



KHOON GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 924

2020/21 INTERIM
REPORT



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In the event of any inconsistencies between the English and Chinese text in this interim 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

Windward 3, Regatta Office Park
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
Windward 3, Regatta Office Park
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

The board (the “Board”) of directors (the “Directors”) of Khoon Group Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 31 December 2020 together with comparative figures for the corresponding period in 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Notes	Six months ended 31 December	
		2020 (Unaudited) S\$	2019 (Unaudited) S\$
Revenue	5	14,251,784	26,172,657
Cost of services		(12,457,952)	(20,873,622)
Gross profit		1,793,832	5,299,035
Other income	6a	619,672	93,158
Other gains and losses	6b	(865,533)	163,610
Administrative expenses		(1,202,029)	(1,077,282)
Finance costs	7	(2,552)	(4,755)
Listing expenses	9	–	(818,835)
Profit before taxation		343,390	3,654,931
Income tax expense	8	(232,671)	(751,001)
Profit and other comprehensive income for the period	9	110,719	2,903,930
Basic and diluted earnings per share (S\$ cents)	11	0.011	0.39

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	As at 31 December 2020 (Unaudited) S\$	As at 30 June 2020 (Audited) S\$
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	12	607,594	733,238
Investment property	13	847,901	855,912
Right-of-use assets	14	166,542	254,594
Deposits	16a	402,450	402,450
		2,024,487	2,246,194
Current assets			
Trade receivables	15	6,677,480	2,854,253
Other receivables, deposits and prepayments	16b	667,614	826,782
Contract assets	17	39,861,926	39,632,362
Investments	18	—	5,579,022
Bank balances and cash	19	18,587,270	15,753,748
		65,794,290	64,646,167
Current liabilities			
Trade and other payables	20	27,745,201	26,405,017
Contract liabilities	17	23,754	300,528
Lease liabilities	21	161,770	175,042
Income tax payable		1,168,519	1,319,311
		29,099,244	28,199,898
Net current assets		36,695,046	36,446,269
Total assets less current liabilities		38,719,533	38,692,463
Non-current liability			
Deferred tax liabilities	22	52,181	61,338
Lease liabilities	21	10,834	85,326
		63,015	146,664
Net assets		38,656,518	38,545,799
EQUITY			
Capital and reserves			
Share capital	23	1,742,143	1,742,143
Share premium		31,669,457	31,669,457
Merger reserve		(11,417,891)	(11,417,891)
Accumulated profits		16,662,809	16,552,090
Equity attributable to owners of the Company		38,656,518	38,545,799

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Share capital S\$	Share premium (Note a) S\$	Merger reserve (Note b) S\$	Accumulated profits S\$	Total S\$
Balance at July 1, 2019 (audited)	52	12,917,842	(11,417,891)	12,849,004	14,349,007
Adjustment on adoption of IFRS 16 (unaudited)	-	-	-	(5,226)	(5,226)
Total comprehensive income for the period:					
Profit for the period	-	-	-	2,903,930	2,903,930
Issue of shares pursuant to the reorganisation	1,306,568	(1,306,568)	-	-	-
Issue of shares pursuant to the Share Offer	435,523	21,459,448	-	-	21,894,971
Share Offer cost		(1,126,261)			(1,126,261)
Balance at December 31, 2019 (unaudited)	1,742,143	31,944,461	(11,417,891)	15,757,708	38,016,421
Balance at July 1, 2020 (audited)	1,742,143	31,669,457	(11,417,891)	16,552,090	38,545,799
Total comprehensive income for the period:					
Profit for the period	-	-	-	110,719	110,719
Balance at December 31, 2020 (unaudited)	1,742,143	31,669,457	(11,417,891)	16,662,809	38,656,518

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Six months ended 31 December	
	2020	2019
	(unaudited) S\$	(unaudited) S\$
Operating activities		
Profit before taxation	343,390	3,654,931
Adjustments for:		
Allowance for bad and doubtful debts	–	31,926
Depreciation of investment property	8,011	8,011
Depreciation of plant and equipment	212,043	205,184
Depreciation of right-of-use assets	88,052	40,252
Exchange (gain)/loss, net	865,533	(195,535)
Finance costs	2,552	4,755
Bank interest income	(74,304)	(71,606)
Operating cash flows before working capital changes	1,445,277	3,677,918
(Increase) Decrease in trade receivables	(3,823,227)	(1,413,710)
Decrease in other receivables, deposits and prepayments	159,168	1,212,956
Decrease (Increase) in contract assets	(229,564)	(9,960,386)
Increase (Decrease) in trade and other payables	1,340,184	824,280
Increase (Decrease) in contract liabilities	(276,774)	–
Cash generated from operations	(1,384,936)	(5,658,942)
Tax paid	(282,574)	(501,305)
Net cash from operating activities	(1,667,510)	(6,160,247)
Investing activities		
Placement of investments	–	(19,786,300)
Withdrawal of investments	5,468,976	2,238,500
Bank interest received	74,304	71,606
Purchase of plant and equipment	(86,399)	(179,418)
Net cash (used in) from investing activities	5,456,881	(17,655,612)
Financing activities		
Repayment of lease liabilities	(87,764)	(37,763)
Proceeds from issue of equity shares	–	21,897,971
Share issues expenses paid	–	(1,129,261)
Interest paid	(2,552)	(4,755)
Net cash from (used in) financing activities	(90,316)	20,726,192
Net increase (decrease) in cash and cash equivalents	3,699,055	(3,089,667)
Cash and cash equivalents at beginning of period	15,753,748	5,993,458
Effect of foreign exchange rate change	(865,533)	195,535
Cash and cash equivalents at end of period, represented by bank balances and cash	18,587,270	3,099,326

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 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 Windward 3, Regatta Office Park, P.O. Box 1350, 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 dated 31 October 2018, 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, Khoon Engineering Contractor Pte Ltd (“Khoon Engineering”), incorporated in Singapore, are the provision of electrical engineering services.

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

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

For the purpose of the listing of the shares of the Company on the Stock Exchange, the companies comprising the Group underwent a group reorganisation (the “Reorganisation”) as set out in the section headed “History, Development and Reorganisation” to the prospectus of the Company dated 20 June 2019.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the interim condensed consolidated financial statements have been prepared to include the financial statements of the companies now comprising the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

3 ADOPTION OF NEW AND REVISED STANDARDS**New and revised International Financial Reporting Standards (“IFRSs”) issued but not yet effective**

At the date of authorisation of these interim condensed consolidated financial statements, the Group has not early applied the following new and amendments to IFRS Standards or International Accounting Standards (“IAS”) that have been issued but are not yet effective, which are relevant to the Group:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to IFRSs	<i>Annual Improvements to IFRS Standards 2018-2020¹</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>

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

² Effective for annual periods beginning on or after 1 January 2023.

The directors of the Company anticipate 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.

4 SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting**

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

In addition, the interim condensed 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.

5 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. 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.

5 REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's revenue for the six months ended 31 December 2020 and 2019 is as follows:

	For the six months ended 31 December	
	2020	2019
	(unaudited)	(unaudited)
	S\$	S\$
Contract revenue from provision of electrical engineering services, recognised over time	14,251,784	26,172,657

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 1 month to 52 months (2019: 1 month to 67 months).

Included in the Group's revenue for the six months ended 31 December 2020 is S\$8,178,531 (2019: S\$19,403,087) derived from the provision of electrical engineering services to the customers in public sector. Other revenue is derived from the 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.

	For the six months ended 31 December	
	2020	2019
	(unaudited)	(unaudited)
	S\$	S\$
Provision of electrical engineering services:		
– Within one year	43,336,932	38,741,183
– More than one year but not more than two years	12,957,618	16,577,321
– More than two years but not more than five years	2,990,078	8,205,684
	59,284,628	63,524,188

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 31 December 2020 and 2019 will be/has been recognised as revenue during the years ended/ending 30 June 2020 to 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

5 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 period are as follows:

	For the six months ended 31 December	
	2020 (unaudited) S\$	2019 (unaudited) S\$
Customer I	6,907,904	2,711,528
Customer II	N/A*	3,101,342

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

Geographical information

The Group principally operates in Singapore, which is also its place of domicile. Revenue derived from Singapore represents 100% of the Group's total revenue for the six months ended 31 December 2020 (2019: 100%) based on the location of services delivered. The Group's non-current assets are all located in Singapore.

6 a. OTHER INCOME

	For the six months ended 31 December	
	2020 (unaudited) S\$	2019 (unaudited) S\$
Bank interest income	74,304	71,606
Government grants (Note 1)	502,572	2,598
Rental income	9,955	17,100
Insurance payout	31,049	–
Others	1,792	1,854
	619,672	93,158

Note 1: Government grants 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 17-month period through cash subsidies.

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.

6 b. OTHER GAINS AND LOSSES

	For the six months ended 31 December	
	2020 (unaudited) S\$	2019 (unaudited) S\$
Exchange (loss) gain	(865,533)	195,535
Allowance for impairment loss on trade receivables	–	(31,925)
	(865,533)	163,610

7 FINANCE COSTS

	For the six months ended 31 December	
	2020 (unaudited) S\$	2019 (unaudited) S\$
Interest on:		
Lease liabilities	2,552	4,755

8 INCOME TAX EXPENSE

	For the six months ended 31 December	
	2020 (unaudited) S\$	2019 (unaudited) S\$
Tax expense comprises:		
Current tax:		
– Singapore corporate income tax (“CIT”)	241,828	743,505
Deferred tax expense (Note 22)	(9,157)	7,496
	232,671	751,001

CIT is calculated at 17% of the estimated assessable profit. 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 the Years of Assessment 2021 and 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

8 INCOME TAX EXPENSE (continued)

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

	For the six months ended 31 December	
	2020	2019
	(unaudited)	(unaudited)
	S\$	S\$
Profit before taxation	343,390	3,654,931
Tax at applicable tax rate of 17%	58,376	621,338
Tax effect of expenses not deductible for tax purpose	229,836	147,324
Tax effect of income not taxable for tax purpose	(46,828)	–
Effect of tax concessions and partial tax exemptions	(8,713)	(17,661)
Taxation for the reporting period	232,671	751,001

9 PROFIT FOR THE PERIOD

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

	For the six months ended 31 December	
	2020	2019
	(unaudited)	(unaudited)
	S\$	S\$
Depreciation of plant and equipment	212,043	205,184
Depreciation of investment property	8,011	8,011
Depreciation of right-of-use assets	88,052	40,252
Listing expenses	–	818,835
Directors' remuneration	488,070	498,287
Other staff costs:		
– Salaries and other benefits	1,201,574	2,222,009
– Contributions to Central Provident Fund ("CPF")	76,042	76,218
Total staff costs	1,765,686	2,796,514
Cost of materials recognised as cost of services	3,111,068	6,730,661
Subcontractor costs recognised as cost of services	7,435,373	11,706,862
Gross rental income from investment property recognised as other income (Note 6a)	(9,955)	(17,100)
Less: Direct operating expenses incurred for investment property that generated rental income	1,052	1,036
	(8,903)	(16,064)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

10 DIVIDENDS

No dividend has been declared by the Company or any Group entities during the six months ended 31 December 2019 and 2020 or subsequent to the month end.

11 EARNINGS PER SHARE

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

	For the six months ended 31 December	
	2020	2019
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company (S\$)	110,719	2,903,930
Weighted average number of ordinary shares in issue	1,000,000,000	750,000,000
Basic and diluted earnings per share (S\$ cents)	0.011	0.39

The calculation of basic earnings per share for the six months ended 31 December 2020 and 2019 is based on the profit for the period attributable to owners of the Company and the weighted average number of shares in issue.

Diluted earnings per share is the same as the basic earnings per share because the Group had no dilutive securities that are convertible into shares during the six months ended 31 December 2020 and 2019.

12 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 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
Additions	–	17,230	–	69,169	–	86,399
Disposals	–	(190)	–	–	–	(190)
At 31 December 2020	550,448	184,614	65,248	1,657,316	38,752	2,496,378
Accumulated depreciation:						
At 1 July 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
Charge for the period	53,028	19,535	5,406	130,427	3,647	212,043
Written off	–	(190)	–	–	–	(190)
At 31 December 2020	426,877	167,061	43,489	1,231,554	19,803	1,888,784
Carrying amounts:						
At 30 June 2020 (audited)	176,599	19,858	27,165	487,020	22,596	733,238
At 31 December 2020 (unaudited)	123,571	17,553	21,759	425,762	18,949	607,594

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

12 PLANT AND EQUIPMENT (continued)

The above items of property, 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

13 INVESTMENT PROPERTY

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Cost:		
At beginning and end of the reporting period	933,509	933,509
Accumulated depreciation:		
At beginning of the reporting period	77,597	61,575
Charge for the reporting period	8,011	16,022
At end of the reporting period	85,608	77,597
Carrying amount:		
At end of the reporting period	847,901	855,912

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

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

As at 31 December 2020, the fair values of the investment property amounted to S\$1,020,000 (As at 30 June 2020: 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 date 31 January 2019 remain applicable and reasonable as at 30 June 2020 and 31 December 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

13 INVESTMENT PROPERTY (continued)

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 properties and information about the fair value hierarchy as at the end of each period are as follows:

Address	Tenure	Fair value as at	
		31 December 2020 S\$	30 June 2020 S\$
Level 3			
No.3 Ang Mo Kio St. #04-34, Link@AMK, Singapore 569139	57 years	1,020,000	1,020,000

14 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
Additions	–	–	–	–
At 31 December 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
Additions	48,130	38,801	1,121	88,052
At 31 December 2020	169,916	168,136	5,980	344,032
Carrying amount				
At 30 June 2020 (audited)	144,771	103,469	6,354	254,594
At 31 December 2020 (unaudited)	96,641	64,668	5,233	166,542

The Group leases several assets including staff dormitories, office and office equipment. The lease term is two to five years (30 June 2020: two to five 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.

The maturity analysis of lease liabilities is presented in Note 21.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

14 RIGHT-OF-USE ASSETS (GROUP AS A LESSEE) (continued)**Amounts recognised in profit or loss**

	For the six months ended 31 December	
	2020	2019
	(unaudited)	(unaudited)
	S\$	S\$
Depreciation expense on right-of-use assets (Note 9)	88,052	40,252
Interest expense on lease liabilities (Note 7)	2,552	4,755
Expense relating to short-term leases	7,272	30,074

As at 31 December 2020, the Group is committed to S\$Nil (30 June 2020: S\$4,800) for short-term leases.

The total cash outflow for leases during the six months ended 31 December 2020 amount to S\$97,586 (31 December 2019: S\$94,672).

15 TRADE RECEIVABLES

	As at	As at
	31 December	30 June
	2020	2020
	(unaudited)	(audited)
	S\$	S\$
Trade receivables	6,911,291	3,088,064
Less: Allowance for doubtful debts	(233,811)	(233,811)
	6,677,480	2,854,253

The Group grants a credit term to customers of typically 30 to 35 days from invoice date for trade receivables to all customers, for the six months ended 31 December 2020 (30 June 2020: 30 to 35 days). The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date which approximated the revenue recognition date at the end of each reporting period:

	As at	As at
	31 December	30 June
	2020	2020
	(unaudited)	(audited)
	S\$	S\$
Within 30 days	5,486,953	1,726,441
31 days to 60 days	3,151	326,514
61 days to 90 days	709,997	384,793
91 days to 120 days	43,335	14,964
More than 120 days	434,044	401,541
	6,677,480	2,854,253

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

15 TRADE RECEIVABLES (continued)

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 ("ECL") prescribed by IFRS 9.

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.

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 31 December 2020, the Group recognised S\$233,811 impairment allowance based on individual assessment for all customers.

There had 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 the end of each reporting period:

Analysis of trade receivables:

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Not past due and not impaired	5,486,953	1,726,441
Past due but not impaired	1,190,527	1,127,812
	6,677,480	2,854,253
Past due and impaired	233,811	233,811
Less: Allowance for impairment	(233,811)	(233,811)
	6,677,480	2,854,253

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

15 TRADE RECEIVABLES (continued)

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:

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Within 30 days	3,151	326,514
31 days to 60 days	709,997	384,793
61 days to 90 days	43,335	14,964
91 days to 120 days	–	6,212
More than 120 days	434,044	395,329
	1,190,527	1,127,812

Included in the Group's trade receivables are carrying amount of approximately S\$1,190,527 which are past due as at 31 December 2020 (30 June 2020: S\$1,127,812), 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 31 December 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 as at 31 December 2020.

Movements in the allowance for impairment losses on trade receivables:

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Balance at beginning of reporting period	233,811	22,325
Impairment losses recognised	–	211,486
Balance at end of reporting period	233,811	233,811

The movement for the six months ended 31 December 2020, i.e., in lifetime ECL, has been recognised for trade receivables in accordance with the simplified approach set in IFRS 9.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

16 a. DEPOSITS

The amounts as at 30 June 2020 and 31 December 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 November 2022 and March 2022 respectively.

The management considered the ECL for such deposit to be insignificant as at 30 June 2020 and 31 December 2020.

b. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Deposits (Note)	458,874	476,999
Prepayments	106,923	28,353
Grant receivables (Note)	19,780	244,056
Others (Note)	82,037	77,374
	667,614	826,782

Note: The management considered the ECL for deposits, grant receivables and others to be insignificant as at 31 December 2020 and 30 June 2020.

17 CONTRACT ASSETS/LIABILITIES

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

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Contract assets	39,861,926	39,632,362
Contract liabilities	(23,754)	(300,528)
	39,838,172	39,331,834

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

17 CONTRACT ASSETS/LIABILITIES (continued)

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 grossing up being S\$Nil as at 31 December 2020 (30 June 2020: S\$56,875).

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:

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Retention receivables	5,331,815	4,712,601
Less: Allowance for impairment losses	(205,000)	(205,000)
Others (Note)	34,735,111	35,181,636
	39,861,926	39,689,237

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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

17 CONTRACT ASSETS/LIABILITIES (continued)

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 31 December 2020 and 30 June 2020.

Movements in the allowance for impairment losses on retention receivables:

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Balance at beginning of reporting period	205,000	–
Impairment losses recognised	–	205,000
Balance at end of reporting period	205,000	205,000

Contract liabilities

The contract liabilities represents the Group's obligation to transfer services to customers for which the Group has received consideration (or an amount of consideration is due) from the customers according to the progressive billing arrangement stated in the contracts. Contract liabilities as at 31 December 2020 and 30 June 2020 mainly relate to advances received from customers.

The Group's contract liabilities are analysed as follows:

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Contract liabilities	23,754	357,403

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FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

18 INVESTMENTS

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Financial assets mandatorily measured at FVTPL		
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 based currency. Otherwise, principal and interest will be converted to alternate currency at strike rate and received.

19 BANK BALANCES AND CASH

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Cash at banks	18,555,852	15,722,361
Cash on hand	31,418	31,387
Cash and cash equivalents in the interim consolidated statement of cash flows	18,587,270	15,753,748

As at 31 December 2020, other than time deposits of S\$8,354,500 (30 June 2020: S\$9,093,085) with tenure of three months and which carry fixed interest rate of 0.25% per annum, and bank balances of S\$9,681,142 (30 June 2020: S\$6,144,672) that carry effective interest rate ranging from 0.001% to 0.3% per annum (30 June 2020: 0.09% to 1.24% per annum), the remaining bank balances and cash are interest-free.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

20 TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Trade payables	6,082,928	1,669,311
Trade accruals	18,612,750	21,665,536
Retention payables (Note)	2,677,656	2,247,912
	27,373,334	25,582,759
Other payables		
Payroll and CPF payables	238,864	225,245
Goods and Services Tax ("GST") payables	11,382	233,432
Rental deposit received	5,800	8,550
Deferred grant income	19,780	145,806
Accrued audit fee	–	205,000
Others	96,041	4,225
	27,745,201	26,405,017

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.

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

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Within 30 days	5,678,069	980,251
31 to 60 days	4,011	348,509
61 to 90 days	259,748	11,547
91 to 120 days	–	47,198
Over 120 days	141,100	281,806
	6,082,928	1,669,311

The credit period on purchases from suppliers and subcontractors is 30 to 90 days (30 June 2020: 30 to 90 days) or payable upon delivery.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

21 LEASE LIABILITIES

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Lease liabilities payable:		
Within one year	161,770	175,042
Within a period of more than one year but not more than two years	10,042	83,359
Within a period of more than two years but not more than five years	792	1,967
	172,604	260,368
Less: Amount due for settlement with 12 months (shown under current liabilities)	(161,770)	(175,042)
Amount due for settlement after 12 months (shown under non current liabilities)	10,834	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.

22 DEFERRED TAX LIABILITIES

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
As at 1 July 2020/1 July 2019	61,338	53,603
Recognised in profit or loss during the period:		
– Accelerated tax depreciation	(9,157)	7,735
As at 31 December 2020/30 June 2020	52,181	61,338

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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23 SHARE CAPITAL

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 5 July 2019 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").

	Number of ordinary shares	Par Value HK\$	Share capital HK\$
Authorised share capital of the Company:			
At 30 June 2020 and 31 December 2020	1,500,000,000	0.01	15,000,000

	Number of ordinary shares	Share capital S\$
Issued and fully paid of the Company:		
At 30 June 2020 and 31 December 2020	1,000,000,000	1,742,143

24 OPERATING LEASE COMMITMENTS

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 two years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments:

	As at 31 December 2020 (unaudited) S\$	As at 30 June 2020 (audited) S\$
Within one year	33,847	9,975
In the second year	34,800	-
In the third year	953	-
Total	69,600	9,975

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

	For the six months ended 31 December 2020 (unaudited) S\$	2019 (unaudited) S\$
Lease income on operating leases (Note 6a)	9,955	17,100

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a mechanical and electrical engineering contractor in Singapore specialised in providing electrical engineering solutions and our scope of services comprises (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 alterations (“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 six months ended 31 December 2020, our Group’s revenue decreased by 45.5% to approximately S\$14.3 million as compared to approximately S\$26.2 million for the six months ended 31 December 2019. Our Group’s gross profit and net profit also decreased by 66.1% and 96.2% to approximately S\$1.8 million and S\$0.1 million respectively, as compared to approximately S\$5.3 million and S\$2.9 million for the six months ended 31 December 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. Even after the Circuit Breaker Period, substantial amount of time was spent to implement safe management measures at the project sites in accordance with the Singapore Government regulatory requirements. Consequently, only approximately 20% of our on-going projects had been allowed to restart and the rest of the projects only fully recommenced from August/September 2020, which significantly delayed the progress of the Group’s on-going projects and led to significant decrease in revenue recognised during the six months ended 31 December 2020 when compared to six months ended 31 December 2019.

The gross profit margin of the Group for the six months ended 31 December 2020 has also declined significantly as a result of additional costs incurred due to the outbreak of the COVID-19 such as cost overrun of on-going projects in anticipation of productivity loss and prolongation of project timeline. In addition, since March 2020, the Federal Government of Malaysia has implemented the Malaysia Movement Control Order (the “Cordon Sanitaire”) as a preventive measure in response to the COVID-19. The Cordon Sanitaire involved prohibition of movement of people which adversely affected the Group’s supply chain in construction materials between Malaysia and Singapore, causing a significant increase in material costs during the six months ended 31 December 2020.

In the upcoming year, we expect the construction industry to remain gloomy given the uncertainty of the development of the outbreak of COVID-19 globally. With the resurgence of COVID-19 cases globally and more stringent border control measures abroad and in Singapore, supply chain has been disrupted severely, resulting in rising material costs. The border control measures also resulted in further manpower shortages and hence resulting in an increase in manpower costs for the six months ended 31 December 2020. That said, the adverse

MANAGEMENT DISCUSSION AND ANALYSIS

impact of COVID-19 has been mitigated by the receipt of Singapore Government grants and the overall financial position of the Group remains sound. Based on the Building and Construction Authority (BCA)'s projection, construction demand in Singapore is expected to make a moderate recovery in 2021, with S\$23 billion to S\$28 billion worth of construction contracts to be awarded. About 65% of the contracts, or between S\$15 billion and S\$18 billion worth, will be relating to public sector projects and the Group is well positioned to take advantage of the expected upturn in the market.

As at 31 December 2020, we had 30 projects on hand (including contracts in progress) with a notional or estimated contract value of approximately S\$142.2 million, of which approximately S\$71.8 million had been recognised as revenue in prior years, approximately S\$11.3 million had been recognised as revenue during the six months ended 31 December 2020 and the remaining balance will be recognised as our revenue in accordance with stage of completion. The remaining S\$3.0 million recognised as revenue during the six months ended 31 December 2020 is mainly attributed to projects which have been completed during the period.

FINANCIAL REVIEW

	For the six months ended 31 December		
	2020 S\$ million	2019 S\$ million	Change %
Revenue	14.3	26.2	(45.5)
Gross profit	1.8	5.3	(66.1)
Gross profit margin	12.6%	20.2%	(7.6)
Net profit	0.1	2.9	(96.2)

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 six months ended 31 December						
	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	46	8.2	57.4	33	19.7	75.1	
Private sector projects	13	6.1	42.6	10	6.5	24.9	
Total	59	14.3	100.0	43	26.2	100.0	

The Group's overall revenue decreased by approximately S\$11.9 million or approximately 45.5% from approximately S\$26.2 million for the six months ended 31 December 2019 to approximately S\$14.3 million for the six months ended 31 December 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. Even after the Circuit Breaker Period, substantial amount of time was spent to implement safe management measures at the project sites in accordance with the Singapore Government regulatory requirements. Majority of our projects only fully recommenced from August/September 2020, which significantly delayed the progress of the Group's on-going projects and led to significant decrease in revenue recognised during the six months ended 31 December 2020.

Cost of Services

The Group's cost of services decreased by approximately S\$8.4 million or approximately 40.3% from approximately S\$20.9 million for the six months ended 31 December 2019 to approximately S\$12.5 million for the six months ended 31 December 2020. Such decrease in cost of services was generally in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

	For the six months ended 31 December					
	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	8.2	1.4	16.5	19.7	4.1	20.9
Private sector projects	6.1	0.4	7.3	6.5	1.2	18.3
Total	14.3	1.8	12.6	26.2	5.3	20.2

The gross profit of the Group for the six months ended 31 December 2020 amounted to approximately S\$1.8 million, representing a decrease of approximately 66.1% as compared with approximately S\$5.3 million for the six months ended 31 December 2019, which was driven by a decrease in revenue for the same period. The Group's gross profit margin for the six months ended 31 December 2020 was approximately 12.6%, which represents a decrease of 7.6% when compared with approximately 20.2% for the six months ended 31 December 2019.

The reduction was mainly due to additional costs incurred due to the outbreak of the COVID-19 such as cost overrun of on-going projects in anticipation of productivity loss and prolongation of project timeline. In addition, since March 2020, the Federal Government of Malaysia has implemented the Malaysia Movement Control Order as a preventive measure in response to the COVID-19. The Cordon Sanitaire involved prohibition of movement of people which adversely affected the Group's supply chain in construction materials between Malaysia and Singapore, causing a significant increase in material costs during the six months ended 31 December 2020.

The resurgence of COVID-19 cases globally and more stringent border control measures abroad and in Singapore also caused severe supply chain disruption, driving up the material costs. The border control measures also resulted in further manpower shortages and hence resulting in an increase in manpower costs for the six months ended 31 December 2020, hence reducing gross profit margin further.

Other Income

Other income mainly included income from (i) interest income from banks, (ii) government grants, (iii) rental income, (iv) insurance payout and (v) sundry income. During the six months ended 31 December 2020, other income amounted to approximately S\$0.6 million (six months ended 31 December 2019: approximately S\$0.1 million). The increase in other income was mainly due to the government support grants for COVID-19 recognised for the six months ended 31 December 2020.

Other Gains or Losses

Other gains or losses mainly included (i) net exchange gain or loss and (ii) allowance for bad and doubtful debts. During the six months ended 31 December 2020, other losses amounted to approximately S\$0.9 million (six months ended 31 December 2019: gain of approximately S\$0.2 million). The increase in other losses was mainly due to the weakening of HKD and USD currency against S\$ in respect of the Group's bank balances during the six months ended 31 December 2020.

Administrative Expenses

The administrative expenses of the Group for the six months ended 31 December 2020 amounted to approximately S\$1.2 million which represents a slight increase compared to the six months ended 31 December 2019 of S\$1.1 million, mainly due to the increase in compliance charges.

Finance Costs

Finance costs for the six months ended 31 December 2020 was approximately S\$3,000 which was relatively constant with that of the six months ended 31 December 2019 of approximately S\$5,000.

Income Tax Expense

The Group's income tax expense decreased to approximately S\$0.2 million for the six months ended 31 December 2020 from approximately S\$0.8 million for the six months ended 31 December 2019. Such decrease was mainly due to the decrease in assessable profit.

Net Profit

Profit attributable to owners of the Company for the six months ended 31 December 2020 decreased by approximately S\$2.8 million from approximately S\$2.9 million for the six months ended 31 December 2019 to S\$0.1 million for the six months ended 31 December 2020. Excluding the listing expenses of approximately S\$0.8 million for the six months ended 31 December 2019, the profits for the six months ended 31 December 2019 of the Group would have been approximately S\$3.7 million and the decrease of profit would be approximately 97.0% period-on-period.

Interim Dividend

The Board did not recommend a payment of an interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: 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 31 December 2020, the Group had total cash and bank balances of approximately S\$18.6 million and short-term investments of S\$Nil as compared to approximately S\$15.8 million and short-term investments of S\$5.8 million as at 30 June 2020 respectively. The Group does not have any bank borrowings as at 31 December 2020 and 30 June 2020.

Pledge of Assets

As at 31 December 2020, the Group had approximately S\$0.3 million (as at 30 June 2020: S\$0.3 million) of pledged bank deposit as part of the collateral for performance guarantees in favour of the Group's customers.

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 had certain bank balances denominated in USD and HKD amounting to S\$15.4 million as at 31 December 2020 which expose the Group to foreign currency risk. The Group manages the risk by closely monitoring the movements 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 31 December 2020 was Nil (as at 30 June 2020: Nil).

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

There were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies or joint ventures by the Group during the six months ended 31 December 2020.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Company's prospectus dated 20 June 2019 ("Prospectus"), the Group did not have other future plans for material investments or capital assets as at 31 December 2020.

Employees and Remuneration Policy

As at 31 December 2020, the Group had a total of 139 employees (31 December 2019: 175 employees), including executive Directors. Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes in the six months ended 31 December 2020 amounted to approximately S\$1.8 million (six months ended 31 December 2019: approximately S\$2.8 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.

Contingent Liabilities

As at 31 December 2020, our Group had performance bonds of approximately S\$2.6 million (30 June 2020: S\$2.6 million) given by a bank and an insurance company in favour of our 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 six months ended 31 December 2020, the Group acquired items of plant and equipment of approximately S\$0.1 million (30 June 2020: S\$0.3 million).

As at 31 December 2020, the Group had no material capital commitments.

Use of Net Proceeds from the Share Offer

The net proceeds from the Share Offer (the “Net Proceeds”) were approximately HK\$95.0 million (S\$16.6 million) (after deducting listing expenses). The Group has utilised the Net Proceeds in accordance with the intended plan and purposes as outlined in the section headed “Future Plans and Use of Proceeds” in the Prospectus and as modified in the Company’s announcement titled “Change in Use of Proceeds” dated 13 May 2020 (the “Announcement”).

As disclosed in the Announcement, 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	Utilised Net Proceeds up to 13 May 2020	Unutilised Net Proceeds up to 13 May 2020	Allocation of the Unutilised Net Proceeds	Unutilised Net Proceeds after re-allocation ("Re-allocated Net Proceeds")
	S\$ million (approximately)	S\$ million (approximately)	S\$ million (approximately)	S\$ million (approximately)	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 (existing new projects)	1.7	1.7	0.0	+3.5	3.5
(i) Financing the Group’s upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects (new potential projects)	0.0	0.0	0.0	+3.0	3.0

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)	Allocation of the Unutilised Net Proceeds S\$ million (approximately)	Unutilised Net Proceeds after re-allocation ("Re-allocated Net Proceeds") S\$ million (approximately)
(ii) Financing the acquisition of additional machinery and equipment	1.4	0.1	1.3	(0.7)	0.6
(iii) 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
(iv) Financing the acquisition of additional lorries	0.3	0.1	0.2	-	0.2
(v) 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 31 December 2020 was approximately as follows:

	Re-allocated Net Proceeds	Utilised from 13 May 2020 to 31 December 2020	Unutilised Re-allocated Net Proceeds up to 31 December 2020	Expected date to fully utilise the unutilised Re-allocated Net Proceeds
	S\$ million (approximately)	S\$ million (approximately)	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	3.5	–	3.5	On or before 30 June 2023
(ii) Strengthening the Group's manpower by recruiting additional staff	0.8	0.2	0.6	On or before 30 June 2023
(iii) Expanding the Group's premises for its various operational needs	–	–	–	N/A
(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	3.0	0.5	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	2.2	0.8	On or before 30 June 2022
(vi) Financing the acquisition of additional machinery and equipment	0.6	–	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	–	0.4	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	7.0	6.5	

As at 31 December 2020, the unused amount of net proceeds was placed in licensed banks in Hong Kong and Singapore and the Board expected that it will be utilised in the same manner as disclosed in the Prospectus and the Announcement. 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 Circuit Breaker Period, the Board will continue to closely monitor the situation and evaluate the potential impact on the timeline to utilise the unutilised Re-allocated Net Proceeds and will keep shareholders and potential investors informed if there is any material change.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Company and its subsidiaries which have occurred after the six months ended 31 December 2020 and up to the date of this interim report.

OTHER INFORMATION

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 31 December 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") to 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") (Note)	Interest in controlled corporation	550,000,000	55.00%
Mr. Ang Kok Kwang (Hong Guoguang) ("Mr. KK Ang") (Note)	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.

(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 (Note)	Lead Development	Beneficial owner	13,091	87.27%
Mr. KK Ang (Note)	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.

OTHER INFORMATION

Save as disclosed above, as at 31 December 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 31 December 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 (Note 1)	Beneficial owner	550,000,000	55.00%
Mr. JK Ang (Note 1)	Interest in controlled corporation	550,000,000	55.00%
Mr. KK Ang (Note 1)	Interest held jointly with another person	550,000,000	55.00%
Ms. Pan Moi Kia (Note 2)	Interest of spouse	550,000,000	55.00%
Ms. Chong Sze Yen, Josephine (Note 3)	Interest of spouse	550,000,000	55.00%

Notes:

- 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.
- 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.
- 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 31 December 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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code 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 six months period ended 31 December 2020.

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 during the six months ended 31 December 2019 and 31 December 2020, and there is no outstanding share option as at 30 June 2020 and 31 December 2020.

CORPORATE GOVERNANCE

During the six months ended 31 December 2020, the Company complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2020.

OTHER INFORMATION

AUDIT COMMITTEE

The interim results of the Group for the six months ended 31 December 2020 have not been audited by the independent auditors of the Company. The audit committee of the Company has reviewed the Group's unaudited condensed consolidated results for the six months ended 31 December 2020 and discussed with the management on the accounting principles and practices adopted by the Group with no disagreement by the audit committee of the Company.

By Order of the Board
Khoon Group Limited
Ang Jui Khoon
Chairman and Executive Director

Hong Kong, 26 February 2021