Khoon Group Limited
坤集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 924)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

The Board (the "**Board**") of Directors (the "**Directors**") of Khoon Group Limited (the "**Company**") announces the audited results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2019 together with comparative audited figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2019

	Notes	**2019** *S$*	2018 *S$*
Revenue	*5*	**48,647,372**	33,731,651
Cost of services		**(39,073,159)**	(27,231,070)
Gross profit		**9,574,213**	6,500,581
Other income	*6a*	**158,333**	251,536
Other gains and losses	*6b*	**298,535**	150,435
Administrative expenses		**(2,397,859)**	(1,654,441)
Finance costs	*7*	**–**	(38,824)
Listing expenses		**(2,616,260)**	(948,051)
Profit before taxation		**5,016,962**	4,261,236
Income tax expense	*8*	**(1,366,703)**	(760,327)
Profit and other comprehensive income for the year	*9*	**3,650,259**	3,500,909
Basic and diluted earnings per share (S$ cents)	*11*	**0.49**	0.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**2019**	2018
		S$	*S$*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	**881,242**	1,208,225
Investment property	*13*	**871,934**	887,956
Deposits	*15a*	**113,700**	–
		1,866,876	2,096,181
Current assets			
Trade receivables	*14*	**2,688,824**	3,360,752
Other receivables, deposits and prepayments	*15b*	**1,704,862**	712,273
Contract assets	*16*	**32,768,152**	11,440,486
Amounts due from directors	*17*	**–**	1,319,742
Bank balances and cash	*18*	**5,993,458**	5,997,729
		43,155,296	22,830,982
Current liabilities			
Trade and other payables	*19*	**29,041,325**	12,802,753
Contract liabilities	*16*	**–**	42,365
Income tax payable		**1,578,237**	1,377,374
		30,619,562	14,222,492
Net current assets		**12,535,734**	8,608,490
Total assets less current liabilities		**14,402,610**	10,704,671
Non-current liability			
Deferred tax liabilities	*20*	**53,603**	5,923
Net assets		**14,349,007**	10,698,748
EQUITY			
Capital and reserves			
Share capital	*21*	**52**	1,500,003
Share premium		**12,917,842**	–
Merger reserve		**(11,417,891)**	–
Accumulated profits		**12,849,004**	9,198,745
Equity attributable to owners of the Company		**14,349,007**	10,698,748

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").

The Company is an investment holding company and the principal activities of its operating subsidiary, Khoon Engineering Contractor Pte. Ltd. ("Khoon Engineering"), are the provision of electrical engineering services.

The 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 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, the only operating subsidiary of the Group, was controlled by Mr. JK Ang and Mr. KK Ang (collectively, the "Controlling Shareholders"), who owned 87.3% and 12.7% of equity interest in Khoon Engineering, respectively. The Controlling Shareholders have been managing and controlling Khoon Engineering on a collective basis on all decisions, including but not limited to, financial, management and operational matters, of Khoon Engineering. Each of the Controlling Shareholders has reiterated his agreement in writing that, in respect of the aforesaid matters in relation to Khoon Engineering, they have always been acting in concert.

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.

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.

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.

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 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

The Group has not restated the comparative information, which continues to be reported under IAS 39 *Financial Instruments: Recognition and Measurement* as permitted under IFRS 9 transitional provision. The application of IFRS 9 on 1 July 2018 has no material impact on the consolidated financial position of the Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected loss approach as at the same date.

New and amended IFRS Standards issued but not yet effective

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

IFRS 16	*Leases*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 1 and IAS 8	*Definition of Material*[3]
Amendments to IFRS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015-2017 Cycle*[1]
Framework	*Amendments to References to the Conceptual Framework in IFRS Standards*[3]

1 Effective for annual periods beginning on or after 1 January 2019, with early application permitted.
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 January 2020.

Except as described below, the directors of the Company considers that the application of the other new and amendments to IFRS Standards is unlikely to have a material impact on the Group's consolidated financial position and performance as well as disclosure in the foreseeable future:

IFRS 16 Leases

General impact of application of IFRS 16

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17.

Impact of the new definition of a lease

The Group will make 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 apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). Based on preliminary assessment, management is of the view that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Operating leases

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

On initial application of IFRS 16, for all leases (except as noted below), the Group will:

a) Recognise 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;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) will be 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 liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 30 June 2019, the Group had non-cancellable operations lease commitment of S$298,290. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, at 30 June 2019, the Group currently considers refundable rental deposits paid of S$50,300 and refundable rental deposit received of S$8,550 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right of use of the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The management of the Group does not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the result and the net assets of the Group.

Impact on Lessor Accounting

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.

Based on a preliminary analysis, the directors of the Company have assessed that the application of this will not have material impact to the Group.

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.

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*.

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

	2019	2018
	S$	*S$*
Contract revenue from provision of electrical engineering services, recognised over time	**48,647,372**	33,731,651

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 67 months (2018: 1 month to 67 months).

Included in the Group's revenue for the year ended 30 June 2019 is S$42,073,088 (2018: S$30,686,184) derived from provision of electrical engineering services to the customers in public sector. Other 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.

	2019	2018
	S$	*S$*
Provision of electrical engineering services:		
– Within one year	**39,713,754**	37,122,429
– More than one year but not more than two years	**16,973,469**	22,886,824
– More than two years but not more than five years	**6,229,643**	7,587,707
	62,916,866	67,596,960

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 2019 and 2018 will be recognised as revenue during the years ended/ending 30 June 2019 to 2022.

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:

	2019	2018
	S$	*S$*
Customer I	**7,808,565**	3,791,739
Customer II	**6,890,587**	N/A*
Customer III	**6,739,033**	3,650,655
Customer IV	**5,730,029**	N/A*

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

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 2019 (2018: 100%) based on the location of services delivered. The Group's non-current assets are all located in Singapore.

6 a. OTHER INCOME

	2019	2018
	S$	*S$*
Bank interest income	**36,982**	136,209
Government grants *(Note 1)*	**34,404**	63,442
Rental income	**34,200**	33,150
Sponsorship income *(Note 2)*	**30,000**	–
Others	**22,747**	18,735
	158,333	251,536

Note 1: Government grants mainly include the Wage Credit Scheme ("WCS") and Workforce Training and Upgrading Scheme. All of them 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.

6 b. OTHER GAINS AND LOSSES

	2019	2018
	S$	*S$*
(Loss) Gain on disposal of property, plant and equipment	**(8,749)**	254,092
Exchange gain (loss)	**86,296**	(49,406)
Reversal of (Allowance for) impairment loss on trade receivables	**31,926**	(54,251)
Reversal of provision for liquidated damages *(Note 19)*	**189,062**	–
	298,535	150,435

7 FINANCE COSTS

	2019	2018
	S$	*S$*
Interest on:		
Obligations under finance leases	**–**	38,824

8 INCOME TAX EXPENSE

	2019	2018
	S$	*S$*
Tax expense comprises:		
Current tax:		
– Singapore corporate income tax ("CIT")	**1,319,023**	807,095
Deferred tax expense *(Note 20)*	**47,680**	(46,768)
	1,366,703	760,327

CIT is calculated at 17% of the estimated assessable profit and the Group is further eligible for CIT rebate of 20%, capped at S$10,000 for Year of Assessment 2019, determined based on financial year end date of the Group's entity that is incorporated in Singapore. 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$290,000 for the Year of Assessment 2019 and S$190,000 for the Year of Assessment 2020 of normal chargeable income.

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:

	2019	2018
	S$	*S$*
Profit before taxation	**5,016,962**	4,261,236
Tax at applicable tax rate of 17%	**852,884**	724,410
Tax effect of expenses not deductible for tax purpose	**547,379**	239,508
Tax effect of income not taxable for tax purpose	**(16,135)**	(43,099)
Effect of tax concessions and partial tax exemptions	**(17,425)**	(160,492)
Taxation for the year	**1,366,703**	760,327

9 PROFIT FOR THE YEAR

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

	2019	2018
	S$	*S$*
Depreciation of property, plant and equipment	**455,898**	414,411
Depreciation of investment property	**16,022**	16,022
Audit fees to auditors of the Company:		
– Annual audit fees	**175,000**	–
– Audit fees in connection with the listing of the Company *(Note)*	**251,250**	86,250
Listing expenses *(Note)*	**2,616,260**	948,051
Directors' remuneration	**1,310,765**	791,228
Other staff costs:		
– Salaries and other benefits	**4,556,874**	3,786,240
– Contributions to CPF	**176,899**	148,115
Total staff costs	**6,044,538**	4,725,583
Cost of materials recognised as cost of services	**12,219,318**	7,917,401
Subcontractor costs recognised as cost of services	**21,133,207**	14,155,281

	2019	2018
	S$	*S$*
Gross rental income from investment property recognised as other income *(Note 6)*	**(34,200)**	(33,150)
Less: Direct operating expenses incurred for investment property that generated rental income	**2,883**	2,970
	(31,317)	(30,180)

Note: Included in listing expenses are audit fees of S$251,250 (2018: S$86,250) paid to auditors of the Company, and non-audit fees of S$217,500 (2018: S$90,000) paid to other auditors of the Group.

Included in deferred issue costs are audit fees of S$112,500 (2018: S$28,750) paid to auditors of the Company, and non-audit fees of S$102,500 (2018: S$30,000) paid to other auditors of the Group.

10 DIVIDENDS

No dividend has been declared by the Company or any Group entities during the year or subsequent to the year end.

During the year ended 30 June 2018, Khoon Engineering declared and paid a dividend of S$3,000,000 to its then shareholders in respect of the financial year ended 30 June 2017, before the Reorganisation. A remaining S$1,000,000 dividend in respect of the financial year ended 30 June 2016 was also paid out during the year ended 30 June 2018.

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful.

11 EARNINGS PER SHARE

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

	2019	2018
Profit for the year attributable to owners of the Company (S$)	**3,650,259**	3,500,909
Weighted average number of ordinary shares in issue	**750,000,000**	750,000,000
Basic and diluted earnings per share (S$ cents)	**0.49**	0.47

The calculation of basic earnings per share for the years ended 30 June 2019 and 2018 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 2018 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 2017 and 750,000,000 shares in issue upon completion of the Reorganisation as detailed in Note 21.

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 2019 and 2018.

12 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery S$	Leasehold property S$	Computers S$	Office equipment S$	Motor vehicles S$	Furniture and fittings S$	Total S$
Cost:							
At 1 July 2017	682,081	908,000	128,193	37,174	1,359,248	129,914	3,244,610
Additions	150	–	14,194	8,825	70,999	1,179	95,347
Disposals	–	(908,000)	–	–	(50,800)	(90,330)	(1,049,130)
At 30 June 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
Written off	(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**
Accumulated depreciation:							
At 1 July 2017	177,580	88,279	126,009	14,854	382,505	125,188	914,415
Charge for the year	136,444	16,815	4,969	6,384	248,259	1,540	414,411
Elimination on disposals	–	(105,094)	–	–	(50,800)	(90,330)	(246,224)
At 30 June 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
Written off	(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**
Carrying amounts:							
At 30 June 2018	368,207	–	11,409	24,761	799,483	4,365	1,208,225
At 30 June 2019	**263,734**	**–**	**3,833**	**40,797**	**543,582**	**29,296**	**881,242**

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
Leasehold property	Over the remaining lease term
Computers	1 year
Office equipment	5 years
Motor vehicles	5 years
Furniture and fittings	5 years

During the financial year ended 30 June 2018, S$49,000 of the additions of property, plant and equipment were acquired under hire purchase arrangements. These constituted as non-cash transactions during the year.

13 INVESTMENT PROPERTY

	2019	2018
	S$	*S$*
Cost:		
At beginning and end of the year	**933,509**	933,509
Accumulated depreciation:		
At beginning of the year	**45,553**	29,531
Charge for the year	**16,022**	16,022
At end of the year	**61,575**	45,553
Carrying amount:		
At end of the year	**871,934**	887,956

The investment property is leased to third party. The leases contain initial non-cancellable period of between 2 to 3 years. Subsequent renewal are negotiated with the lessees.

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

As at 30 June 2019, the fair values of the investment property amounted to S$1,020,000 (2018: S$1,030,000). The fair values measurements of the Group's investment property as at 31 January 2019 and 30 June 2018 were 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 year ended 30 June 2019.

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

		Fair value as at	
Address	**Tenure**	**2019**	2018
		S$	*S$*
Level 3			
No.3 Ang Mo Kio St. #04-34, Link@AMK, Singapore 569139	57 years	**1,020,000**	1,030,000

14 TRADE RECEIVABLES

	2019	2018
	S$	*S$*
Trade receivables	**2,711,149**	3,415,003
Less: Allowance for doubtful debts	**(22,325)**	(54,251)
	2,688,824	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 2019 (2018: 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 year:

	2019	2018
	S$	*S$*
Within 30 days	**2,326,057**	2,606,337
31 days to 60 days	**264,919**	725,086
61 days to 90 days	**16,887**	8,302
91 days to 120 days	**26,222**	–
More than 120 days	**54,739**	21,027
	2,688,824	3,360,752

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.

Prior to 1 July 2018, allowance for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to individual customer's credit quality. In determining the recoverability of a trade receivable, the management of the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period, and no impairment was considered necessary for those balances which are not past due at each reporting date.

In the opinion of the management, the trade receivables at the end of each reporting period are of good credit quality and considering high creditability of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

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

Analysis of trade receivables:

	2019	2018
	S$	*S$*
Not past due and not impaired	**2,326,057**	2,606,337
Past due but not impaired	**362,767**	754,415
	2,688,824	3,360,752
Past due and impaired	**22,325**	54,251
Less: Allowance for impairment	**(22,325)**	(54,251)
	2,688,824	3,360,752

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 doubtful debts:

Receivables that are past due but not impaired:

	2019	2018
	S$	*S$*
Within 30 days	**264,919**	725,086
31 days to 60 days	**16,887**	8,302
61 days to 90 days	**26,222**	–
91 days to 120 days	**1,685**	21,027
More than 120 days	**53,054**	–
	362,767	754,415

Included in the Group's trade receivables are carrying amount of approximately S$362,767 which are past due as at 30 June 2019 (2018: S$754,415), 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.

Upon application of IFRS 9 on 1 July 2018, the Group applied simplified approach to provide impairment loss measured as expected credit losses prescribed by IFRS 9.

To measure the ECL of trade receivables, trade receivables are assessed individually for all customers. The ECL of trade receivables as at 1 July 2018 (upon the application of IFRS 9) has no material impact on measurement of the trade receivables nor has any additional impairment been recognised upon application as at same date.

As part of the Group's credit risk management, the Group assess 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.

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 2019, the Group recognised S$22,325 impairment allowance based on individual assessment for all customers.

Since the application of IFRS 9 on 1 July 2018, there has been no changes in the estimation techniques or significant assumption made.

Movements in the allowance for doubtful debts:

	2019 S$	2018 S$
Balance at beginning of year	**54,251**	24,452
Impairment losses (reversed)/recognised	**(31,926)**	54,251
Amounts written off	**–**	(24,452)
Balance at end of year	**22,325**	54,251

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

15 a. DEPOSITS

The amount 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.

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

b. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 S$	2018 S$
Deposits *(Note)*	**358,852**	59,870
Prepayments	**84,420**	17,210
Deferred issue costs	**1,058,398**	274,005
Other receivable from resale of excess materials *(Note)*	**–**	300,000
Others *(Note)*	**203,192**	61,188
	1,704,862	712,273

Note: The management considered the ECL for deposits, other receivable from resale of excess materials, and others to be insignificant as at 30 June 2019.

16 CONTRACT ASSETS/LIABILITIES

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

	2019 S$	2018 S$
Contract assets	**32,768,152**	11,440,486
Contract liabilities	**–**	(42,365)
	32,768,152	11,398,121

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$32,351 as at 30 June 2018.

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:

	2019	2018
	S$	*S$*
Retention receivables	**4,318,580**	2,670,830
Others *(Note)*	**28,449,572**	8,802,007
	32,768,152	11,472,837

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.

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, it is considered that the ECL for contract assets is insignificant as at 30 June 2019.

There were no impairment losses recognised on any contract asset during years ended 30 June 2019 and 2018.

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.

The Group's contract liabilities are analysed as follows:

	2019	2018
	S$	*S$*
Contract liabilities	**–**	74,716

17 AMOUNTS DUE FROM DIRECTORS

The balance as at 30 June 2018 is non-trade related, unsecured, non-interest bearing and repayable on demand.

18 BANK BALANCES AND CASH

	2019	2018
	S$	*S$*
Cash at banks	**5,963,228**	5,997,729
Cash on hand	**30,230**	–
Cash and cash equivalents in the consolidated statement of cash flows	**5,993,458**	5,997,729

As at 30 June 2019, approximately S$1,747,378 (2018: S$4,816,724) included in bank balances carry effective interest rate ranging from 0.68% to 0.70% per annum (2018: 0.59% to 0.68% per annum). The remaining bank balances and cash are interest-free.

19 TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	2019	2018
	S$	*S$*
Trade payables	**2,751,365**	1,271,689
Trade accruals	**19,383,190**	9,058,676
Retention payables *(Note)*	**1,503,736**	1,057,898
	23,638,291	11,388,263
Other payables		
Accrued listing expenses	**1,456,119**	457,397
Payroll and CPF payables	**225,974**	714,230
Goods and Services Tax ("GST") payables	**34,363**	41,002
Rental deposit received	**8,550**	8,550
Share issue proceeds received in advance from cornerstone investor *(Note 1)*	**3,500,926**	–
Provision for liquidated damages *(Note 6b)*	**–**	189,062
Others	**177,102**	4,249
	29,041,325	12,802,753

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 capital upon the Share Offer (as defined in Note 21) 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:

	2019	2018
	S$	*S$*
Within 30 days	**1,740,031**	618,751
31 to 60 days	**376,329**	437,078
61 to 90 days	**138,235**	7,518
91 to 120 days	**340,667**	5,754
Over 120 days	**156,103**	202,588
	2,751,365	1,271,689

The credit period on purchases from suppliers and subcontractors is 7 to 90 days (2018: 30 days) or payable upon delivery.

20 DEFERRED TAX LIABILITIES

	2019	2018
	S$	*S$*
As at 1 July	**5,923**	52,691
Recognised in profit or loss during the year:		
Accelerated tax depreciation *(Note 8)*	**47,680**	(46,768)
As at 30 June	**53,603**	5,923

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.

21 SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Reorganisation in the consolidated statement of financial position, the balance as at 30 June 2018 represented the share capital of the Khoon Engineering as the Company was incorporated in the Cayman Islands on 24 July 2018.

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 5 July 2019 by way of placing of 225,000,000 ordinary shares and public offer of 25,000,000 ordinary shares at the price of HK$0.50 per share ("Share Offer").

	Number of ordinary shares	Par Value	Share capital
		HK$	*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	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 2017 and 30 June 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

Notes:

a. At 30 June 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.

d. Pursuant to the written resolution of the 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.

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 its 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 its 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. The Group's 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, the Group had 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 2019, the Group's revenue increased by 44.2% to approximately S$48.6 million as compared to approximately S$33.7 million for the year ended 30 June 2018. The Group's gross profit and net profit also increased by 47.7% and 5.7% to approximately S$9.6 million and S$3.7 million respectively, as compared to approximately S$6.5 million and S$3.5 million for the year ended 30 June 2018 respectively. The increase is mainly due to the additional public residential projects undertaken by the Group during the year ended 30 June 2019.

The overall construction sector in Singapore is expected to momentarily propel growth before slowing down in 2020. The construction sector's growth may weaken in 2020 and 2021 due to recent hints of elevated risks of a global recession.

That said, the Group has continued to outperform despite the strong headwind and coupled with the continued support from various government projects such as its new public housing construction and upgrading works for HDB flats. The Group is confident that it will continue to stay relevant and remain competitive in the local electrical engineering market.

As at 30 June 2019, we had 43 projects on hand (including contracts in progress and contracts which are yet to commence) with a notional or estimated contract value of approximately S$111.5 million, of which approximately S$48.6 million had been recognised as revenue during the year ended 30 June 2019. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

FINANCIAL REVIEW

	For the year ended 30 June		
	2019	2018	Change
	S$ million	*S$ million*	*%*
Revenue	**48.6**	33.7	44.2
Gross profit	**9.6**	6.5	47.7
Gross profit margin	**19.8%**	19.3%	0.5%
Net profit	**3.7**	3.5	5.7%

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					
	2019			2018		
	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	**41**	**42.1**	**86.6**	38	30.7	91.1
Private sector projects	**13**	**6.5**	**13.4**	15	3.0	8.9
Total	**54**	**48.6**	**100.0**	53	33.7	100.0

The Group's overall revenue increased by approximately S$14.9 million or approximately 44.2% from approximately S$33.7 million for the year ended 30 June 2018 to approximately S$48.6 million for the year ended 30 June 2019. The increase is mainly due to revenue contributed from public residential projects which has increased significantly by approximately S$11.4 million or 37.2%.

Further, we also recorded an increase in revenue from private sector projects due to more works performed for 2 private sector projects, which contributed revenue of approximately S$4.0 million for the year ended 30 June 2019 (approximately S$0.3 million for the year ended 30 June 2018).

Cost of Services

The Group's cost of services increased by approximately S$11.9 million or approximately 43.5% from approximately S$27.2 million for the year ended 30 June 2018 to approximately S$39.1 million for the year ended 30 June 2019. Such increase in cost of services was generally in line with the increase in revenue.

Gross Profit and Gross Profit Margin

	For the year ended 30 June					
	2019			2018		
	Revenue	**Gross profit**	**Gross profit margin**	Revenue	Gross profit	Gross profit margin
	S$ million	***S$ million***	*%*	*S$ million*	*S$ million*	*%*
Public sector projects	**42.1**	**8.3**	**19.7**	30.7	5.6	18.2
Private sector projects	**6.5**	**1.3**	**20.0**	3.0	0.9	30.0
Total	**48.6**	**9.6**	**19.8**	33.7	6.5	19.3

The gross profit of the Group for the year ended 30 June 2019 amounted to approximately S$9.6 million, representing an increase of approximately 47.3% as compared with approximately S$6.5 million for the year ended 30 June 2018, which was driven by an increase in revenue for the same period. The Group's gross profit margin for the year ended 30 June 2019 was approximately 19.8%, which was relatively stable when compared to approximately 19.3% for the year ended 30 June 2018.

Other Income

Other income mainly included income from (i) interest income from banks, (ii) government grants, (iii) rental income, (iv) sponsorship income and (v) sundry income. During the year ended 30 June 2019, other income amounted to approximately S$0.2 million (2018: approximately S$0.3 million). The decrease in other income was mainly due to lesser bank interest income and government grant received for the year ended 30 June 2019, which was slightly offset by increase in new sponsorship income.

Other Gains or Losses

Other gains or losses mainly included (i) net exchange gain or loss, (ii) gain or loss on disposal of property, plant and equipment, (iii) reversal of allowance for bad and doubtful debts and (iv) reversal of provision for liquidated damages. During the year ended 30 June 2019, other gains or losses amounted to approximately S$0.3 million (2018: approximately S$0.2 million). The increase in other gains was mainly due to a reversal of provision for liquidated damages during the year ended 30 June 2019.

Administrative Expenses

The administrative expenses of the Group for the year ended 30 June 2019 amounted to approximately S$2.4 million, representing an increase of approximately 44.9% compared with approximately S$1.7 million for the year ended 30 June 2018, mainly due to the increase in our headcount and salary increments, increase in auditors' remuneration and increase rental expenses for office premises.

Finance Costs

Finance costs for the year ended 30 June 2019 was nil as compared to the year ended 30 June 2018 of approximately S$39,000.

Income Tax Expense

The Group's income tax expense increased to approximately S$1.4 million for the year ended 30 June 2019 from approximately S$0.8 million for the year ended 30 June 2018. Such increase was mainly driven by the increase in assessable profit, excluding the tax effect of the non-deductible listing expenses of approximately S$2.6 million incurred during the year ended 30 June 2019.

Net Profit

Profit attributable to owners of the Company for the year ended 30 June 2019 increased by approximately S$0.2 million from approximately S$3.5 million for the year ended 30 June 2018 to S$3.7 million for the year ended 30 June 2019. Excluding the listing expenses of approximately S$0.9 million and S$2.6 million for the year ended 30 June 2018 and 30 June 2019 respectively, the profits for the year ended 30 June 2018 and 30 June 2019 of the Group would have been approximately S$4.4 million and S$6.3 million respectively and the increase of profit would have been approximately 40.9% year-on-year.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 30 June 2019 (2018: S$3.0 million).

Liquidity, Financial Resources and Capital Structure

The Company's 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 financial institutions.

As at 30 June 2019, the Group had total cash and bank balances of approximately S$6.0 million, which is the same as the year ended 30 June 2018. The Group does not have any bank borrowings or obligations under finance lease as at 30 June 2019 and 30 June 2018.

Pledge of Assets

The Group did not pledge any assets to secure any banking facilities or bank loans during the years ended 30 June 2018 and 30 June 2019.

Treasury Policy

The Group has adopted a prudent financial management approach towards it 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 HK$ amounting to S$4.0 million as at 30 June 2019 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 30 June 2019 was nil (as at 30 June 2018: nil).

Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

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 and affiliated companies by the Group during the year ended 30 June 2019. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 30 June 2019.

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 2019.

Employees and Remuneration Policy

As at 30 June 2019, the Group had a total of 191 employees (2018: 181 employees), including executive Directors. Total staff costs including Directors' emoluments in the year ended 30 June 2019 amounted to approximately S$6.0 million (2018: approximately S$4.7 million), salaries, wages and other staff benefits, contributions and retirement schemes. In order to attract and retain high quality staff and to enable smooth operations within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from central provident fund and job training programs, salary increments and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Contingent Liabilities

As at 30 June 2019, the Group had performance bonds of approximately S$0.9 million (2018: S$0.6 million) given 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 2019, the Group acquired items of property, plant and equipment of approximately S$0.1 million (2018: S$0.1 million).

As at 30 June 2019, 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 (after deducting listing expenses). In line with the future plans and the proceeds as set out in the Prospectus, the Group plans to allocate the net proceeds for the purposes as outlined below.

Purposes	S$ million	Approximate Percentage of the Total Net Proceeds
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	40.6	42.7%
Strengthening our manpower by recruiting additional staff	14.5	15.3%
Expanding our premises for our various operational needs	10.4	10.9%
Financing our upfront costs and working capital requirements at the early stage of carrying out our electrical engineering projects	9.5	10.0%
Financing the acquisition of additional machinery and equipment	8.0	8.4%
Purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading our enterprise resource planning system	5.1	5.4%
Financing the acquisition of additional lorries	1.6	1.7%
Reserved as our general working capital	5.3	5.6%

As the Company's shares were listed on 5 July 2019, the Company did not have any listing proceeds to deploy as at 30 June 2019.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2019, the following significant events took place:

(i) On 5 July 2019, a total of 749,970,000 new shares of the Company were allotted and issued, credited as fully paid at par, to the sole shareholder by way of capitalisation of a sum of HK$7,499,700 standing to the credit of the share premium account of the Company, and that such shares rank pari passu in all respects with all the then existing issued shares of the Company.

(ii) On 5 July 2019, 250,000,000 new ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$0.50 by way of public offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since the listing of the shares of the Company on the Stock Exchange on 5 July 2019 (the "**Listing Date**") and up to the date of this announcement.

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 since the Listing Date.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Company has reviewed the Group's audited financial results for the year ended 30 June 2019 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group with no disagreement by the Audit Committee.

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

Hong Kong, 27 September 2019

As at the date of this announcement, the Board comprises Mr. Ang Jui Khoon, Mr. Ang Kok Kwang (Hong Guoguang) and Mr. Ang Yong Kwang (Hong Yongquan) as the executive Directors, and Ms. Tan Pei Fung, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang) as the independent non-executive Directors.