Khoon Group Limited
坤集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 924)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of Khoon Group Limited (the "**Company**") is pleased to present the audited results of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 30 June 2020 together with comparative audited figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2020

	Notes	**2020**	2019
		S$	*S$*
Revenue	*5*	**37,898,045**	48,647,372
Cost of services		**(31,023,927)**	(39,073,159)
Gross profit		**6,874,118**	9,574,213
Other income	*6a*	**885,735**	158,333
Other gains and losses	*6b*	**419,811**	266,609
(Allowance for) Reversal of impairment losses	*6c*	**(416,486)**	31,926
Administrative expenses		**(2,810,793)**	(2,397,859)
Finance costs	*7*	**(5,665)**	–
Listing expenses		**(423,905)**	(2,616,260)
Profit before taxation		**4,522,815**	5,016,962
Income tax expense	*8*	**(818,417)**	(1,366,703)
Profit and other comprehensive income for the year	*9*	**3,704,398**	3,650,259
Basic and diluted earnings per share (S$ cents)	*11*	**0.37**	0.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

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

1 GENERAL

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

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

The Company is an investment holding company and the principal activities of its operating subsidiary are the provision of electrical engineering services.

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

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

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

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

The Reorganisation comprised the following steps:

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

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

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

(ii) Incorporation of the Company

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

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

(iii) Acquisition of Khoon Engineering by Top Stride

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

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

(iv) Acquisition of Top Stride by the Company

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

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

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

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

3 ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

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

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

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of accumulated profits at the date of initial application; and

- Does not permit restatement of comparatives, which continue to be presented under IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

(a) Impact of the new definition of a lease

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

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

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

(b) Impact on Lessee Accounting

(i) Former operating leases

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

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

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);

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

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

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

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

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

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

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

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

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

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

(c) Impact on Lessor Accounting

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

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

(d) Financial impact of initial application of IFRS 16

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

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

Impact on accumulated profits as at 1 July 2019

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

Right-of-use assets were measured initially at the present value of the future lease payments as if the standard had been applied since the commencement date. Consequently, upon transition to IFRS 16, the Group has recognised S$235,500 of right-of-use assets (Note 14) and S$236,812 of lease liabilities relating to previous operating lease commitment under IAS 17. The difference of S$1,312 is recognised in accumulated profits.

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

New and revised IFRS Standards issued but not yet effective

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

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

5 REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

Transaction price allocated to the remaining performance obligations

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

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

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

Information about the major customers

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

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

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

Geographical information

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

6 a. OTHER INCOME

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

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

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

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

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

b. OTHER GAINS AND LOSSES

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

c. (ALLOWANCE FOR) REVERSAL OF IMPAIRMENT LOSSES

	2020	2019
	S$	*S$*
(Allowance for) Reversal of impairment loss on trade receivables *(Note 15)*	**(211,486)**	31,926
Allowance for impairment loss on retention receivables *(Note 17)*	**(205,000)**	–
	(416,486)	31,926

7 FINANCE COSTS

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

8 INCOME TAX EXPENSE

	2020	2019
	S$	*S$*
Tax expense comprises:		
Current tax:		
– Singapore corporate income tax ("CIT")	**851,550**	1,319,023
– Overprovision of tax in prior years	**(40,868)**	–
Deferred tax expense *(Note 22)*	**7,735**	47,680
	818,417	1,366,703

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

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

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

9 PROFIT FOR THE YEAR

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

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

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

Included in deferred issue costs (Note 16b) are audit fees of S$Nil (2019: S$112,500) paid to auditors of the Company, and non-audit fees of S$Nil (2019: S$102,500) paid to other auditors of the Group.

10 DIVIDENDS

No dividend has been declared by the Company or group entities during the year.

11 EARNINGS PER SHARE

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

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

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

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 30 June 2019 had been determined on the assumption that the Reorganisation to enable the Company to become the holding company of the Group had been effective on 1 July 2018 and 750,000,000 shares in issue upon completion of the Reorganisation as detailed in Note 23.

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

12 PLANT AND EQUIPMENT

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

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

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

13 INVESTMENT PROPERTY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amounts recognised in profit or loss

	2020 ***S$***
Depreciation expense on right-of-use assets *(Note 9)*	**159,322**
Interest expense on lease liabilities *(Note 7)*	**5,665**
Expense relating to short-term leases	**72,160**

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

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

15 TRADE RECEIVABLES

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

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

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

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

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

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

The Group applies the simplified approach to provide impairment loss measured as expected credit losses prescribed by IFRS 9.

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

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

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

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

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

Analysis of trade receivables:

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

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

Receivables that are past due but not impaired:

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

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

Movements in the allowance for impairment losses on trade receivables:

	2020	2019
	S$	*S$*
Balance at beginning of year	**22,325**	54,251
Impairment losses recognised (reversed) *(Note 6c)*	**211,486**	(31,926)
Balance at end of year	**233,811**	22,325

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

16 a. DEPOSITS

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

The amount as at 30 June 2019 relates to cash deposit placed directly with a customer as security for due performance and observance of the Group's obligations under a contract entered into between the Group and a customer, where the project is due to be completed in 2021. This amount has been reclassified to current deposits (as disclosed in Note 16b) as at 30 June 2020.

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

b. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

17 CONTRACT ASSETS/LIABILITIES

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

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

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

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

Contract assets

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

The Group's contract assets are analysed as follows:

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

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

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

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

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

Movements in the allowance for impairment losses on retention receivables:

	2020	2019
	S$	*S$*
Balance at beginning of year	**–**	–
Impairment losses recognised *(Note 6c)*	**205,000**	–
Balance at end of year	**205,000**	–

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

Contract liabilities

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

The Group's contract liabilities are analysed as follows:

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

18 INVESTMENTS

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

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

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

19 BANK BALANCES AND CASH

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

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

20 TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

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

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

Note 1: The amount was received by the Group shortly before the year ended 30 June 2019, and was applied to share premium upon the Share Offer (as defined in Note 23) subsequent to year end.

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

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

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

21 LEASE LIABILITIES

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

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

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

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

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

22 DEFERRED TAX LIABILITIES

	2020	2019
	S$	*S$*
As at 1 July 2019	**53,603**	5,923
Recognised in profit or loss during the year:		
– Accelerated tax depreciation *(Note 8)*	**7,735**	47,680
As at 30 June 2020	**61,338**	53,603

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

23 SHARE CAPITAL

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

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

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

Notes:

a. At 1 July 2018, the balance represented share capital of Khoon Engineering of 1,500,000 shares of S$1 each.

b. On 24 July 2018, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$100,000 divided into 10,000,000 shares of HK$0.01 each. As at the time of its incorporation, one share was allotted and issued in nil paid form to the initial subscriber, an independent third party. The said share was transferred to Lead Development on the same day.

c. On 12 March 2019, the Company acquired the entire issued share capital of Top Stride from the Controlling Shareholders, at a consideration of S$12,917,894. In settlement of the aforesaid consideration, the Company allotted and issued 29,999 shares credited as fully paid, to Lead Development at the instruction of the Controlling Shareholders. Following completion of the above acquisition, Khoon Engineering became an indirect wholly-owned subsidiary of the Company.

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

e. On 5 July 2019, the Company successfully listed on the Main Board of the Stock Exchange by way of placing 225,000,000 new shares and public offer of 25,000,000 shares at the price of HK$0.50 per share ("**Share Offer**"). The Company's share of net proceeds after deducting the underwriting commissions and expenses paid or payable by the Company in relation to the Share Offer amounted to approximately HK$95.0 million (S$16.6 million).

24 EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

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

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

FINANCIAL REVIEW

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

Revenue

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

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

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

Cost of Services

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

Gross Profit and Gross Profit Margin

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

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

Other Income

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

Other Gains and Losses

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

(Allowance for) Reversal of impairment losses

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

Administrative Expenses

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

Finance Costs

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

Income Tax Expense

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

Net Profit

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

Final Dividend

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

Liquidity, Financial Resources and Capital Structure

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

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

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

Pledge of Assets

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

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy financial position throughout the year. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Foreign Exchange Risk

The Group mainly operates in Singapore. Most of the operating transactions and revenue were settled in Singapore dollars and the Group's assets and liabilities are primarily denominated in Singapore dollars. However, the Group has certain bank balances denominated in US$ and Hong Kong Dollars amounting to approximately S$13.7 million which exposes the Group to foreign currency risk. The Group manages the risk by closely monitoring the movement of the foreign currency rate.

Gearing Ratio

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

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

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

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets as at 30 June 2020.

Employees and Remuneration Policy

As at 30 June 2020, the Group had a total of 159 employees (2019: 191 employees), including executive Directors. Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes in the year ended 30 June 2020 amounted to approximately S$5.3 million (2019: approximately S$6.0 million). In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from central provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Environmental Policies and Performance

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

Contingent Liabilities

As at 30 June 2020, the Group had performance bonds of approximately S$2.6 million (2019: S$0.9 million) given by a bank and an insurance company in favour of the Group's customers as security for the due performance and observance of our Group's obligation under the contracts entered into between our Group and the customers. The performance guarantees will be released upon completion of the contracts.

Capital Expenditures and Capital Commitments

During the year ended 30 June 2020, the Group acquired items of plant and equipment of approximately S$0.3 million (2019: S$0.1 million).

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

Use of Net Proceeds from the Share Offer

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

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

		Planned use of Net Proceeds as disclosed in the Prospectus *S$ million* (approximately)	Utilised Net Proceeds up to 13 May 2020 *S$ million* (approximately)	Unutilised Net Proceeds up to 13 May 2020 *S$ million* (approximately)	Re-allocation of the Unutilised Net Proceeds *S$ million* (approximately)	Unutilised Net Proceeds after re-allocation ("Re-allocated Net Proceeds") *S$ million* (approximately)
(i)	Acquisition of a Singapore-based air-conditioning and mechanical ventilation contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least "L4" grade	7.1	0.0	7.1	(3.6)	3.5
(ii)	Strengthening the Group's manpower by recruiting additional staff	2.5	0.2	2.3	(1.5)	0.8

	Planned use of Net Proceeds as disclosed in the Prospectus *S$ million* (approximately)	Utilised Net Proceeds up to 13 May 2020 *S$ million* (approximately)	Unutilised Net Proceeds up to 13 May 2020 *S$ million* (approximately)	Re-allocation of the Unutilised Net Proceeds *S$ million* (approximately)	Unutilised Net Proceeds after re-allocation ("Re-allocated Net Proceeds") *S$ million* (approximately)
(iii) Expanding the Group's premises for its various operational needs	1.8	0.0	1.8	(1.8)	–
(iv) Financing the Group's upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects ***(existing new projects)***	1.7	1.7	0.0	+3.5	3.5
(iv) Financing the Group's upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects ***(new potential projects)***		0.0	0.0	+3.0	3.0
(v) Financing the acquisition of additional machinery and equipment	1.4	0.1	1.3	(0.7)	0.6
(vi) Purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading the Group's enterprise resource planning system	0.9	0.1	0.8	(0.4)	0.4
(vii) Financing the acquisition of additional lorries	0.3	0.1	0.2	–	0.2
(viii) Reserved as the Group's general working capital	0.9	0.9	0.0	+1.5	1.5
Total	16.6	3.1	13.5	–	13.5

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

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

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 24 to the Group's consolidated financial statements for the year ended 30 June 2020, there are no significant events affecting the Group which have occurred after the year ended 30 June 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules during the year ended 30 June 2020.

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

During the year ended 30 June 2020, 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 financial results for the year ended 30 June 2020 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
Khoon Group Limited
Ang Jui Khoon
Chairman and Executive Director

Hong Kong, 31 August 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).