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## **HKE Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1726)**

### **ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019**

The board (the “**Board**”) of directors (the “**Directors**”) of HKE Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 30 June 2019 together with comparative figures for the corresponding period in 2018 as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*Financial year ended 30 June 2019*

	<i>Note</i>	<b>2019</b>	2018
		<i>S\$</i>	<i>S\$</i>
<b>Revenue</b>	4	<b>10,403,292</b>	13,928,620
Cost of services/sales		<u>(6,705,927)</u>	<u>(8,162,246)</u>
<b>Gross profit</b>		<b>3,697,365</b>	5,766,374
Other income	5A	<b>485,663</b>	70,585
Other (losses)/gains	5B	<b>(28,185)</b>	518,999
Administrative expenses		<b>(1,423,815)</b>	(1,294,339)
Listing expenses		<u>—</u>	<u>(3,391,288)</u>
<b>Profit before taxation</b>	6	<b>2,731,028</b>	1,670,331
Income tax expense	7	<u>(468,417)</u>	<u>(792,275)</u>
<b>Profit for the year, representing total comprehensive income for the year</b>		<u><b>2,262,611</b></u>	<u>878,056</u>
Earnings per share			
Basic and diluted (S\$ cents)	8	<u><b>0.28</b></u>	<u>0.14</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2019*

	<i>Note</i>	<b>2019</b> <i>S\$</i>	2018 <i>S\$</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>9</i>	<u>728,723</u>	<u>664,937</u>
Total non-current assets		<u>728,723</u>	<u>664,937</u>
<b>Current assets</b>			
Trade receivables	<i>10</i>	3,399,887	4,643,184
Other receivables, deposits and prepayments	<i>11</i>	151,653	153,293
Amounts due from customers for construction work	<i>12</i>	—	1,030,282
Contract assets	<i>12</i>	2,498,815	—
Restricted bank deposit	<i>13</i>	—	175,000
Bank balances and cash	<i>13</i>	<u>22,464,228</u>	<u>21,042,512</u>
Total current assets		<u>28,514,583</u>	<u>27,044,271</u>
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	766,057	895,249
Amounts due to customers for construction work	<i>12</i>	—	24,253
Contract liabilities	<i>12</i>	43,850	—
Income tax payable		<u>462,108</u>	<u>1,083,066</u>
Total current liabilities		<u>1,272,015</u>	<u>2,002,568</u>
Net current assets		27,242,568	25,041,703
<b>Non-current liability</b>			
Deferred tax liabilities	<i>15</i>	<u>27,310</u>	<u>25,270</u>
Total non-current liability		<u>27,310</u>	<u>25,270</u>
<b>Net assets</b>		<u><u>27,943,981</u></u>	<u><u>25,681,370</u></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	<i>16</i>	1,335,760	1,335,760
Share premium	<i>17</i>	15,352,340	15,352,340
Merger reserves		1,000,119	1,000,119
Accumulated profits		<u>10,255,762</u>	<u>7,993,151</u>
<b>Equity attributable to owners of the Company</b>		<u><u>27,943,981</u></u>	<u><u>25,681,370</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Financial year ended 30 June 2019*

	Share capital <i>(Note 16)</i> S\$	Share premium <i>(Note 17)</i> S\$	Merger reserve S\$	Accumulated profits S\$	Total S\$
<b>Balance at 1 July 2017</b>	1,000,000	—	—	7,115,095	8,115,095
Profit for the year, representing total comprehensive income for the year	—	—	—	878,056	878,056
<i>Transactions with owners, recognised directly in equity</i>					
Issue of shares pursuant to the reorganisation <i>(Note A)</i>	17	—	119	—	136
Reorganisation	(1,000,000)	—	1,000,000	—	—
Issue of shares under capitalisation issue <i>(Note 16)</i>	1,001,803	(1,001,803)	—	—	—
Issue of shares under the share offer	333,940	18,212,080	—	—	18,546,020
Share issue expenses	—	(1,857,937)	—	—	(1,857,937)
<b>Balance at 30 June 2018</b>	1,335,760	15,352,340	1,000,119	7,993,151	25,681,370
Profit for the year, representing total comprehensive income for the year	—	—	—	2,262,611	2,262,611
<b>Balance at 30 June 2019</b>	<u>1,335,760</u>	<u>15,352,340</u>	<u>1,000,119</u>	<u>10,255,762</u>	<u>27,943,981</u>

*Note A:* The reserve arose from the share swap pursuant to agreement entered between Mr. Ang Kong Meng, Mr. Ryan Ong Wei Liang and Mr. Koh Lee Huat and the Company dated 2 March 2018 to which the Company acquired 200 shares in Philosophy Global Limited representing its entire issued share capital and in consideration thereof, 9,999 shares were issued and allotted by the Company, credited as fully paid to Skylight Illumination. Since then, the Company became the holding company of the Group.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*Financial year ended 30 June 2019*

## 1 GENERAL

HKE Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 18 August 2017 and its registered office of the Company is Clifton House, 75 Fort Street, 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 13 October 2017 and the principal place of business in Hong Kong is Suites 1801–3, 18th Floor, One Taikoo Place, Quarry Bay, 979 King’s Road, Hong Kong.

The principal place of business is at 10 Admiralty Street, #02–47 North Link Building, Singapore 757695. The Company is an investment holding company and the principal activities of its operating subsidiary, Hwa Koon Engineering Pte. Ltd., are provision of integrated design and building services in the medical and healthcare sectors with expertise in performing radiation shielding works.

The shares of the Company have been listed on the Main Board of the The Stock Exchange of Hong Kong (the “**Stock Exchange**”) since 18 April 2018 with Stock Code 1726.

The Company was a subsidiary of Skylight Illumination Limited, incorporated in the British Virgin Islands (“**BVI**”), which was also the Company’s ultimate holding company. Subsequent to year end, on 15 July 2019, the Company’s holding company, Skylight Illumination Limited, had entered into a sale and purchase agreement (the “**SPA**”) with Eagle Fortitude Limited (the “**Offeror**”), a third party, to dispose its entire shareholdings of 600,000,000 ordinary shares (“**Sale Shares**”) in HKE Holdings Limited, representing 75% of the total issued share capital of the Company, at the price of HK\$0.48 per Sale Share. The SPA for this disposal was made effective on 22 July 2019. As a result of the disposal, the Offeror is the Company’s holding company with effect from 22 July 2019. On 28 August 2019, the Offeror had acquired an additional 315,000 shares in the Company at the price of HK\$0.48 per Share from public shareholders, effectively owning 600,315,000 shares in the Company in total, representing 75.039% of the total issued share capital of the Company.

The functional currency of the Company is Singapore dollars (“**S\$**”), which is also the presentation currency of the Company and its principal subsidiaries.

The consolidated financial statements are approved by the board of directors of the Company on 30 September 2019.

## 2 GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In the previous financial year, for the purpose of the listing of the Company’s shares on the Main Board of the Stock Exchange, the Group underwent a group reorganisation.

The Group resulting from the group 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 Group Reorganisation had been in existence throughout the period, or since their respective dates of incorporation or establishment where this is a shorter period.

### 3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

#### **New and amended IFRSs that are effective for the current year**

For the purpose of preparing and presenting the consolidated financial statements for the year ended 30 June 2019, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning 1 July 2018.

The adoption of these new and revised IFRSs does not result in changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior years, except as disclosed below.

#### ***IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)***

IFRS 15 supersedes IAS 11 *Construction Contracts* (“IAS 11”) and the related Interpretations. IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the financial statements are described below.

The Group has applied IFRS 15 using the modified retrospective method with the cumulative effect of initially applying the IFRSs recognised at the date of initial application (1 July 2018) as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11 and the related Interpretations. The Group has elected to apply this IFRSs retrospectively only to contracts that are not completed contracts at the date of initial application.

Except for the change in classification of retention sum from trade receivables under IAS 11 to contract assets under IFRS 15, the application of IFRS 15 on 1 July 2018 has no impact on the timings and amount of revenue recognised in the respective reporting periods.

The effects of adopting IFRS 15 under the modified retrospective approach are presented and explained below:

#### ***(A) Impact of IFRS 15 on the Consolidated Statement of Financial Position as at 1 July 2018 (date of initial application)***

	<b>30 June 2018</b> as previously reported S\$	<b>Adoption of</b> <b>IFRS 15</b> S\$	<b>Note</b>	<b>1 July 2018</b> as restated S\$
<b>Current assets</b>				
Trade receivables	4,643,184	(160,982)	(a)	4,482,202
Amounts due from customers for construction work	1,030,282	(1,030,282)	(a) & (b)	—
Contract assets	—	1,191,264	(b)	1,191,264
<b>Current liabilities</b>				
Amounts due to customers for construction work	24,253	(24,253)	(b)	—
Contract liabilities	—	24,253	(b)	24,253

(B) *Impact of IFRS 15 on the Consolidated Statement of Financial Position as at 30 June 2019 (current reporting period)*

	Under previous IFRS \$	Adoption of IFRS 15 \$	Note	Under new IFRS S\$
<b>Current assets</b>				
Trade receivables	3,582,584	(182,697)	(a)	3,399,887
Amounts due from customers for construction work	2,316,118	(2,316,118)	(a) & (b)	—
Contract assets	—	2,498,815	(b)	2,498,815
<b>Current liabilities</b>				
Amounts due to customers for construction work	43,850	(43,850)	(b)	—
Contract liabilities	—	43,850	(b)	43,850

Explanatory notes:

**IFRS 15**

- (a) Under IFRS 15, revenue recognised prior to the date on which it is invoiced to the customer is recognised as retention receivables which was classified under trade receivables prior to 30 June 2018 and under contract assets subsequent to 1 July 2018. There was no impact on the statement of profit or loss as a result of these reclassifications.
- (b) Under IFRS 15, with effect from 1 July 2018, amounts due from/to customers for construction work is reclassified to contract assets/liabilities. There was no impact on the statement of profit or loss as a result of these reclassifications.

The adoption of IFRS 15 did not have a material impact on the Group’s operating, investing and financing cash flows, as well as profit or loss during the year ended 30 June 2019.

***IFRS 9 Financial Instruments (“IFRS 9”)***

IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

The Group applied IFRS 9 with an initial application date of 1 July 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39 *Financial Instruments: Recognition and Measurement (“IAS 39”)*. Effects arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

The significant accounting policies for financial instruments under IFRS 9 is as disclosed below.

(a) *Classification and measurement of financial assets and financial liabilities*

The Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The classification of financial assets is based on two criteria: the Group's business model for managing the assets and whether the instruments' contractual cash flows represent solely payments of principal and interest' on the principal amount outstanding. There are no changes in classification and measurement of the Group's financial assets and financial liabilities.

(b) *Impairment of financial assets*

IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on (i) debt investments subsequently measured at amortised cost or at fair value through other comprehensive income ("FVTOCI") and (ii) contract assets to which the impairment requirements of IFRS 9 apply.

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

**New and revised IFRS in issue but not yet effective**

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

IFRS 16	Leases <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014–2018 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019, with early application permitted.

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

***IFRS 16 Leases ("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 IAS 17 *Leases* ("IAS 17") and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cashflows, the Group currently presents operating lease payments as operating cash flows. Under the IFRS 16 lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2019, the Group had non-cancellable operating lease commitments of S\$147,915 (2018: S\$51,440). Management has performed an analysis of the requirements of the initial application of IFRS 16 and expects the adoption of IFRS 16 will not result in a material impact on the financial statements of the Group in the period of their initial adoption.

#### 4 REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from (i) provision of services including preparation and consultation on building design and specifications, performance of building works (mainly including radiation shielding works, M&E works and fitting-out works) and assisting to obtain statutory approvals and certifications for the building works (“**Integrated design and building services**”) to external customers, (ii) provision of maintenance services generally comprise conducting examinations, replacement of parts and repair works (if necessary) in relation to the radiation shielding works and mechanical & electrical works, and provision of other ancillary services generally include minor renovation and installation works, dismantling and disposal of used medical equipment, removal of construction waste materials, and cleaning of the work sites upon completion of building works, etc. (“**Maintenance and other services**”) and (iii) sales of tools and materials (such as fabricated radiation shielding products, signage boards, lead sheet and lead glass) (“**Sales of tools and materials**”).



Information is reported to the executive directors of the Company, being the chief operating decision maker (“CODM”) of the Group, for the purposes of resource allocation and performance assessment. The CODM reviews revenue by nature of services, i.e. “Integrated design and building services”, “Maintenance and other services” and “Sales of tools and materials”. No other analysis of the Group’s results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial performance of the Group as a whole. Accordingly, the CODM has identified one operating segment. 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 year ended 30 June 2019 is as follows:

	<b>2019</b>	2018
	<b>S\$</b>	S\$
<i>Revenue from:</i>		
Integrated design and building services, recognised over time	<b>9,972,641</b>	13,358,328
Maintenance and other services, recognised at a point in time	<b>377,751</b>	474,386
Sales of tools and materials, recognised at a point in time	<b>52,900</b>	95,906
	<b><u>10,403,292</u></b>	<u>13,928,620</u>

All the contracts with customers are agreed at fixed price and the expected duration of the contracts is one year or less.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the reporting period.

#### **Major customers**

The revenue from customers individually contributed over 10% of total revenue of the Group during the year ended 30 June 2019 are as follows:

	<b>2019</b>	2018
	<b>S\$</b>	S\$
Customer A	<b>1,660,841</b>	2,510,207
Customer B	<b>2,944,076</b>	2,601,973
Customer C	N/A*	3,019,533
Customer D	N/A*	1,675,945
Customer E	<b>1,608,029</b>	N/A*
Customer F	<b>1,091,703</b>	N/A*

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the reporting period.

#### **Geographical information**

The Group principally operates in Singapore, which is also the place of domicile. Revenue derived from Singapore represents 84.2% of total revenue for the year ended 30 June 2019 (2018: 99.2%) based on the location of products, services delivered and the Group’s property, plant and equipment which are all located in Singapore.

## 5A OTHER INCOME

	2019	2018
	S\$	S\$
Government grants ( <i>Note</i> )	19,627	17,569
Interest income	455,621	47,996
Others	10,415	5,020
	<u>485,663</u>	<u>70,585</u>

### *Note:*

Government grants mainly include the Wage Credit Scheme, the Productivity and Innovation Credit Scheme and the Workforce Training 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.

## 5B OTHER (LOSSES)/GAINS

	2019	2018
	S\$	S\$
Gain arising on disposal of property, plant and equipment	29,952	—
Unrealised exchange (loss) gain, net	(58,137)	518,999
	<u>(28,185)</u>	<u>518,999</u>

## 6 PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2019	2018
	S\$	S\$
Depreciation of property, plant and equipment		
Recognised as cost of services/sales	70,002	56,172
Recognised as administrative expenses	31,587	34,696
	<u>101,589</u>	<u>90,868</u>
Annual audit fees paid to auditors of the Company	130,000	100,000
Listing expenses ( <i>Note a</i> )	—	3,391,288
Directors' and chief executive's remuneration	398,550	326,799
Other staff costs:		
— Salaries and other benefits	2,135,965	2,141,557
— Contributions to CPF	148,870	145,256
Total staff costs	<u>2,683,385</u>	<u>2,613,612</u>
Cost of materials recognised as cost of services/sales	1,425,501	1,507,013
Subcontractor costs recognised as cost of services/sales	<u>2,583,739</u>	<u>3,839,627</u>

*Note:*

- a. Included in 2018 listing expenses were audit fees S\$390,000 paid to auditors of the Group, and non-audit fees of S\$103,095 paid to other auditors of the Group.

## 7 INCOME TAX EXPENSE

	2019	2018
	S\$	S\$
Tax expense comprises:		
Current tax:		
— Singapore corporate income tax ("CIT")	466,377	792,657
— Deferred tax expense (credit) ( <i>Note 15</i> )	2,040	(382)
	<u>468,417</u>	<u>792,275</u>

Singapore CIT is calculated at 17% of the estimated assessable profit and a further CIT rebate of 20%, capped at \$10,000 for Year of Assessment 2019 and 2018, determined based on financial year end date of the Group. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of chargeable income for Year of Assessment 2019 and 2018 and a further 50% tax exemption on the next S\$190,000 and S\$290,000 of chargeable income for Year of Assessment 2019 and 2018 respectively.

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

	2019	2018
	S\$	S\$
Profit before taxation	<u>2,731,028</u>	<u>1,670,331</u>
Tax at applicable tax rate of 17%	464,275	283,956
Tax effect of expenses not deductible for tax purpose	1,987	2,296
Tax effect of income not taxable for tax purpose	(77,186)	—
Effect of tax concessions and partial tax exemptions ( <i>Note</i> )	(27,425)	(35,925)
Effect of tax rates of subsidiaries operating in other jurisdiction	106,318	553,693
Others	<u>448</u>	<u>(11,745)</u>
Taxation for the year	<u>468,417</u>	<u>792,275</u>

*Note:* Tax concessions pertain to incentive schemes given by the Singapore tax authority. One of the major tax concession is Productivity and Innovation Credit (“PIC”) Scheme. Under the PIC Scheme, the subsidiary enjoys 400% tax deductions for qualifying expenditure incurred for the Year of Assessment 2018. The PIC scheme will lapse after Year of Assessment 2018.

## 8 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2019	2018
Profit attributable to the owners of the Company (S\$)	2,262,611	878,056
Weighted average number of ordinary shares in issue	800,000,000	640,000,000
Basic and diluted earnings per share	<u>0.28 cents</u>	<u>0.14 cents</u>

The calculation of basic earnings per share is based on the profit for the year 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 has no dilutive securities that are convertible into shares during the years ended 30 June 2019 and 2018.

## 9 PROPERTY, PLANT AND EQUIPMENT

	Plant and Machinery S\$	Leasehold properties S\$	Computers and office equipment S\$	Motor vehicles S\$	Furniture and fittings S\$	Total S\$
<b>Cost</b>						
At 1 July 2017	48,969	631,290	116,802	395,207	45,432	1,237,700
Additions	2,044	—	6,521	—	444	9,009
Disposals	—	—	(6,082)	—	(3,589)	(9,671)
At 30 June 2018	51,013	631,290	117,241	395,207	42,287	1,237,038
Additions	9,322	—	8,293	147,760	—	165,375
Disposals	—	—	—	(152,112)	—	(152,112)
At 30 June 2019	60,335	631,290	125,534	390,855	42,287	1,250,301
<b>Accumulated depreciation</b>						
At 1 July 2017	41,076	138,340	53,036	227,464	30,988	490,904
Charge for the year	3,995	11,689	19,860	52,177	3,147	90,868
Elimination on disposals	—	—	(6,082)	—	(3,589)	(9,671)
At 30 June 2018	45,071	150,029	66,814	279,641	30,546	572,101
Charge for the year	4,458	11,691	16,743	65,544	3,153	101,589
Elimination on disposals	—	—	—	(152,112)	—	(152,112)
At 30 June 2019	49,529	161,720	83,557	193,073	33,699	521,578
<b>Carrying values</b>						
At 30 June 2018	<u>5,942</u>	<u>481,261</u>	<u>50,427</u>	<u>115,566</u>	<u>11,741</u>	<u>664,937</u>
At 30 June 2019	<u>10,806</u>	<u>469,570</u>	<u>41,977</u>	<u>197,782</u>	<u>8,588</u>	<u>728,723</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following useful lives after taking into account the residual values:

Plant and machinery	5 years
Leasehold properties	54 years
Computers and office equipment	5 years
Motor vehicles	5 years
Furniture and fittings	5 years

## 10 TRADE RECEIVABLES

	2019 S\$	2018 S\$
Trade receivables	3,399,887	4,482,202
Retention receivables	—	160,982
	<u>3,399,887</u>	<u>4,643,184</u>

The Group grants credit terms to customers typically for 30, 60 or 90 days from the invoice date for trade receivables.

### Current accounting policy for impairment of trade receivables

Starting from 1 July 2018, the Group applied simplified approach to provide the expected credit losses prescribed by IFRS 9.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience 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 of the industry in which the debtors operate.

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

During the year ended 30 June 2019, no impairment loss was recognised for the trade receivables.

The table is an analysis of trade receivables by age, presented based on the invoice date at the end of each reporting period:

	2019 S\$	2018 S\$
Analysis of trade receivables:		
Within 30 days	2,293,628	1,463,093
31 days to 60 days	106,789	780,394
61 days to 90 days	393,679	257,707
91 days to 180 days	322,117	1,959,864
181 days to 1 year	283,674	21,144
	<u>3,399,887</u>	<u>4,482,202</u>

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

	2019	2018
	S\$	S\$
Receivables that are past due but not impaired		
Less than 30 days	305,350	1,009,404
31 days to 60 days	7,225	307,645
61 days to 90 days	61,846	515,763
91 days to 180 days	131,967	533,119
181 days to 365 days	155,934	21,144
	<u>662,322</u>	<u>2,387,075</u>

#### Previous accounting policy for impairment of trade receivables

In 2018, included in the Group's trade receivables were carrying amounts of approximately S\$2,387,075 which were past due at 30 June 2018, for which the Group had not provided for impairment loss as there had not been a significant change in credit quality and the amounts were still considered recoverable based on repayment history of respective customers.

Allowance for doubtful debts were recognised against trade receivables based on estimated irrecoverable amounts, determined by reference to individual customer's credit quality. In determining the recoverability of trade receivables, the Group considered if there was any change in the credit quality of the trade receivables from the initial recognition date to the end of each reporting period. Considering the high credibility of these customers, good track record with the Group and subsequent settlement, management believed the trade receivables at the end of each reporting period were of good credit quality and that no impairment allowance was necessary in respect of the remaining unsettled balances.

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

The carrying values of trade receivables approximated their fair values.

#### 11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	S\$	S\$
Deposits	103,505	99,285
Prepayments	42,493	28,518
Advances to staff	2,878	14,670
Sundry receivables	2,777	10,820
	<u>151,653</u>	<u>153,293</u>

**12 CONTRACT ASSETS (LIABILITIES)/AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION WORK**

	2019 S\$	2018 S\$
Amounts due from customers for construction work	—	1,030,282
Contract assets — construction contracts	<b>2,316,118</b>	—
Retention receivables ( <i>Note</i> )	<b>182,697</b>	—
	<u><b>2,498,815</b></u>	<u>1,030,282</u>
Amounts due to customers for construction work	—	(24,253)
Contract liabilities — construction contracts	<b>(43,850)</b>	—
	<u><b>(43,850)</b></u>	<u>(24,253)</u>
<b>Analysed for reporting purposes as:</b>		
Amounts due from customers for construction work (current)	—	1,030,282
Contract assets (current)	<b>2,498,815</b>	—
Amounts due to customers for construction work (current)	—	(24,253)
Contract liabilities (current)	<b>(43,850)</b>	—
	<u><b>2,454,965</b></u>	<u>1,006,029</u>

Contract assets and contract liabilities arising from the same contract are presented on a net basis.

Management concluded that the ECL for contract assets are insignificant as at 30 June 2019.

Contract assets represents the Group's rights to considerations from customers for the provision of construction services, which arise when: (i) the Group completed the relevant services under such contracts; 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.

Changes of contract assets were mainly due to: (1) the amount of retention receivables in accordance with the number of ongoing and completed contracts under the defect liability period; and (2) in the size and number of contract works that the relevant services were completed but yet certified by representatives appointed by the customers at the end of each reporting period.

*Note:* The Group's contract assets are the 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. Retention receivables withheld by customers of construction works are released after the completion of warranty period of the relevant contracts, which is usually 12 months from the completion date, and are classified as current as they are expected to be received within the Group's normal operating cycle of approximately twelve months.



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.

Revenue recognised that was included in the contract liabilities in the beginning of the year was S\$24,253.

All services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

### 13 BANK BALANCES AND CASH

	2019 S\$	2018 S\$
Cash at Bank	22,453,592	3,073,399
Cash on hand	10,636	7,136
Fixed Deposit	—	18,136,977
	<u>22,464,228</u>	<u>21,217,512</u>
Less: Fixed Deposit pledged	—	(175,000)
	<u>22,464,228</u>	<u>21,042,512</u>

In 2018, approximately S\$683,798 included in bank balances carried interest rate of 0.78% per annum.

Included in bank balances as at 30 June 2018 were a S\$ time deposit amounting to S\$3,200,000 with a maturity of one month and interest rate of 1.30% per annum, and another United States Dollar ("US\$") time deposit amounting to S\$14,761,977 with a maturity of three months and interest rate of 2.62% per annum. The remaining fixed deposit balance amounting to S\$175,000 was placed for 12 months, carried interest rate of 0.25% per annum and was pledged to bank for performance bonds issued in favour of a customer amounting to approximately S\$174,000.

### 14 TRADE AND OTHER PAYABLES

	2019 S\$	2018 S\$
Trade payables	107,208	300,474
Trade accruals	93,057	24,207
	<u>200,265</u>	<u>324,681</u>
Accrued operating expenses	200,896	178,809
Other payables:		
GST payable	118,819	153,988
Payroll and CPF payable	229,772	235,958
Others	16,305	1,813
	<u>565,792</u>	<u>570,568</u>
	<u>766,057</u>	<u>895,249</u>

In 2019 and 2018, the credit period on purchases from suppliers and subcontractors is between 14 and 90 days or payable upon delivery and rendering of services.

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

	2019 S\$	2018 S\$
Within 90 days	105,994	300,400
91 days to 180 days	1,214	74
	<u>107,208</u>	<u>300,474</u>

## 15 DEFERRED TAX LIABILITIES

	2019 S\$	2018 S\$
As at 1 July	25,270	25,652
Charged to profit or loss for the period ( <i>Note 7</i> )	2,040	(382)
	<u>27,310</u>	<u>25,270</u>

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 law in Singapore.

## 16 SHARE CAPITAL

Movement of the authorised share capital of the Company are as follows:

	No. of shares	Par value HK\$	Share HK\$
Authorised share capital of the Company:			
At date of incorporation	10,000,000	0.01	100,000
Shares issued pursuant to the reorganisation	1,490,000,000	0.01	14,900,000
	<u>1,500,000,000</u>	<u>0.01</u>	<u>15,000,000</u>

Movement of the issued share capital of the Company are as follows:

	<i>No. of shares</i>	<i>S\$</i>
Issued and fully paid ordinary shares:		
At date of incorporation	1	—
Shares issued pursuant to the reorganisation	9,999	17
Shares issued under the capitalisation issue	599,990,000	1,001,803
Shares issued under the share offer	<u>200,000,000</u>	<u>333,940</u>
At 30 June 2018 and 2019	<u>800,000,000</u>	<u>1,335,760</u>

## **17 SHARE PREMIUM**

The amounts of the Group's share premium and the movements therein during the financial years ended 30 June 2019 and 30 June 2018 are presented in the consolidated statement of changes in equity.

Share premium represents the excess of consideration for the shares issued over the aggregate par value.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group is a Singapore-based contractor specialised in the medical and healthcare sectors with expertise in performing radiation shielding works. The Group mainly provides integrated design and building services for hospitals and clinics in Singapore. To a lesser extent, the Group is also engaged in providing maintenance and other services, as well as sales of tools and materials.

During the year ended 30 June 2019, the revenue of the Group decreased by 25.2% to approximately S\$10.4 million as compared to approximately S\$13.9 million for the year ended 30 June 2018. The drop in revenue was contributed by (i) decrease in gross profit margin by approximately 5.9% due to adoption of a more aggressive pricing strategy to secure new projects; and (ii) delay of tendering process for a few major projects.

Over the years, the Singapore Government has progressively planned its healthcare facilities and infrastructure developments to meet growing demand for healthcare needs and at the same time strengthening its position as a regional medical hub. These developments include new building construction, refurbishment, addition and alteration works, demolition, repair and maintenance work on medical-related facilities. Example of recent new healthcare facilities construction projects include, the new national cancer centre that has commenced work in May 2017 and is expected to be completed in May 2020 and an extensive redevelopment and expansion master plan for the Singapore General Hospital Campus which will span across the next two decades. New clean rooms and radiology-related facilities are generally required in the new healthcare facilities. The Directors are therefore of the opinion that the Singapore Government's initiative to increase the medical-related facilities will, therefore, drive the demand for medical-related radiation shielding works.

Despite the decrease in revenue for the year ended 30 June 2019, the directors remain positive on the outlook of the medical-related construction industry in the coming years. Minister of Health, Mr. Gan Kim Young, highlighted during the Ministry of Health Committee of Supply Debate 2018, that the development of more hospitals are underway such as Woodlands Health Campus, Outram Community Hospital, the new National Cancer Centre, Sengkang Hospitals, CGH Medical Centre, and the new Centre for Oral Health at NUH. Following with the update from the speech by Dr Lam Pin Min, Senior Minister of State for Health, at the Ministry of Health Committee of Supply Debate 2019, the government had plans to enlarge the polyclinic network from 20 currently to about 30 to 32 polyclinics by 2030. The directors are of opinion that the above plans and initiatives put in place by the Singapore government will lead to an increase in medical shielding construction work for the Group.

## FINANCIAL REVIEW

### Revenue

The Group's principal operating activities are as follows: (i) integrated design and building services; (ii) maintenance and other services; and (iii) sales of tools and materials.

An analysis of the Group's revenue for the financial year ended 30 June 2019 compared to the year ended 30 June 2018 is as follows:

	2019 S\$	2018 S\$
<i>Revenue from:</i>		
Integrated design and building services, recognised over time	<b>9,972,641</b>	13,358,328
Maintenance and other services, recognised at a point in time	<b>377,751</b>	474,386
Sales of tools and materials, recognised at a point in time	<b>52,900</b>	95,906
	<b><u>10,403,292</u></b>	<b><u>13,928,620</u></b>

The Group's revenue decreased from approximately S\$13.9 million for the year ended 30 June 2018 to approximately S\$10.4 million for the year ended 30 June 2019, representing a decrease of approximately S\$3.5 million or 25.2%.

Revenue deriving from integrated design and building services decreased by approximately S\$3.4 million or 25.4% from approximately S\$13.4 million for the year ended 30 June 2018 to approximately S\$10.0 million for the year ended 30 June 2019. The drop in revenue was contributed by (i) decrease in gross profit margin by approximately 5.9% due to adoption of a more aggressive pricing strategy to secure new projects; and (ii) delay of tendering process for a few major projects.

Revenue deriving from maintenance and other services decreased by approximately S\$0.1 million or 20.0% from approximately S\$0.5 million for the year ended 30 June 2018 to approximately S\$0.4 million for the year ended 30 June 2019. This was mainly contributed by the decreased in one-off minor work orders from the customer during the year ended 30 June 2019, as compared to the year ended 30 June 2018.

The decrease in sales of tools and materials by approximately 44.8% was due to the decrease in export sales of lead materials in the year ended 30 June 2019, as compared to year ended 30 June 2018.

## **Cost of Services/Sales**

The Group's cost of services/sales decreased from approximately S\$8.2 million for the year ended 30 June 2018 to approximately S\$6.7 million for the year ended 30 June 2019, representing a decrease of approximately S\$1.5 million or 18.3%.

Such decrease was mainly contributed by (i) decrease in endorsement fees by Professional Engineer incurred by the Group of approximately S\$0.1 million or 25.0% from approximately S\$0.4 million in the year ended 30 June 2018 to approximately S\$0.3 million in the year ended 30 June 2019; and (ii) decreased use of sub-contractors by the Group during the year ended 30 June 2019 of approximately S\$1.3 million or 32.7% as compared to the year ended 30 June 2018.

Such decrease in endorsement fees by Professional Engineer and use of sub-contractors by the Group is due to the decrease in revenue derived from the integrated design and building services during the year ended 30 June 2019.

## **Gross Profit and Gross Profit Margin**

The gross profit of the Group for the year ended 30 June 2019 amounted to approximately S\$3.7 million, representing a decrease of approximately 36.2% as compared with approximately S\$5.8 million for the year ended 30 June 2018, which was mainly due to decrease in revenue for the same period. The Group's gross profit margin for the year ended 30 June 2018 was approximately 35.5%, as compared with approximately 41.4% for the year ended 30 June 2018. The decrease in the gross profit margin of approximately 5.9% over the year ended 30 June 2019 was mainly attributable to the more competitive pricing provided to customer to secure new projects during the financial year ended 30 June 2019.

## **Other Income**

The Group's other income significantly increased by approximately S\$0.4 million from approximately S\$0.1 million for the year ended 30 June 2018 to approximately S\$0.5 million for the year ended 30 June 2019. Such significant increase in other income was mainly due to the interest income derived funds placed with financial institutions of approximately S\$0.5 million for the year ended 30 June 2019, representing an increase of S\$0.4 million from the year ended 30 June 2018.

## **Other Losses/Gains**

The Group's recorded other losses of approximately S\$0.1 million for the year ended 30 June 2019 and other gains of approximately S\$0.5 million for the year ended 30 June 2018. Such significant change was mainly due to minimal movement of the Hong Kong dollars and United State dollars against Singapore dollars in the year ended 30 June 2019, as compared to the recognition of unrealised foreign exchange gain of approximately S\$0.5 million for the cash and cash equivalents, arising from the Net Proceeds (as defined herein), denominated in Hong Kong dollars and United States dollars in the year ended 30 June 2018.

## **Administrative Expenses**

The Group's administrative expenses increased by S\$0.1 million or 7.7% from approximately S\$1.3 million for the year ended 30 June 2018 to approximately S\$1.4 million for the year ended 30 June 2019. The following is a discussion on the material changes in the components of administrative expense:

Total staff cost arising from administrative expenses (including directors' remuneration) increased by approximately S\$0.1 million from the year ended 30 June 2018 to the year ended 30 June 2019. The increase was mainly due to the Group paying independent non-executive directors' fees for 12 months for the year ended 30 June 2019, as compared to the directors' fees paid to independent non-executive directors of 2.5 months (from the Group's listing date of 18 April 2018 to 30 June 2018) for the year ended 30 June 2018.

The professional fees of the Group increased by S\$0.2 million from approximately S\$0.3 million during the year ended 30 June 2018 to S\$0.5 million during the year ended 30 June 2019. Such increase was mainly due to the additional administrative and compliance cost as a listed company in connection with the listing of the Company's shares (the "**Listing**").

The entertainment and travelling expenses for the Group decreased by S\$0.2 million during the year ended 30 June 2019. The decrease was mainly due to the lesser corporate events organized by the Group during the financial year ended 30 June 2019 as a measure of cost savings initiative of the Group. The decrease in entertainment and travelling expenses has partly offset the increase in administrative expenses.

## **Income Tax Expense**

Income tax expense decreased from approximately S\$0.8 million for the year ended 30 June 2018 to approximately S\$0.5 million for the year ended 30 June 2019. Such decrease was due to the decrease in our profit before income tax, partially offset by the recognition of deferred tax liabilities which arose mainly from the excess of tax over book depreciation of plant and equipment.

## **Profit for the Year**

As a result of the above factors, the Group recorded a profit for the year of approximately S\$2.3 million for the year ended 30 June 2019 (2018: approximately S\$0.9 million). If the non-recurring Listing expenses incurred in the year ended 30 June 2018 of approximately S\$3.4 million were excluded, the Group would have recorded a profit for the year of approximately S\$4.3 million in the year ended 30 June 2018, representing a decrease of approximately S\$2.0 million or 46.5% as compared to the year ended 30 June 2018. The decrease was mainly due to the combined effect of decrease gross profit margin as discussed above.

## **Final Dividend**

The Board did not recommend a payment of a final dividend in the financial year ended 30 June 2019.

## **Liquidity, Financial Resources and Capital Structure**

The Shares were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 April 2018 and there has been no change in capital structure of the Group since then.

As at 30 June 2019, the Group had total cash and bank balances of approximately S\$22.5 million (2018: approximately S\$21.0 million). The increase was mainly due to the profits earned by the Group during the financial year ended 30 June 2019.

## **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.

## **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 0% (as at 30 June 2018: 0%).

## **Pledge of Assets**

As at 30 June 2019, the Group does not have any pledged bank deposit for corresponding amount of performance guarantee issued in favour of a customer (as at 30 June 2018: S\$0.2 million).

## **Foreign Exchange Risk**

The Group transacts mainly in Singapore dollars, which is the functional currency of all the Group’s operating subsidiaries. However, the Group retains some proceeds from the Listing in Hong Kong dollars and United States dollars amounting to approximately S\$12.9 million and S\$1.4 million, respectively, as at 30 June 2019 (2018: approximately S\$1.3 million and S\$14.8 million) that are exposed to foreign exchange rate risks. The Group recorded an unrealised foreign exchange loss of approximately S\$0.1 million in the financial year ended 30 June 2019 (2018: gain of S\$0.5 million).



## **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 28 March 2018 (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 employed a total of 41 full-time employees (including two executive Directors), as compared to the 43 full-time employees as at 30 June 2018. Total staff costs including directors’ emoluments for the year ended 30 June 2019 amounted to approximately S\$2.7 million (2018: approximately S\$2.6 million), salaries, wages and other staff benefits, contributions and retirement schemes. In order to attract and retain valuable employees, the performance of the Group’s employees are annually reviewed. 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.

## **Capital Commitments and Contingent Liabilities**

As at 30 June 2018, the Group provided guarantee to two customers in respect of performance bonds in favour of the customers amounting to approximately S\$200,000, in which approximately S\$174,000 was pledged with a restricted bank deposit amounting to \$175,000. As at 30 June 2018, the Group had no material capital commitments.

As at 30 June 2019, the Group did not provide any guarantee to any customers and did not have any material capital commitments.

## Use of Net Proceeds from the Listing

The net proceeds from the Listing, after deducting listing expenses (including underwriting fee), and other expenses arising from the Listing (“**Net Proceeds**”) were approximately HK\$84.0 million. The Group intends to apply the Net Proceeds in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” to the Prospectus. As stated in the Prospectus, our Company intended to apply the Net Proceeds for: (i) acquisition of additional property for workshop and office use; (ii) strengthening our manpower by recruiting additional staff; (iii) increasing our reserve for financing the issue of performance guarantees in favour of our customers; (iv) financing the acquisition of additional motor vehicles and additional machinery; (v) increasing our marketing efforts; and (vi) use as general working capital.

The Net Proceeds received applied by the Group during the period from the Listing Date up to 30 June 2019 as follows:

<b>Use of Net Proceeds:</b>	<b>Planned use of Net Proceeds HK\$’000</b>	<b>Actual use of Net Proceeds from the Listing Date to 30 June 2019 HK\$’000</b>	<b>Unused amount HK\$’000</b>
Acquisition of additional property for workshop and office use ( <i>Note 1</i> )	34,000	—	34,000
Recruiting additional staff	21,500	2,755	18,745
Issue of performance guarantees	4,800	144	4,656
Acquisition of additional motor vehicles and machinery	5,100	850	4,250
Increasing our marketing efforts	2,300	1,220	1,080
Use as general working capital	6,300	6,300	—

*Note 1:* As at 30 June 2019, the Directors were currently considering quotations from a few property agents in deciding the best location and price for the acquisition of the new property.

## EVENTS AFTER REPORTING PERIOD

On 15 July 2019, the Company's holding company, Skylight Illumination Limited, had entered into a sale and purchase agreement (the "SPA") with Eagle Fortitude Limited (the "Offeror"), a third party, to dispose its entire shareholdings of 600,000,000 ordinary shares ("Sale Shares") in HKE Holdings Limited, representing 75% of the total issued share capital of the Company, at the price of HK\$0.48 per Sale Share. The SPA for this disposal was made effective on 22 July 2019. As a result of the disposal, the Offeror is the Company's holding company with effect from 22 July 2019.

In accordance with Rule 26.1 of The Codes on Takeovers and Mergers and Share Buy-backs (the "Takeovers Code") published by the Securities and Futures Commission, the Offeror was required to make a mandatory unconditional cash offer (the "Share Offer") to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and/or parties acting in concert with it) in accordance with the terms as set out in the composite offer document and the response document (the "Composite Document") jointly despatched by the Company and the Offeror on 7 August 2019 in accordance with the Takeovers Code.

As of the close of the Share Offer on 28 August 2019, the Offeror received valid acceptances in respect of the Share Offer for a total of 315,000 Shares, representing approximately 0.039% of the total issued share capital of the Company as at the said date. Further information regarding the Share Offer was published in the announcements of the Company dated 17 July 2019, 22 July 2019, 7 August 2019, 28 August 2019 and the Composite Document.

## PUBLIC FLOAT

Immediately after the close of the Share Offer and as at the date of the joint announcement dated 28 August 2019, subject to completion of the transfer to the Offeror of those Shares acquired by it under the Offer (in respect of which valid acceptances were received), 199,685,000 Shares, representing approximately 24.961% of the total issued share capital of the Company, are held by the public (as defined in the Listing Rules). Accordingly, immediately after the close of the Offer and as at the date of the joint announcement dated 28 August 2019, the Company does not satisfy the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules.

The Stock Exchange has granted the Company a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for the period from 28 August 2019 (being the closing date of the Offer) to 31 October 2019. The Offeror and the Company will take appropriate steps as soon as practicable to restore the required minimum public float. Further announcement(s) will be made by the Company regarding restoration of public float in the Shares as soon as practicable.

## **CORPORATE GOVERNANCE**

The Company complied with the code provisions as set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) during the year ended 30 June 2019.

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

During the year ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group’s audited consolidated 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 of the Company.

By Order of the Board  
**HKE Holdings Limited**  
**Koh Lee Huat**

*Chief Executive Officer and Executive Director*

Hong Kong, 30 September 2019

*As at the date of this announcement, the Board comprises one non-executive Director, namely Mr. Ang Kong Meng; two executive Directors, namely Mr. Koh Lee Huat and Mr. Ryan Ong Wei Liang; and three independent non-executive Directors, namely Mr. Siu Man Ho Simon, Prof. Pong Kam Keung and Mr. Cheung Kwok Yan Wilfred.*