed in 2021. This same amount has been reclassified to current deposits (as disclosed in Note 17b) as at 30 June 2020.

The management considered the ECL for such deposits to be insignificant as at 30 June 2020 and 2019.

17 b. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020	2019
	S\$	S\$
Deposits (Note)	476,999	358,852
Prepayments	28,353	84,420
Deferred issue costs	–	1,058,398
Grant receivables (Note)	244,056	–
Others (Note)	77,374	203,192
	826,782	1,704,862

Note: The management considered the ECL for deposits, grant receivables, and others to be insignificant as at 30 June 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

18 CONTRACT ASSETS/LIABILITIES

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

	2020	2019
	S\$	S\$
Contract assets	39,632,362	32,768,152
Contract liabilities	(300,528)	–
	39,331,834	32,768,152

As at 1 July 2018, contract assets and contract liabilities amounted to S\$11,440,486 and S\$42,365 respectively.

Contract assets (retention receivables) and contract liabilities arising from the same contract are presented on a net basis above. In the analysis below, these contract assets (retention receivables) and contract liabilities are presented on a gross basis, with the effect of the grossing up being S\$56,875 as at 30 June 2020 (2019: S\$Nil).

Contract assets

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

The Group's contract assets are analysed as follows:

	2020	2019
	S\$	S\$
Retention receivables	4,712,601	4,318,580
Less: Allowance for impairment losses	(205,000)	–
Others (Note)	35,181,636	28,449,572
	39,689,237	32,768,152

Note: Others represent the revenue not yet billed to the customers, for which the Group has completed the relevant services under such contracts but yet to be certified by architects, surveyors or other representatives appointed by the customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

18 CONTRACT ASSETS/LIABILITIES (continued)**Contract assets (continued)**

Changes of contract assets were mainly due to changes in: (1) the amount of retention receivables (generally at a certain percentage of total contract sum) in accordance with the number of ongoing and completed contracts under the defect liability period; and (2) the size and number of contract works that the relevant services were completed but yet certified by architects, surveyors or other representatives appointed by the customers at the end of each reporting period.

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

To measure ECL, contract assets are assessed individually for all customers. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation for the loss rates for contract assets. Based on the individual assessment for all customers by management of the Group, other than disclosed below, it is considered that the ECL for contract assets is insignificant as at 30 June 2020 and 2019.

Movements in the allowance for impairment losses on retention receivables:

	2020 S\$	2019 S\$
Balance at beginning of year	–	–
Impairment losses recognised (Note 7c)	205,000	–
Balance at end of year	205,000	–

There were no impairment losses recognised on any contract assets during the year ended 30 June 2019.

Contract liabilities

The contract liabilities represents the Group's obligation to transfer services to customers for which the Group has received consideration in advance (or an amount of consideration is due) from the customers according to the progressive billing arrangement stated in the contracts. Contract liabilities as at 30 June 2020 mainly relate to advances received from customers.

The Group's contract liabilities are analysed as follows:

	2020 S\$	2019 S\$
Contract liabilities	357,403	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

19 INVESTMENTS

	2020 S\$	2019 S\$
<i>Financial assets mandatorily measured at FVTPL</i>		
Dual currency investments in S\$	2,805,401	–
Dual currency investments in US\$	2,773,621	–
	5,579,022	–

The Group uses short-term dual currency investments as a tool to earn higher interest on its bank balances as compared to short-term time deposits. Dual currency investments are a type of structured investment that combines time deposits with an embedded currency option. On trade date, the Group agrees the base currency (in which principal invested is denominated), an alternate currency, a strike rate and tenor with the financial institution. Upon expiry, should the base currency depreciate against the alternate currency, principal and interest will be received in base currency. Otherwise, principal and interest will be converted to alternate currency at strike rate and received.

Dual currency investments are classified as FVTPL and any foreign currency component is included in fair value movement recognised in profit or loss. However, as the Group's dual currency investments are only for a tenor of one month and will mature shortly after year end, no mark-to-market gain/loss has been recognised during the year ended 30 June 2020. They carry fixed interest rate ranging from 2.38% to 2.70% per annum.

20 BANK BALANCES AND CASH

	2020 S\$	2019 S\$
Cash at banks	15,722,361	5,963,228
Cash on hand	31,387	30,230
Cash and cash equivalents in the consolidated statement of cash flows	15,753,748	5,993,458

As at 30 June 2020, other than time deposits of S\$9,093,085 (2019: S\$Nil) with tenure of three months and which carry fixed interest rate of 1.60% per annum, and bank balances of S\$6,144,672 (2019: S\$1,747,378) that carry effective interest rate ranging from 0.09% to 1.24% per annum (2019: 0.68% to 0.70% per annum), the remaining bank balances and cash are interest-free.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

21 TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	2020 S\$	2019 S\$
Trade payables	1,669,311	2,751,365
Trade accruals	21,665,536	19,383,190
Retention payables (Note)	2,247,912	1,503,736
	25,582,759	23,638,291
Other payables		
Accrued listing expenses	–	1,456,119
Payroll and CPF payables	225,245	225,974
Goods and Services Tax (“GST”) payables	233,432	34,363
Rental deposit received	8,550	8,550
Share issue proceeds received in advance from cornerstone investor (Note 1)	–	3,500,926
Deferred grant income	145,806	–
Accrued audit fees	205,000	175,000
Others	4,225	2,102
	26,405,017	29,041,325

Note: The retention payables to subcontractors are interest-free and payable after the completion of maintenance period or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works.

Note 1: The amount was received by the Group shortly before the year ended 30 June 2019, and was applied to share premium upon the Share Offer (as defined in Note 24) subsequent to year end.

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

	2020 S\$	2019 S\$
Within 30 days	980,251	1,740,031
31 to 60 days	348,509	376,329
61 to 90 days	11,547	138,235
91 to 120 days	47,198	340,667
Over 120 days	281,806	156,103
	1,669,311	2,751,365

The credit period on purchases from suppliers and subcontractors is 30 to 90 days (2019: 7 to 90 days) or payable upon delivery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

22 LEASE LIABILITIES

	2020 S\$
Lease liabilities payable:	
Within one year	175,042
Within a period of more than one year but not more than two years	83,359
Within a period of more than two years but not more than five years	1,967
	260,368
Less: Amount due for settlement with 12 months (shown under current liabilities)	(175,042)
Amount due for settlement after 12 months (shown under non current liabilities)	85,326

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's finance function.

The above represents leases for certain staff dormitories, office and office equipment of the Group. The weighted average incremental borrowing rate was 2.29% per annum.

The Group's lease does not contain variable lease payments and accordingly no expense relating to variable lease payments is included in the measurement of lease liabilities.

Certain leases of the Group contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. These extension options are exercisable by the Group and not by the lessor.

23 DEFERRED TAX LIABILITIES

	2020 S\$	2019 S\$
As at 1 July	53,603	5,923
Recognised in profit or loss during the year:		
– Accelerated tax depreciation (Note 9)	7,735	47,680
As at 30 June	61,338	53,603

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

24 SHARE CAPITAL

For the purpose of presenting share capital of the Group prior to the Reorganisation below, the balance as at 1 July 2018 represented the share capital of Khoon Engineering as the Company was incorporated in the Cayman Islands on 24 July 2018.

	Number of ordinary shares	Par Value HK\$	Share capital HK\$
Authorised share capital of the Company:			
At date of incorporation of the Company			
on 24 July 2018 (Note b)	10,000,000	0.01	100,000
Increase on 10 June 2019 (Note d)	1,490,000,000	0.01	14,900,000
At 30 June 2019 and 2020	1,500,000,000	0.01	15,000,000

	Number of ordinary shares	Share capital S\$
Issued and fully paid of Khoon Engineering:		
At 1 July 2018 (Note a)	1,500,000	1,500,000
Issued and fully paid of the Company:		
At date of incorporation on 24 July 2018 (Note b)	1	–
Issue of shares pursuant to the reorganisation (Note c)	29,999	52
At 30 June 2019	30,000	52
Capitalisation issue (Note d)	749,970,000	1,306,568
Share offer (Note e)	250,000,000	435,523
At 30 June 2020	1,000,000,000	1,742,143

Notes:

- a. At 1 July 2018, the balance represented share capital of Khoon Engineering of 1,500,000 shares of S\$1 each.
- b. On 24 July 2018, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. As at the time of its incorporation, one share was allotted and issued in nil paid form to the initial subscriber, an independent third party. The said share was transferred to Lead Development on the same day.
- c. On 12 March 2019, the Company acquired the entire issued share capital of Top Stride from the Controlling Shareholders, at a consideration of S\$12,917,894. In settlement of the aforesaid consideration, the Company allotted and issued 29,999 shares credited as fully paid, to Lead Development at the instruction of the Controlling Shareholders. Following completion of the above acquisition, Khoon Engineering became an indirect wholly-owned subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

24 SHARE CAPITAL (continued)

Notes: (continued)

- d. Pursuant to the written resolution of the then sole shareholder of the Company dated 10 June 2019, it was resolved that the authorised share capital of the Company increased from HK\$100,000 to HK\$15,000,000 by the creation of an additional 1,490,000,000 shares; and conditional on the share premium account of the Company being credited as a result of the Share Offer, an amount of HK\$7,499,700 which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par a total of 749,970,000 shares for allotment, rank pari passu in all respects with all the then existing shares.
- e. On 5 July 2019, the Company successfully listed on the Main Board of the Stock Exchange by way of placing 225,000,000 new shares and public offer of 25,000,000 shares at the price of HK\$0.50 per share ("Share Offer"). The Company's share of net proceeds after deducting the underwriting commissions and expenses paid or payable by the Company in relation to the Share Offer amounted to approximately HK\$95.0 million (S\$16.6 million).

25 OPERATING LEASE COMMITMENTS**Before the adoption of IFRS 16 on 1 July 2019***The Group as lessee*

	2019 S\$
Minimum lease payments paid during the year under operating lease in respect of staff dormitories and office	217,350

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

	2019 S\$
Within one year	188,907
After one year but within five years	109,383
	298,290

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

25 OPERATING LEASE COMMITMENTS (continued)

Before the adoption of IFRS 16 on 1 July 2019 (continued)

The Group as lessor

	2019 S\$
Within one year	34,200
After one year but within five years	9,975
	44,175

The leases have tenures of three years. The lease receivables are fixed over the lease term and no term of contingent rent income is included in the contracts.

After adoption of IFRS 16 on 1 July 2019

The operating lease in which the Group is the lessor relate to the investment property owned by the Group, and has a lease term of three years, with a one year extension option. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments:

	2020 S\$
Within one year	9,975

The following table presents the amounts reported in profit or loss:

	2020 S\$
Lease income on operating leases (Note 7a)	33,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

26 RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund Board of Singapore, the Group's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For the year ended 30 June 2020, the Group contributes up to 17% of the eligible employees' salaries to the CPF scheme, with each employee's qualifying salary capped at S\$6,000 per month.

The total costs charged to profit or loss, amounting to S\$216,901 for the financial year ended 30 June 2020 (2019: S\$221,149), represent contributions paid or payable to the retirement benefits scheme by the Group.

As at 30 June 2020, contributions of S\$32,019 (2019: S\$33,022) were due but had not been paid to CPF. The amounts were paid subsequent to the end of the year.

27 RELATED PARTY TRANSACTIONS

Related companies refer to entities in which directors of the Group have a beneficial interest in. Apart from disclosure within the consolidated financial statements, the Group did not enter into transactions with related companies during the financial years ended 30 June 2020 and 2019.

Compensation of key management personnel

The remuneration of the executive directors, who are considered as key management of the Group, for the years ended 30 June 2020 and 2019 were as follows:

	2020	2019
	S\$	S\$
Short term benefits	1,121,476	1,266,515
Post-employment benefits	41,820	44,250
Total compensation	1,163,296	1,310,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

28 PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company as at 30 June 2020 are set out below:

Name of subsidiary	Place of incorporation/ operation	Paid up issued capital	Group's effective interest	Held by the Company	Principal activities
Top Stride	BVI	US\$2	100%	100%	Investment holding
Khoon Engineering	Singapore	S\$1,500,000	100%	–	Provision of electrical engineering services

None of the subsidiaries has issued any debt securities at the end of the year.

29 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities (Note 22) S\$
At 1 July 2019	–
Adoption of IFRS 16 (Note 3)	236,812
At 1 July 2019 (restated)	236,812
Financing cash flows	(160,525)
<i>Non-cash changes:</i>	
– Interest expenses (Note 8)	5,665
– Additions to right-of-use assets (Note 15)	178,416
At 30 June 2020	260,368

There were no non-cash transactions arising in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

30 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 S\$	2019 S\$
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary	12,917,894	12,917,894
Current assets		
Other receivables, deposits and prepayments	–	1,122,905
Amounts due from subsidiary	1,101,748	–
Investments	5,579,022	–
Bank balances and cash	10,885,730	3,500,927
	17,566,500	4,623,832
Current liabilities		
Other payables	214,225	5,097,046
Amount due to a subsidiary	–	2,188,134
	214,225	7,285,180
Net current assets (liabilities)	17,352,275	(2,661,348)
Total assets less current liabilities, representing net assets	30,270,169	10,256,546
EQUITY		
Capital and reserves		
Share capital (Note 24)	1,742,143	52
Share premium	31,669,457	12,917,842
Accumulated losses	(3,141,431)	(2,661,348)
Equity attributable to owners of the Company	30,270,169	10,256,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

30 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

A summary of the Company's capital and reserves is as follows:

	Share capital S\$	Share premium S\$	Accumulated losses S\$	Total S\$
At 24 July 2018 (date of incorporation)	–	–	–	–
<i>Total comprehensive loss for the period:</i>				
Loss for the period	–	–	(2,661,348)	(2,661,348)
<i>Transactions with owner, recognised directly in equity:</i>				
Issue of shares pursuant to the reorganisation (Note 24)	52	12,917,842	–	12,917,894
At 30 June 2019	52	12,917,842	(2,661,348)	10,256,546
<i>Total comprehensive loss for the period:</i>				
Loss for the period	–	–	(480,083)	(480,083)
<i>Transactions with owner, recognised directly in equity:</i>				
Issue of shares under the capitalisation issue (Note 24)	1,306,568	(1,306,568)	–	–
Share Offer (Note 24)	435,523	21,356,376	–	21,791,899
Share issue expenses	–	(1,298,193)	–	(1,298,193)
At 30 June 2020	1,742,143	31,669,457	(3,141,431)	30,270,169

31 CAPITAL RISKS MANAGEMENT

The Group manages its capital to ensure that it will be able to be continue as a going concern while maximising the return to shareholders through the optimisation of equity balance. The Group's overall strategy remains unchanged throughout the financial year ended 30 June 2020.

The capital structure of the Group consists of equity attributable to owners of the Group, comprising issued capital and accumulated profits. The Group is not subject to any externally imposed capital requirements.

The management of the Group review the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the associated risk with each class of items in the context of capital structure, and takes appropriate actions to adjust the Group's capital structure. Based on the recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	2020 S\$	2019 S\$
Financial assets		
<i>Amortised cost:</i>		
Deposits	402,450	113,700
Trade receivables	2,854,253	2,688,824
Other receivables and deposits (Note 1)	798,429	562,044
Bank balances and cash	15,753,748	5,993,458
	19,808,880	9,358,026
<i>FVTPL:</i>		
Investments	5,579,022	-
	25,387,902	9,358,026
Financial liabilities		
<i>Amortised cost:</i>		
Trade and other payables (Note 2)	26,025,779	29,006,962
Lease liabilities	260,368	-
	26,286,147	29,006,962

Note 1: Prepayments and deferred issue costs are excluded.

Note 2: GST payables and deferred grant income are excluded.

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

Financial assets

Type of financial asset/liability	(a) Gross amounts of recognised financial asset S\$	(b) Gross amounts of recognised liabilities set off in the statement of financial position S\$	(c) = (a) - (b) Net amounts of financial assets presented in the statement of financial position S\$
As at 30 June 2020			
Other receivables from sub-contractors for backcharges	1,482,445	(1,482,445)	-
As at 30 June 2019			
Other receivables from sub-contractors for backcharges	1,516,516	(1,516,516)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements (continued)

Financial assets (continued)

The Group does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, bank balances and cash, dual currency investments, and trade and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The management is of the view that the Group is not exposed to significant interest rate risk.

(a) Market risk management*Currency risk management*

The Group has certain bank balances, dual currency investments, and other payables denominated in US Dollar ("US\$") and HK\$ other than the functional currency of the Company, which exposes the Company to foreign currency risk. The Group manages the risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies at the end of the reporting year are as below:

	2020 S\$	2019 S\$
Monetary assets:		
– Denominated in US\$	4,416,804	560,009
– Denominated in HK\$	9,247,360	4,186,553
	13,664,164	4,746,562
Monetary liabilities:		
– Denominated in US\$	–	21,543
– Denominated in HK\$	–	1,159,804
	–	1,181,347

If the US\$ strengthens/weakens by 10% against the functional currency of the Group, the Group's profit for the financial year ended 30 June 2020 would increase/decrease by S\$366,595 (2019: S\$44,693).

If the HK\$ strengthens/weakens by 10% against the functional currency of the Group, the Group's profit for the financial year ended 30 June 2020 would increase/decrease by S\$767,531 (2019: S\$251,220).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**Financial risk management objectives and policies (continued)***(a) Market risk management (continued)**Currency risk management (continued)*

In the management's opinion, the sensitivity analysis above is unrepresentative for the currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(b) Credit risk management

Included in the Group's financial assets as at 30 June 2020 as a component of bank balances and cash is S\$9,235,737 (2019: S\$3,500,927) placed in a bank in Hong Kong. The remaining bank balances and cash and dual currency investments are placed in 4 banks (2019: 4) in Singapore. All these counterparties have been assessed by management to be financially sound, with external credit ratings of investment grade.

Other than the concentration of credit risk of bank balances and cash in Hong Kong, the Group's concentration of credit risk by geographical location is mainly in Singapore, which accounted for 64% of the total financial assets as at 30 June 2020 (2019: 63%).

Approximately 41% of total trade receivables outstanding at 30 June 2020 (2019: 82%) were due from top 5 customers which exposed the Group to concentration of credit risk. Those five largest customers are with good creditworthiness based on historical settlement record.

In order to minimise the concentration of credit risk, the management of the Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts.

Other than concentration of credit risk on bank balances and cash, dual currency investments, and on trade receivables from top 5 customers as disclosed above, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise credit risk, the Group has delegated its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Financial risk management objectives and policies (continued)

(b) Credit risk management (continued)

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

Category	Description	Basis for recognising ECL
Low risk	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Fair risk	The counterparty frequently repays after due dates but usually settles after due date.	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

Bank balances and cash and dual currency investments are placed with financial institutions that are externally credit-rated with investment grade, and are hence determined to have low credit risk at the reporting date.

For bank balances and cash, dual currency investments, and other receivables and deposits, the Group has assessed and concluded that the expected credit loss for these financial assets is immaterial under ECL method based on the Group's assessment on the risk of the default of that counterparty.

The Group reassesses the lifetime ECL for trade receivables and contract assets at the end of each reporting period to ensure that adequate impairment losses are made for significant increase in the likelihood or risk of a default occurring since initial recognition. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

The Group applies credit risk modelling under IFRS 9. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**Financial risk management objectives and policies (continued)***(b) Credit risk management (continued)*

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, it considers the forward-looking information is available and reasonable, including below indicators:

- internal credit rating based on historical information;
- actual or expected significant changes in the operating result of the debtors; and
- significant changes in the expected performance and behaviour of the debtors, include changes in the payment status of debtors.

The table below details the credit quality of the Group's financial assets (other than bank balances and cash and dual currency investments) and contract assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

As at 30 June 2020

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount S\$	Loss allowance S\$	Net carrying amount S\$
Deposits	17a	Low risk	12-month ECL	402,405	–	402,405
Trade receivables	16	(1)	Lifetime ECL (simplified approach)	3,088,064	(233,811)	2,854,253
Other receivables and deposits	17b	Low risk	12-month ECL	798,429	–	798,429
Contract assets	18	(1)	Lifetime ECL (simplified approach)	39,837,362	(205,000)	39,632,362
				44,126,260	(438,811)	43,687,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Financial risk management objectives and policies (continued)

(b) Credit risk management (continued)

As at 30 June 2019

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount S\$	Loss allowance S\$	Net carrying amount S\$
Deposits	17a	Low risk	12-month ECL	113,700	-	113,700
Trade receivables	16	(1)	Lifetime ECL (simplified approach)	2,711,149	(22,325)	2,688,824
Other receivables and deposits	17b	Low risk	12-month ECL	562,044	-	562,044
Contract assets	18	(1)	Lifetime ECL (simplified approach)	32,768,152	-	32,768,152
				36,155,045	(22,325)	36,132,720

(1) The Group determines the ECL on these items on an individual basis for all customers based on internal credit rating. The ECL rates applied are derived according to the debtors' characteristics, including their trading history with the Group and existence of default history. These rates multiplied by scalar factors to reflect differences between economic condition during the period over which the historical data has been collected and the Group's view of economic condition over the credit characteristics of the debtors. Except as disclosed, the trade receivables and contract assets due from all customers are not credit-impaired as at 30 June 2020 and 2019.

Other relevant information with regard to the exposure of credit risk and expected credit losses for trade receivables and contract assets as at 30 June 2020 and 2019 are set out in Notes 16 and 18 respectively.

(c) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors its net operating cash flows and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

Non-derivative financial assets

All financial assets of the Group as at 30 June 2020 and 2019 are repayable on demand or due within one year, except non-current deposits as disclosed in Note 17a.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Financial risk management objectives and policies (continued)

(c) Liquidity risk management (continued)

Non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

The Group

	Weighted average effective interest rate %	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	1 to 5 years S\$	Over 5 years S\$	Total undiscounted cash flow S\$	Carrying amount S\$
As at 30 June 2020								
<i>Non-interest bearing instruments</i>								
Trade and other payables	-	26,025,779	-	-	-	-	26,025,779	26,025,779
<i>Fixed interest bearing instruments</i>								
Lease liabilities	2.29	45,895	44,419	88,838	85,967	-	265,119	260,368
Total		26,071,674	44,419	88,838	85,967	-	26,290,898	26,286,147
As at 30 June 2019								
<i>Non-interest bearing instruments</i>								
Trade and other payables	-	25,506,035	-	-	-	-	25,506,035	25,506,035
Amount due to cornerstone investor	-	3,500,927	-	-	-	-	3,500,927	3,500,927
Total		29,006,962	-	-	-	-	29,006,962	29,006,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**Financial risk management objectives and policies (continued)***(d) Fair value*

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

The Group had no financial assets or financial liabilities carried at fair value in 2020 and 2019, except dual currency investments as at 30 June 2020 as disclosed in Note 19.

The management of the Group considers that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

33 CONTINGENT LIABILITIES

As at 30 June 2020, performance bonds of S\$2,577,710 (2019: S\$907,912) were given in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand payment to them the sum or sum stipulated in such demand. The Group will become liable to compensate such sums accordingly. The performance guarantees will be released upon completion of the contracts.

34 SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a written resolution passed by the shareholder of the Company on 10 June 2019 (the "Share Option Scheme"), the Company may grant options to eligible directors of the Group, eligible employees of the Group and other selected participants, for the recognition of their contributions, to subscribe for shares ("Shares") in the Company with a payment of HK\$1 upon each grant of options offered.

The exercise price of the share option will be not less than the highest of:

- (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date (the "Offer Date") of grant of the particular option, which must be a business day;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date of the option; and
- (iii) the nominal value of a Share on the Offer Date.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

34 SHARE OPTION SCHEME (continued)

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of Company. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Share Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of Company.

Up to the date of issuance of the consolidated financial statements, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

During the years ended 30 June 2020 and 2019, no share options have been granted nor exercised and there is no outstanding share option of the Company as at 30 June 2020 and 2019.

35 EVENTS AFTER THE END OF THE REPORTING PERIOD

The outbreak of COVID-19 in early 2020 has caused disruptions to many industries globally. Despite the challenges, governments and internal organisations have implemented a series of measures to contain the pandemic. The Singapore government has implemented several phases of circuit breaker and post-circuit breaker recovery measures in order to contain the pandemic, and the Group's existing core business was significantly impacted by these measures, especially due to the halting of almost all its electrical engineering projects since early April 2020.

The Group however does not expect to incur hefty penalties for contract delays in the form of liquidated damages as the Group is mostly involved in public sector projects, and most contracts have either been automatically extended by six months or include clauses for unforeseen events and circumstances. The Group has also received certain grants and assistance from the Singapore government to help offset some of its fixed costs during this time, primarily relating to its employee wages and foreign worker levies. The Group has insofar adhered to all the requirements set out by the Singapore government, particularly relating to its business operations and in dealing with its foreign workers affected by the dormitory isolations and stay-home notices. The consolidated financial statements for the year ended 30 June 2020 has included the financial effects as a result of the COVID-19 outbreak up to 30 June 2020.

As of the date of authorisation of these consolidated financial statements, most of the Group's electrical engineering projects have resumed, albeit at a reduced capacity as compared to pre-pandemic times as some of its foreign workers are still in isolation and due to additional safe distancing measures that will be applied at project sites to prevent a resurgence of the pandemic.

The Group will closely monitor the development of the pandemic and assess its impact on its operations continuously. Given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities, the actual financial impact of the COVID-19 outbreak on the Group's 2021 consolidated financial statements could be significantly different from estimates depending on how the situation evolves. Notwithstanding this and as disclosed in Note 32(c), the Group will have sufficient liquidity to enable the Company to continue as a going concern for at least the next 12 months from the end of the reporting period.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published financial statements, is set out as below:

	30 June 2020 S\$'000	30 June 2019 S\$'000	30 June 2018 S\$'000	30 June 2017 S\$'000	30 June 2016 S\$'000
Revenue	37,898	48,647	33,732	30,795	38,573
Cost of sales	(31,024)	(39,073)	(27,231)	(25,553)	(33,762)
Gross profit	6,874	9,574	6,501	5,242	4,811
Other income	886	158	252	346	218
Other gains and losses	420	267	205	301	(106)
(Allowance for) reversal of impairment losses	(416)	32	(54)	–	(24)
Administrative expenses	(2,811)	(2,398)	(1,654)	(1,401)	(1,291)
Finance costs	(6)	–	(39)	(15)	(9)
Listing expenses	(424)	(2,616)	(948)	–	–
Profit before taxation	4,523	5,017	4,263	4,473	3,599
Income tax expense	(818)	(1,367)	(760)	(646)	(539)
Profit and other comprehensive income for the year	3,705	3,650	3,503	3,827	3,060
	30 June 2020 S\$'000	30 June 2019 S\$'000	30 June 2018 S\$'000	30 June 2017 S\$'000	30 June 2016 S\$'000
ASSETS AND LIABILITIES					
Non-current assets	2,246	1,867	2,096	3,234	2,655
Current assets	64,646	43,155	22,831	29,665	28,333
Total assets	66,892	45,022	24,927	32,899	30,988
Non-current liabilities	147	54	6	298	163
Current liabilities	28,200	30,620	14,222	22,403	21,452
Total liabilities	28,347	30,674	14,228	22,701	21,617
Total equity	38,545	14,348	10,699	10,198	9,371