**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 2020

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

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

*For the six months ended 31 December 2020*

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2020*

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2020*

## 1 GENERAL

Khoon Group Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 24 July 2018 and its registered office is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") on 18 September 2018 and the principal place of business in Hong Kong is Unit B, 17/F, United Centre, 95 Queensway, Hong Kong. The head office and principal place of business of the Group is at Block 5000 Ang Mo Kio Avenue 5, #04-01, Techplace II, Singapore 569870. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 5 July 2019.

The Company is a subsidiary of Lead Development Investment Limited ("Lead Development"), incorporated in the British Virgin Islands (the "BVI"), which is also the Company's ultimate holding company. Lead Development is owned by Mr. Ang Jui Khoon ("Mr. JK Ang") and his son Mr. Ang Kok Kwang ("Mr. KK Ang"). Upon the entering into the concert party deed dated 31 October 2018, Mr. JK Ang and Mr. KK Ang through Lead Development became the controlling shareholders of Khoon Group Limited and its subsidiaries (the "Group") (together referred to as the "Controlling Shareholders").

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

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

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

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

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

## 3 ADOPTION OF NEW AND REVISED STANDARDS

***New and revised International Financial Reporting Standards ("IFRSs") issued but not yet effective***

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

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[1] |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract*[1] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[1] |
| Amendments to IFRSs | *Annual Improvements to IFRS Standards 2018-2020*[1] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[2] |

[1] Effective for annual periods beginning on or after 1 January 2022.
[2] Effective for annual periods beginning on or after 1 January 2023.

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

## 4 SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**

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

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

## 5 REVENUE AND SEGMENT INFORMATION

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

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

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

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

All the Group's services are rendered directly with the customers. Contracts with the Group's customers are agreed in fixed-price with terms from 1 month to 52 months (2019: 1 month to 67 months).

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

**Transaction price allocated to the remaining performance obligations**

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

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

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the unsatisfied (or partially satisfied) contracts as at 31 December 2020 and 2019 will be/has been recognised as revenue during the years ended/ending 30 June 2020 to 2024.

**Information about the major customers**

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

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

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

**Geographical information**

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

## 6 a. OTHER INCOME

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

*Note 1*: Government grants mainly include COVID-19-related support by the Singapore Government to help companies tide through this period of economic uncertainty, such as the Foreign Worker Levy ("FWL") rebates and the Job Support Scheme ("JSS"). Under the JSS, the government will co-fund between 25% to 75% of the first S$4,600 of gross monthly wages paid to each local employee in a 17-month period through cash subsidies.

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

## 6 b. OTHER GAINS AND LOSSES

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

## 7 FINANCE COSTS

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

## 8 INCOME TAX EXPENSE

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

CIT is calculated at 17% of the estimated assessable profit. Singapore incorporated companies can also enjoy 75% tax exemption on the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$190,000 of normal chargeable income for both the Years of Assessment 2021 and 2022.

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

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

## 9 PROFIT FOR THE PERIOD

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

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

## 10 DIVIDENDS

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

## 11 EARNINGS PER SHARE

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

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

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

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

## 12 PLANT AND EQUIPMENT

| | Plant and machinery S$ | Computers S$ | Office equipment S$ | Motor vehicles S$ | Furniture and fittings S$ | Total S$ |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| **At 1 July 2019** | 528,410 | 130,934 | 65,248 | 1,379,447 | 37,701 | 2,141,740 |
| Additions | 22,038 | 36,640 | – | 208,700 | 1,051 | 268,429 |
| **At 30 June 2020** | 550,448 | 167,574 | 65,248 | 1,588,147 | 38,752 | 2,410,169 |
| Additions | – | 17,230 | – | 69,169 | – | 86,399 |
| Disposals | – | (190) | – | – | – | (190) |
| **At 31 December 2020** | **550,448** | **184,614** | **65,248** | **1,657,316** | **38,752** | **2,496,378** |
| **Accumulated depreciation:** | | | | | | |
| **At 1 July 2019** | 264,676 | 127,101 | 24,451 | 835,865 | 8,405 | 1,260,498 |
| Charge for the year | 109,173 | 20,615 | 13,632 | 265,262 | 7,751 | 416,433 |
| **At 30 June 2020** | 373,849 | 147,716 | 38,083 | 1,101,127 | 16,156 | 1,676,931 |
| Charge for the period | 53,028 | 19,535 | 5,406 | 130,427 | 3,647 | 212,043 |
| Written off | – | (190) | – | – | – | (190) |
| **At 31 December 2020** | **426,877** | **167,061** | **43,489** | **1,231,554** | **19,803** | **1,888,784** |
| **Carrying amounts:** | | | | | | |
| At 30 June 2020 (audited) | 176,599 | 19,858 | 27,165 | 487,020 | 22,596 | 733,238 |
| At 31 December 2020 (unaudited) | **123,571** | **17,553** | **21,759** | **425,762** | **18,949** | **607,594** |

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

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

## 13 INVESTMENT PROPERTY

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

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

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

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

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

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

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

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

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

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

| | Dormitories<br>*S$* | Office<br>*S$* | Office equipment<br>*S$* | Total<br>*S$* |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 July 2019 (Upon adoption of IFRS 16) | 88,141 | 232,804 | 11,213 | 332,158 |
| Additions | 178,416 | – | – | 178,416 |
| At 30 June 2020 | 266,557 | 232,804 | 11,213 | 510,574 |
| Additions | – | – | – | – |
| At 31 December 2020 | **266,557** | **232,804** | **11,213** | **510,574** |
| **Accumulated Depreciation:** | | | | |
| At 1 July 2019 (Upon adoption of IFRS 16) | 42,308 | 51,734 | 2,616 | 96,658 |
| Charge for the year | 79,478 | 77,601 | 2,243 | 159,322 |
| At 30 June 2020 | 121,786 | 129,335 | 4,859 | 255,980 |
| Additions | 48,130 | 38,801 | 1,121 | 88,052 |
| At 31 December 2020 | **169,916** | **168,136** | **5,980** | **344,032** |
| **Carrying amount** | | | | |
| At 30 June 2020 (audited) | 144,771 | 103,469 | 6,354 | 254,594 |
| At 31 December 2020 (unaudited) | **96,641** | **64,668** | **5,233** | **166,542** |

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

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

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

**Amounts recognised in profit or loss**

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

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

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

## 15 TRADE RECEIVABLES

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

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

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

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

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

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

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

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

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. As at 31 December 2020, the Group recognised S$233,811 impairment allowance based on individual assessment for all customers.

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

The table below is an analysis of trade receivables as at the end of each reporting period:

**Analysis of trade receivables:**

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

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

Receivables that are past due but not impaired:

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

Included in the Group's trade receivables are carrying amount of approximately S$1,190,527 which are past due as at 31 December 2020 (30 June 2020: S$1,127,812), for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable based on repayment history of respective customers. Management has assessed that the receivables as at 31 December 2020 that are past due beyond 90 days are not in default as a significant portion of these relate to backcharges to a subcontractor, to which the Group is in a net payable position as at 31 December 2020.

Movements in the allowance for impairment losses on trade receivables:

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

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

### 16 a. DEPOSITS

The amounts as at 30 June 2020 and 31 December 2020 relate to cash deposits placed directly either with a customer or with a bank (for performance guarantee issued) as security for due performance and observance of the Group's obligations under contracts entered into between the Group and its customers, where the projects are due to be completed in November 2022 and March 2022 respectively.

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

### b. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

## 17 CONTRACT ASSETS/LIABILITIES

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

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

Contract assets (retention receivables) and contract liabilities arising from the same contract are presented on a net basis above. In the analysis below, these contract assets (retention receivables) and contract liabilities are presented on a gross basis.

Contract assets (retention receivables) and contract liabilities arising from the same contract are presented on a net basis above. In the analysis below, these contract assets (retention receivables) and contract liabilities are presented on a gross basis, with the effect of grossing up being S$Nil as at 31 December 2020 (30 June 2020: S$56,875).

**Contract assets**

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

The Group's contract assets are analysed as follows:

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

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

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

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

To measure ECL, contract assets are assessed individually for all customers. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation for the loss rates for contract assets. Based on the individual assessment for all customers by management of the Group, other than disclosed below, it is considered that the ECL for contract assets is insignificant as at 31 December 2020 and 30 June 2020.

Movements in the allowance for impairment losses on retention receivables:–

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

**Contract liabilities**

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

The Group's contract liabilities are analysed as follows:

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

## 18 INVESTMENTS

| | **As at 31 December 2020 (unaudited)** | As at 30 June 2020 (audited) |
|---|---|---|
| | ***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 based currency. Otherwise, principal and interest will be converted to alternate currency at strike rate and received.

## 19 BANK BALANCES AND CASH

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

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

## 20 TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

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

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

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

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

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

## 21 LEASE LIABILITIES

| | As at 31 December 2020 (unaudited) *S$* | As at 30 June 2020 (audited) *S$* |
|---|---|---|
| Lease liabilities payable: | | |
| Within one year | **161,770** | 175,042 |
| Within a period of more than one year but not more than two years | **10,042** | 83,359 |
| Within a period of more than two years but not more than five years | **792** | 1,967 |
| | **172,604** | 260,368 |
| Less: Amount due for settlement with 12 months (shown under current liabilities) | **(161,770)** | (175,042) |
| Amount due for settlement after 12 months (shown under non current liabilities) | **10,834** | 85,326 |

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

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

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

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

## 22 DEFERRED TAX LIABILITIES

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

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

## 23 SHARE CAPITAL

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

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

During the six months ended 31 December 2020, our Group's revenue decreased by 45.5% to approximately S$14.3 million as compared to approximately S$26.2 million for the six months ended 31 December 2019. Our Group's gross profit and net profit also decreased by 66.1% and 96.2% to approximately S$1.8 million and S$0.1 million respectively, as compared to approximately S$5.3 million and S$2.9 million for the six months ended 31 December 2019. The decrease was mainly due to the Circuit Breaker measures being imposed by the Singapore Government from 7 April 2020 to 1 June 2020 (both dates inclusive) (the "**Circuit Breaker Period**") to combat the local transmission of Coronavirus Disease 2019 ("**COVID-19**") in Singapore.

Majority of the Group's construction projects were halted during the Circuit Breaker Period and resulted in a significant slowdown in the progress of the Group's electrical engineering works. Even after the Circuit Breaker Period, substantial amount of time was spent to implement safe management measures at the project sites in accordance with the Singapore Government regulatory requirements. Consequently, only approximately 20% of our on-going projects had been allowed to restart and the rest of the projects only fully recommenced from August/September 2020, which significantly delayed the progress of the Group's on-going projects and led to significant decrease in revenue recognised during the six months ended 31 December 2020 when compared to six months ended 31 December 2019.

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

In the upcoming year, we expect the construction industry to remain gloomy given the uncertainty of the development of the outbreak of COVID-19 globally. With the resurgence of COVID-19 cases globally and more stringent border control measures abroad and in Singapore, supply chain has been disrupted severely, resulting in rising material costs. The border control measures also resulted in further manpower shortages and hence resulting in an increase in manpower costs for the six months ended 31 December 2020. That said, the adverse impact of COVID-19 has been mitigated by the receipt of Singapore Government grants and the overall financial position of the Group remains sound. Based on the Building and Construction Authority (BCA)'s projection, construction demand in Singapore is expected to make a moderate recovery in 2021, with S$23 billion to S$28 billion worth of construction contracts to be awarded. About 65% of the contract, or between S$15 billion and S$18 billion will be relating to public sector projects and the Group is well positioned to take advantage of the expected upturn in the market.

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

## FINANCIAL REVIEW

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

### Revenue

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

| | For the six months ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | | 2019 | | |
| | **Number of projects with revenue contribution** | **Revenue S$ million** | **% of total revenue** | Number of projects with revenue contribution | Revenue S$ million | % of total revenue |
| Public sector projects | **46** | **8.2** | **57.4** | 33 | 19.7 | 75.1 |
| Private sector projects | **13** | **6.1** | **42.6** | 10 | 6.5 | 24.9 |
| Total | **59** | **14.3** | **100.0** | 43 | 26.2 | 100.0 |

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

## Cost of Services

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

## Gross Profit and Gross Profit Margin

| | For the six months ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | | 2019 | | |
| | **Revenue** | **Gross profit** | **Gross profit margin** | Revenue | Gross profit | Gross profit margin |
| | ***S$ million*** | ***S$ million*** | *%* | *S$ million* | *S$ million* | *%* |
| Public sector projects | **8.2** | **1.4** | **16.5** | 19.7 | 4.1 | 20.9 |
| Private sector projects | **6.1** | **0.4** | **7.3** | 6.5 | 1.2 | 18.3 |
| Total | **14.3** | **1.8** | **12.6** | 26.2 | 5.3 | 20.2 |

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

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

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

## Other Income

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

## Other Gains or Losses

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

### Administrative Expenses

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

### Finance Costs

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

### Income Tax Expense

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

### Net Profit

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

### Interim Dividend

The Board did not recommend a payment of an interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

### Liquidity, Financial Resources and Capital Structure

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

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

As at 31 December 2020, the Group had total cash and bank balances of approximately S$18.6 million and short-term investments of S$Nil as compared to approximately S$15.8 million and short-term investments of S$5.8 million as at 30 June 2020 respectively. The Group does not have any bank borrowings as at 31 December 2020 and 30 June 2020.

**Pledge of Assets**

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

**Treasury Policy**

The Group has adopted a prudent financial management approach towards 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 USD and HKD amounting to S$15.4 million as at 31 December 2020 which expose the Group to foreign currency risk. The Group manages the risk by closely monitoring the movements of the foreign currency rate.

**Gearing Ratio**

Gearing ratio is calculated by dividing all borrowings by total equity at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 31 December 2020 was Nil (as at 30 June 2020: Nil).

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

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

**Future Plans for Material Investments or Capital Assets**

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

## Employees and Remuneration Policy

As at 31 December 2020, the Group had a total of 139 employees (31 December 2019: 175 employees), including executive Directors. Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes in the six months ended 31 December 2020 amounted to approximately S$1.8 million (six months ended 31 December 2019: approximately S$2.8 million). In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from central provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

## Contingent Liabilities

As at 31 December 2020, our Group had performance bonds of approximately S$2.6 million (30 June 2020: S$2.6 million) given by a bank and an insurance company in favour of our Group's customers as security for the due performance and observance of our Group's obligation under the contracts entered into between our Group and the customers. The performance guarantees will be released upon completion of the contracts.

## Capital Expenditures and Capital Commitments

During the six months ended 31 December 2020, the Group acquired items of plant and equipment of approximately S$0.1 million (30 June 2020: S$0.3 million).

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

## Use of Net Proceeds from the Share Offer

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

As disclosed in the Announcement, the Board resolved to change the use of the unutilised net proceeds. Set out below is the revised allocation of the unutilised net proceeds:

| | **Planned use of Net Proceeds as disclosed in the Prospectus** *S$ million* (approximately) | **Utilised Net Proceeds up to 13 May 2020** *S$ million* (approximately) | **Unutilised Net Proceeds up to 13 May 2020** *S$ million* (approximately) | **Allocation of the Unutilised Net Proceeds** *S$ million* (approximately) | **Unutilised Net Proceeds after re-allocation ("Re-allocated Net Proceeds")** *S$ million* (approximately) |
|---|---|---|---|---|---|
| (i) Acquisition of a Singapore-based air-conditioning and mechanical ventilation contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least "L4" grade | 7.1 | 0.0 | 7.1 | (3.6) | 3.5 |
| (ii) Strengthening the Group's manpower by recruiting additional staff | 2.5 | 0.2 | 2.3 | (1.5) | 0.8 |
| (iii) Expanding the Group's premises for its various operational needs | 1.8 | 0.0 | 1.8 | (1.8) | – |
| (iv) Financing the Group's upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects ***(existing new projects)*** | 1.7 | 1.7 | 0.0 | +3.5 | 3.5 |
| (v) Financing the Group's upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects ***(new potential projects)*** | 0.0 | 0.0 | 0.0 | +3.0 | 3.0 |
| (vi) Financing the acquisition of additional machinery and equipment | 1.4 | 0.1 | 1.3 | (0.7) | 0.6 |
| (vii) 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 |
| (viii) Financing the acquisition of additional lorries | 0.3 | 0.1 | 0.2 | – | 0.2 |
| (ix) 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 31 December 2020 was approximately as follows:

| | **Re-allocated Net Proceeds** *S$ million* (approximately) | **Utilised from 13 May 2020 to 31 December 2020** *S$ million* (approximately) | **Unutilised Re-allocated Net Proceeds up to 31 December 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 | – | 3.5 | On or before 30 June 2023 |
| (ii) Strengthening the Group's manpower by recruiting additional staff | 0.8 | 0.2 | 0.6 | On or before 30 June 2023 |
| (iii) Expanding the Group's premises for its various operational needs | – | – | – | N/A |
| (iv) Financing the Group's upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects ***(existing new projects)*** | 3.5 | 3.0 | 0.5 | On or before 30 June 2021 |
| (v) Financing the Group's upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects ***(new potential projects)*** | 3.0 | 2.2 | 0.8 | On or before 30 June 2022 |
| (vi) Financing the acquisition of additional machinery and equipment | 0.6 | – | 0.6 | On or before 30 June 2023 |
| (vii) Purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading the Group's enterprise resource planning system | 0.4 | – | 0.4 | On or before 30 June 2023 |
| (viii) Financing the acquisition of additional lorries | 0.2 | 0.1 | 0.1 | On or before 30 June 2023 |
| (ix) Reserved as the Group's general working capital | 1.5 | 1.5 | – | N/A |
| Total | 13.5 | 7.0 | 6.5 | |

As at 31 December 2020, the unused amount of net proceeds was placed in licensed banks in Hong Kong and Singapore and the Board expected that it will be utilised in the same manner as disclosed in the Prospectus and the Announcement. Due to the adverse impact of the outbreak of COVID-19 on worldwide economies and the three-phased approach embarked by the Singapore government to resume usual daily activities after the Circuit Breaker Period, the Board will continue to closely monitor the situation and evaluate the potential impact on the timeline to utilise the unutilised Re-allocated Net Proceeds and will keep shareholders and potential investors informed if there is any material change.

## EVENTS AFTER THE REPORTING PERIOD

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

## CORPORATE GOVERNANCE

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

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

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

## AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's unaudited condensed consolidated results for the six months ended 31 December 2020 and discussed with the management on the accounting principles and practices adopted by the Group with no disagreement by the audit committee of the Company.

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

Hong Kong, 26 February 2021

*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).*