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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Khoon Group Limited (the "**Company**") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the six months ended 31 December 2019 together with comparative figures for the corresponding period in 2018 as follows:

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

For the six months ended 31 December 2019

		Six months ended 31 December	
	Notes	**2019 (Unaudited) *S$***	2018 (Unaudited) *S$*
Revenue	*5*	**26,172,657**	22,900,905
Cost of services		**(20,873,622)**	(18,406,853)
Gross profit		**5,299,035**	4,494,052
Other income	*6a*	**93,158**	93,765
Other gains and losses	*6b*	**163,610**	42,939
Administrative expenses		**(1,077,282)**	(1,178,962)
Finance costs	*7*	**(4,755)**	–
Listing expenses	*9*	**(818,835)**	(1,713,323)
Profit before taxation		**3,654,931**	1,738,471
Income tax expense	*8*	**(751,001)**	(589,771)
Profit and other comprehensive income for the period	*9*	**2,903,930**	1,148,700
Basic and diluted earnings per share (S$ cents)	*11*	**0.39**	0.15

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**As at 31 December 2019 (Unaudited) *S$***	As at 30 June 2019 (Audited) *S$*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	**855,476**	881,242
Investment property	*13*	**863,923**	871,934
Right-of-use assets		**150,981**	–
Deposits	*15a*	**113,700**	113,700
		1,984,080	1,866,876
Current assets			
Trade receivables	*14*	**4,070,608**	2,688,824
Other receivables, deposits and prepayments	*15b*	**491,906**	1,704,862
Contract assets	*16*	**42,728,538**	32,768,152
Bank balances and cash	*17*	**3,099,326**	5,993,458
Fixed deposits	*17*	**17,547,800**	–
		67,938,178	43,155,296
Current liabilities			
Trade and other payables	*18*	**29,865,605**	29,041,325
Income tax payable		**1,820,437**	1,578,237
		31,686,042	30,619,562
Net current assets		**36,252,136**	12,535,734
Total assets less current liabilities		**38,236,216**	14,402,610
Non-current liability			
Deferred tax liabilities	*19*	**61,099**	53,603
Lease liabilities		**158,696**	–
		219,795	53,603
Net assets		**38,016,421**	14,349,007
EQUITY			
Capital and reserves			
Share capital	*20*	**1,742,143**	52
Share premium		**31,944,461**	12,917,842
Merger reserve		**(11,417,891)**	(11,417,891)
Accumulated profits		**15,747,708**	12,849,004
Equity attributable to owners of the Company		**38,016,421**	14,349,007

1 GENERAL

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, 17th Floor, 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") with effect from 5 July 2019 (the "Listing Date").

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

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

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 interim condensed 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 International Financial Reporting Standards ("IFRS") Standards issued but not yet effective

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 1 and IAS 8	*Definition of Material*[2]
Framework	*Amendments to References to the Conceptual Framework in IFRS Standards*[2]

1 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.

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

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

IFRS 16 Leases

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

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

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the Standard:

- No reassessment on whether a contract is or contains a lease if the contract was entered into before 1 July 2019. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before 1 July 2019.

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

- The Group accounted for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.

- The Group has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

- The Group has excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application.

- The Group has adjusted right-of-use assets by the amount of provision for onerous leases recognised under IAS 17 to approximate impairment.

Impact of the new definition of a lease

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 applies 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). In preparation for the first-time application of IFRS 16, the Group had carried out an implementation project. The project has shown that the new definition in IFRS 16 does 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 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

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

a) has recognised right-of-use assets and lease liabilities in the interim condensed consolidated statement of financial position, initially measured at the present value of the future lease payments;

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

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

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

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*. 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 has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the interim condensed consolidated statement of profit or loss.

The Group has applied IFRS 16 retrospectively with the cumulative effect of initially applying the Standard recognised as a adjustment to the opening balance of retained earnings at the date of initial application, as permitted under the specific transition provisions in the Standard. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.3%.

Explanation of difference between operating lease commitments and lease liabilities:

	2019
	S$
	(Unaudited)
Operating lease commitments disclosed as at 30 June 2019	298,290
Less: Short-term leases recognised on a straight-line basis as expenses	(113,490)
	184,800
Discounted using the Group's incremental borrowing rate of 5.3%	176,439
Add: Finance lease liabilities recognised as at 30 June 2019	13,743
Lease liability recognised as at 1 July 2019	190,182

The right-of-use assets for property leases were measured on a retrospective basis as if the Standard had been applied since the commencement date. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Consequently, right-of-use assets of S$184,524 were recognised on 1 July 2019, the net decrease of retained earnings of S$5,226 was recognised on 1 July 2019.

4 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

5 REVENUE AND SEGMENT INFORMATION

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

Information is reported to the executive Directors, 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 six months ended 31 December 2018 and 2019 is as follows:

	For the six months ended 31 December	
	2019	2018
	S$	*S$*
	(Unaudited)	(Unaudited)
Contract revenue from provision of electrical engineering services, recognised over time	**26,172,657**	22,900,905

All the Group's services are rendered directly with the customers. Contracts with the Group's customers as at 31 December 2019 are agreed in fixed-price with terms from 1 month to 67 months (31 December 2018: 1 month to 67 months).

Included in the Group's revenue for the six months ended 31 December 2019 is S$19,403,087 (six months ended 31 December 2018: S$20,131,409) 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.

	For the six months ended 31 December	
	2019	2018
	S$	*S$*
	(Unaudited)	(Unaudited)
Provision of electrical engineering services:		
– Within one year	**38,741,183**	43,560,974
– More than one year but not more than two years	**16,577,321**	17,375,714
– More than two years but not more than five years	**8,205,684**	4,072,704
	63,524,188	65,009,392

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the unsatisfied (or partially satisfied) contracts as at 31 December 2019 and 2018 will be recognised as revenue during the years ended/ending 30 June 2019 to 2024.

Information about the major customers

The revenue from customers individually contributing over 10% of the total revenue of the Group during the six months ended 31 December 2018 and 2019 are as follows:

	For the six months ended 31 December	
	2019	2018
	S$	*S$*
	(Unaudited)	(Unaudited)
Customer I	**N/A***	3,536,748
Customer II	**N/A***	2,386,010
Customer III	**3,101,342**	3,165,548
Customer IV	**N/A***	3,244,007
Customer V	**2,711,528**	N/A*

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

Geographical information

The Group principally operates in Singapore, which is also its place of domicile. Revenue derived from Singapore represents 100% of the Group's total revenue for the six months ended 31 December 2019 (six months ended 31 December 2018: 100%) based on the location of services delivered. The Group's non-current assets are all located in Singapore.

6 a. OTHER INCOME

	For the six months ended 31 December	
	2019	2018
	S$	*S$*
	(Unaudited)	(Unaudited)
Bank interest income	**71,606**	21,434
Government grants *(Note A)*	**2,598**	11,849
Rental income	**17,100**	17,100
Sponsorship income *(Note B)*	**–**	30,000
Others	**1,854**	13,382
	93,158	93,765

Note A: Government grants mainly include the Wage Credit Scheme 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 B: During the six months ended 31 December 2018, the Group received S$30,000 sponsorship income from various suppliers for their participation in an enterprise ceremony.

6 b. OTHER GAINS AND LOSSES

	For the six months ended 31 December	
	2019	2018
	S$	*S$*
	(Unaudited)	(Unaudited)
Exchange gain	**195,535**	12,137
Reversal of (Allowance for) impairment loss on trade receivables	**(31,925)**	30,802
	163,610	42,939

7 FINANCE COSTS

	For the six months ended 31 December	
	2019	2018
	S$	*S$*
	(Unaudited)	(Unaudited)
Interest on:		
Lease liabilities	**4,755**	–

8 INCOME TAX EXPENSE

	For the six months ended 31 December	
	2019	2018
	S$	*S$*
	(Unaudited)	(Unaudited)
Tax expense comprises:		
Current tax:		
– Singapore corporate income tax ("CIT")	**743,505**	566,161
Deferred tax expense *(Note 19)*	**7,496**	23,610
	751,001	589,771

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

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

	For the six months ended 31 December	
	2019	2018
	S$	*S$*
	(Unaudited)	(Unaudited)
Profit before taxation	**3,654,931**	1,738,471
Tax at applicable tax rate of 17%	**621,338**	295,540
Tax effect of expenses not deductible for tax purpose	**147,324**	325,129
Effect of tax concessions and partial tax exemptions	**(17,661)**	(30,898)
Taxation for the period	**751,001**	589,771

9 PROFIT FOR THE PERIOD

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

	For the six months ended 31 December	
	2019	2018
	S$	*S$*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**205,184**	227,556
Depreciation of investment property	**8,011**	8,011
Depreciation of right-of-use assets	**40,252**	–
Audit fees to auditors of the Company:		
– Annual audit fees *(Note A)*	**–**	–
– Audit fees in connection with the listing of the Company	**–**	191,955
Listing expenses	**818,835**	1,713,323
Directors' remuneration	**498,287**	763,097
Other staff costs:		
– Salaries and other benefits	**2,222,009**	2,329,140
– Contributions to CPF	**76,218**	95,562
Total staff costs	**2,796,514**	3,187,799
Cost of materials recognised as cost of services	**6,730,661**	4,870,991
Subcontractor costs recognised as cost of services	**11,706,862**	10,437,010
Gross rental income from investment property recognised as other income *(Note 6a)*	**(17,100)**	(17,100)
Less: Direct operating expenses incurred for investment property that generated rental income	**1,036**	1,243
	(16,064)	(15,857)

Note A: No remuneration has been incurred prior to the appointment of the company's statutory auditor in period ended 2018 and 2019.

10 DIVIDENDS

No dividend has been declared by the Company or any Group entities during the six months ended 31 December 2018 and 2019 or subsequent to the period end.

11 EARNINGS PER SHARE

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

	For the six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company (S$)	**2,903,930**	1,148,700
Weighted average number of ordinary shares in issue	**750,000,000**	750,000,000
Basic and diluted earnings per share (S$ cents)	**0.39**	0.15

The calculation of basic earnings per share for the six months ended 31 December 2019 and 2018 is based on the profit for the period 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 six months ended 31 December 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 2018 and 750,000,000 shares in issue upon completion of the Reorganisation as detailed in Note 20.

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 six months ended 31 December 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 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
Additions	22,039	–	4,924	8,759	142,646	1,050	179,418
Disposals	–	–	–	–	–	–	–
At 31 December 2019	**550,449**	**–**	**135,858**	**74,007**	**1,522,093**	**38,751**	**2,321,158**
Accumulated depreciation:							
At 1 July 2018	314,024	–	130,978	21,238	579,964	36,398	1,082,602
Charge for the year	143,213	–	31,785	19,279	255,901	5,720	455,898
Elimination on disposals	(192,561)	–	(35,662)	(16,066)	–	(33,713)	(278,002)
At 30 June 2019	264,676	–	127,101	24,451	835,865	8,405	1,260,498
Charge for the period	54,129	–	4,207	11,826	131,148	3,874	205,184
Written off	–	–	–	–	–	–	–
At 31 December 2019	**318,805**	**–**	**131,308**	**36,277**	**967,013**	**12,279**	**1,465,682**
Carrying amounts:							
At 30 June 2019 (audited)	263,734	–	3,833	40,797	543,582	29,296	881,242
At 31 December 2019 (unaudited)	**231,644**	**–**	**4,550**	**37,730**	**555,080**	**26,472**	**855,476**

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

13 INVESTMENT PROPERTY

	As at 31 December 2019 S$ (Unaudited)	As at 30 June 2019 S$ (Audited)
Cost:		
At beginning and end of the reporting period	**933,509**	933,509
Accumulated depreciation:		
At beginning of the reporting period	**61,575**	45,553
Charge for the year/period	**8,011**	16,022
At end of the year/period	**69,586**	61,575
Carrying amount:		
At end of the reporting period	**863,923**	871,934

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

Address	Tenure	Fair value as at 31 December 2019 S$ (Unaudited)	Fair value as at 30 June 2019 S$ (Audited)
Level 3			
No.3 Ang Mo Kio St. #04-34, Link@AMK, Singapore 569139	57 years	**1,020,000**	1,020,000

14 TRADE RECEIVABLES

	As at 31 December 2019 S$ (Unaudited)	As at 30 June 2019 S$ (Audited)
Trade receivables	**4,124,859**	2,711,149
Less: Allowance for doubtful debts	**(54,251)**	(22,325)
	4,070,608	2,688,824

The Group grants credit term to customers typically 30 to 35 days from invoice date for trade receivables to all customers, for the six months ended 31 December 2019 (year ended 30 June 2019: 30 to 35 days). The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date which approximated the revenue recognition date at the end of each reporting period:

	As at 31 December 2019 S$ (Unaudited)	As at 30 June 2019 S$ (Audited)
Within 30 days	**3,372,616**	2,326,057
31 days to 60 days	**345,553**	264,919
61 days to 90 days	**210,469**	16,887
91 days to 120 days	**96,032**	26,222
More than 120 days	**45,938**	54,739
	4,070,608	2,688,824

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

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

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 the end of each reporting period:

Analysis of trade receivables:

	As at 31 December 2019 *S$* **(Unaudited)**	As at 30 June 2019 *S$* (Audited)
Not past due and not impaired	**3,372,616**	2,326,057
Past due but not impaired	**697,992**	362,767
	4,070,608	2,688,824
Past due and impaired	**54,251**	22,325
Less: Allowance for impairment	**(54,251)**	(22,325)
	4,070,608	2,688,824

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

Receivables that are past due but not impaired:

	As at 31 December 2019 *S$* **(Unaudited)**	As at 30 June 2019 *S$* (Audited)
Within 30 days	**345,553**	264,919
31 days to 60 days	**210,469**	16,887
61 days to 90 days	**96,032**	26,222
91 days to 120 days	**–**	1,685
More than 120 days	**45,938**	53,054
	697,992	362,767

Included in the Group's trade receivables are carrying amount of approximately S$697,992 which are past due as at 31 December 2019 (30 June 2019: S$362,767), for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable based on repayment history of respective customers.

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 expected credit losses ("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 assesses the impairment for its customers by reference to past default experience and current past due exposure of the debtor and an analysis of the debtor's current financial position.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. As at 31 December 2019, the Group recognised S$54,251 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 trade debts:

	As at 31 December 2019 S$ (Unaudited)	As at 30 June 2019 S$ (Audited)
Balance at beginning of the reporting period	**22,325**	54,251
Impairment losses (reversed)/recognised	**31,926**	(31,926)
Balance at end of the reporting period	**54,251**	22,325

The movement for the six months ended 31 December 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 31 December 2019 and 30 June 2019.

b. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December 2019 S$ (Unaudited)	As at 30 June 2019 S$ (Audited)
Deposits *(Note)*	**371,958**	358,852
Prepayments	**42,911**	84,420
Deferred issue costs	**–**	1,058,398
Others *(Note)*	**77,037**	203,192
	491,906	1,704,862

Note: The management considered the ECL for deposits and others to be insignificant as at 31 December 2019 and 30 June 2019.

16 CONTRACT ASSETS

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

	As at 31 December 2019 S$ (Unaudited)	As at 30 June 2019 S$ (Audited)
Contract assets	**42,728,538**	32,768,152

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

The Group's contract assets are analysed as follows:

	As at 31 December 2019	As at 30 June 2019
	S$	*S$*
	(Unaudited)	(Audited)
Retention receivables	**4,156,404**	4,318,580
Others *(Note)*	**38,572,134**	28,449,572
	42,728,538	32,768,152

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

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 to be 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 31 December 2019.

There were no impairment losses recognised on any contract asset during the six months ended 31 December 2019 and 2018.

17 BANK BALANCES AND CASH

	As at 31 December 2019 ***S$*** **(Unaudited)**	As at 30 June 2019 *S$* (Audited)
Cash at banks	**3,068,521**	5,963,228
Cash on hand *(Note A)*	**30,805**	30,230
Fixed deposits *(Note B)*	**17,547,800**	–
Cash and cash equivalents	**20,647,126**	5,993,458

Note A: As at 31 December 2019, approximately S$2,598,713 (30 June 2019: S$1,747,378) included in bank balances carry effective interest rate ranging from 0.11% to 0.83% per annum (30 June 2019: 0.68% to 0.70% per annum). The remaining bank balances and cash are interest-free.

Note B: The fixed deposits with maturity within one year carry interest rates ranging from 1.65% to 2.35% per annum.

18 TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	As at 31 December 2019 ***S$*** **(Unaudited)**	As at 30 June 2019 *S$* (Audited)
Trade payables	**2,973,388**	2,751,365
Trade accruals	**24,459,154**	19,383,190
Retention payables *(Note A)*	**1,981,401**	1,503,736
	29,413,943	23,638,291
Other payables		
Accrued listing expenses	**–**	1,456,119
Payroll and CPF payables	**213,646**	225,974
Goods and Services Tax payables	**190,376**	34,363
Rental deposit received	**8,550**	8,550
Share issue proceeds received in advance from cornerstone investor *(Note B)*	**–**	3,500,926
Others	**39,090**	177,102
	29,865,605	29,041,325

Note A: 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 B: 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 20) subsequent to year end.

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

	As at 31 December 2019 *S$* **(Unaudited)**	As at 30 June 2019 *S$* (Audited)
Within 30 days	**2,501,521**	1,740,031
31 to 60 days	**84,181**	376,329
61 to 90 days	**26,539**	138,235
91 to 120 days	**42,299**	340,667
Over 120 days	**318,848**	156,103
	2,973,388	2,751,365

The credit period on purchases from suppliers and subcontractors as at 31 December 2019 is 7 to 90 days (30 June 2019: 7 to 90 days) or payable upon delivery.

19 DEFERRED TAX LIABILITIES

	As at 31 December 2019 *S$* **(Unaudited)**	As at 30 June 2019 *S$* (Audited)
As at 1 July 2019/1 July 2018	**53,603**	5,923
Recognised in profit or loss during the year/period:		
– Accelerated tax depreciation	**7,496**	47,680
As at 31 December 2019/30 June 2019	**61,099**	53,603

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

20 SHARE CAPITAL

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

	Number of ordinary shares	**Par Value** *HK$*	**Share capital** *HK$*
Authorised share capital of the Company:			
At date of incorporation of the Company on 24 July 2018 *(Note b)*	10,000,000	0.01	100,000
Increase on 10 June 2019 *(Note d)*	1,490,000,000	0.01	14,900,000
At 30 June 2019	1,500,000,000	0.01	15,000,000
At 31 December 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
Issue of shares pursuant to the reorganisation *(Note d)*	750,000,000	1,306,568
Issue of shares pursuant to the Share Offer	250,000,000	435,523
At 31 December 2019	1,000,000,000	1,742,143

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 then sole shareholder of the Company dated 10 June 2019, it was resolved that the authorised share capital of the Company increased from HK$100,000 to HK$15,000,000 by the creation of an additional 1,490,000,000 shares; and conditional on the share premium account of the Company being credited as a result of the Share Offer, an amount of HK$7,499,700 which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par a total of 749,970,000 shares for allotment, rank pari passu in all respects with all the then existing shares.

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) customization 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 and Development Board, the public housing authority of the Singapore Government.

During the six months ended 31 December 2019, the Group's revenue increased by 14.3% to approximately S$26.2 million as compared to approximately S$22.9 million for the six months ended 31 December 2018. The Group's gross profit and net profit also increased by 17.9% and 152.8% to approximately S$5.3 million and S$2.9 million respectively, as compared to approximately S$4.5 million and S$1.1 million for the six months ended 31 December 2018. The increase is mainly due to the additional residential and commercial projects undertaken by the Group and the decrease in the one-off listing expenses incurred by the Group during the six months ended 31 December 2019.

In the upcoming year, we expect very severe challenge in the construction industry in Singapore given the recent development in China, and particularly against the backdrop of the modest economic growth of 0.7% in Singapore in 2019. The Coronavirus Disease 2019 (or COVID-19) outbreak has disrupted the global supply chains and created ripple effects on all sectors. Quarantine and Leave of Absence have also been imposed by the Singapore Government on foreign workers returning from China after the Chinese Near Year holidays.

The above have severely delayed project progress and the Group is monitoring the situation closely and working with the relevant government authorities and customers to mitigate any potential issues.

Consequently, the construction sector's growth is expected to weaken in 2020 and 2021 due to hints of elevated risks of a global recession. However, with the supervision of the Group's senior management and dedicated staff coupled with the proceeds received from the Share Offer, the Group believes that it is in a very healthy position to weather any storm ahead.

As at 31 December 2019, the Group 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$89.7 million, of which approximately S$26.2 million had been recognized as revenue before 31 December 2019. The remaining balance will be recognised as the Group's revenue in accordance with the stage of completion.

FINANCIAL REVIEW

	For the six months ended 31 December		
	2019	2018	Change
	S$ million	*S$ million*	*%*
Revenue	**26.2**	22.9	14.3
Gross profit	**5.3**	4.5	17.9
Gross profit margin	**20.2%**	19.6%	0.6%
Net profit	**2.9**	1.1	152.8

Revenue

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

	For the six months ended 31 December					
	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	**33**	**19.7**	**75.1**	40	20.1	87.8
Private sector projects	**10**	**6.5**	**24.9**	12	2.8	12.2
Total	**43**	**26.2**	**100.0**	52	22.9	100.0

The Group's overall revenue increased by approximately S$3.3 million or approximately 14.3% from approximately S$22.9 million for the six months ended 31 December 2018 to approximately S$26.2 million for the six months ended 31 December 2019. The increase is mainly due to revenue contributed from private residential, commercial and industrial projects which has increased significantly by approximately S$3.7 million or 134.1%.

Cost of Services

The Group's cost of services increased by approximately S$2.5 million or approximately 13.4% from approximately S$18.4 million for the six months ended 31 December 2018 to approximately S$20.9 million for the six months ended 31 December 2019. Such increase in cost of services was generally in line with the increase in revenue.

Gross Profit and Gross Profit Margin

	For the six months ended 31 December					
	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	**19.7**	**4.1**	**20.9**	20.1	4.0	19.9
Private sector projects	**6.5**	**1.2**	**18.3**	2.8	0.5	17.3
Total	**26.2**	**5.3**	**20.2**	22.9	4.5	19.6

The gross profit of the Group for the six months ended 31 December 2019 amounted to approximately S$5.3 million, representing an increase of approximately 17.9% as compared with approximately S$4.5 million for the six months ended 31 December 2018, which was driven by an increase in revenue for the same period. The Group's gross profit margin for the six months ended 31 December 2019 was approximately 20.2%, which was relatively stable when compared with approximately 19.6% for the six months ended 31 December 2018.

Other Income

Other income mainly included income from (i) interest income from bank, (ii) government grants, (iii) rental income, (iv) sponsorship income and (v) sundry income. During the six months ended 31 December 2019, other income amounted to approximately S$0.1 million which is relatively stable when compared to six months ended 31 December 2018 of approximately S$0.1 million.

Other Gains or Losses

Other gains or losses mainly included (i) exchange gain and (ii) allowance for bad and doubtful debts. During the six months ended 31 December 2019, other gains or losses amounted to approximately S$0.2 million (six months ended 31 December 2018: approximately S$43k). The increase in other gains was mainly due to the strengthening of the Group's fixed deposits denominated in HKD during the six months ended 31 December 2019.

Administrative Expenses

The administrative expenses of the Group for the six months ended 31 December 2019 amounted to approximately S$1.1 million which is relatively stable when compared to S$1.2 million for the six months ended 31 December 2018.

Finance Costs

Finance costs for the six months ended 31 December 2019 was approximately S$5k (six months ended 31 December 2018: nil) which represents interest on lease liabilities.

Income Tax Expense

The Group's income tax expense increased to approximately S$0.8 million for the six months ended 31 December 2019 from approximately S$0.6 million for the six months ended 31 December 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$0.8 million incurred during the six months ended 31 December 2019.

Net Profit

Profit attributable to owners of the Company for the six months ended 31 December 2019 increased by approximately S$1.8 million from approximately S$1.1 million for the six months ended 31 December 2018 to S$2.9 million for the six months ended 31 December 2019. Excluding the listing expenses of approximately S$1.7 million and S$0.8 million for the six months ended 31 December 2018 and 31 December 2019 respectively, the profits for the six months ended 31 December 2018 and 31 December 2019 of the Group would have been approximately S$2.9 million and S$3.7 million respectively and the increase of profit would be approximately 30.1% year-on-year.

Interim Dividend

The Board did not recommend a payment of an interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

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 31 December 2019, the Group had total cash and bank balances of approximately S$20.6 million as compared to approximately S$6 million as at 30 June 2019. The Group does not have any bank borrowings as at 31 December 2019 and 30 June 2019.

Pledge of Assets

The Group did not pledge any assets to secure any banking facilities or bank loans during the six months ended 31 December 2018 and 31 December 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$18.5 million as at 31 December 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 31 December 2019 was nil (as at 30 June 2019: nil).

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

Apart from the reorganisation in relation to the listing of the Company's shares (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 six months ended 31 December 2019. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 31 December 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 31 December 2019.

Employees and Remuneration Policy

As at 31 December 2019, the Group had a total of 175 employees (31 December 2018: 181 employees), including executive Directors. Total staff costs including Directors' emoluments in the six months ended 31 December 2019 amounted to approximately S$2.8 million (six months ended 31 December 2018: approximately S$3.2 million), salaries, wages and other staff benefits, contributions and retirement schemes. In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefits levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from central provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Contingent Liabilities

As at 31 December 2019, the Group had performance bonds of approximately S$1.7 million (30 June 2019: S$0.9 million) given in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and the customers. The performance guarantees will be released upon completion of the contracts.

Capital Expenditures and Capital Commitments

During the six months ended 31 December 2019, the Group acquired items of property, plant and equipment of approximately S$0.2 million (30 June 2019: S$0.1 million).

As at 31 December 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 (equivalent to approximately S$16.6 million) (after deducting listing expenses). An analysis of the utilisation of the net proceeds from the Share Offer from the Listing Date up to 31 December 2019 is set out below:

Purposes	**S$ million**	**Approximate percentage of the total net proceeds**	**Approximate actual amount utilised as at 31 December 2019**	**Unused amount of net proceeds as at 31 December 2019**
			S$ million	*S$ million*
Acquisition of a Singapore-based air-conditioning and mechanical ventilation contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least "L4" grade	7.1	42.7%	0.0	7.1
Strengthening the Group's manpower by recruiting additional staff	2.5	15.3%	0.1	2.4
Expanding the Group's premises for its various operational needs	1.8	10.9%	0.0	1.8
Financing the Group's upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects	1.7	10.0%	1.1	0.6

Purposes	S$ million	Approximate percentage of the total net proceeds	Approximate actual amount utilised as at 31 December 2019 *S$ million*	Unused amount of net proceeds as at 31 December 2019 *S$ million*
Financing the acquisition of additional machinery and equipment	1.4	8.4%	0.0	1.4
Purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading our enterprise resource planning system	0.9	5.4%	0.0	0.9
Financing the acquisition of additional lorries	0.3	1.7%	0.1	0.2
Reserved as the Group's general working capital	0.9	5.6%	0.6	0.3

During the period from the Listing Date to 31 December 2019, the Group has utilised approximately S$1.9 million for (i) strengthening its manpower by recruiting additional staff, (ii) financing its upfront costs and working capital requirements for its new projects, (iii) acquisition of additional lorry and (iv) its general working capital purposes, which is in line with the purposes shown above.

As at 31 December 2019, the unused amount of net proceeds was placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong and Singapore. Up to 31 December 2019, all net proceeds were applied in accordance with the intentions previously disclosed in the Prospectus and the remaining net proceeds are expected to be used as planned.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group which have occurred after the six months ended 31 December 2019 and up to the date of this announcement.

CORPORATE GOVERNANCE

During the six months ended 31 December 2019, the Company complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2019.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's unaudited condensed consolidated results for the six months ended 31 December 2019 and discussed with the management on the accounting principles and practices adopted by the Group with no disagreement by the audit committee of the Company.

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

Hong Kong, 26 February 2020

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