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 2023

The board (the "**Board**") of directors (the "**Directors**") of Khoon Group Limited (the "**Company**") hereby announces the audited results of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 30 June 2023 together with comparative audited figures for the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2023

	Notes	**2023**	2022
		S$	*S$*
Revenue	*4*	**50,607,886**	23,058,355
Cost of services		**(48,135,476)**	(21,630,075)
Gross profit		**2,472,410**	1,428,280
Other income	*5a*	**310,803**	661,429
Other gains and losses	*5b*	**(186,135)**	315,216
Impairment losses on financial assets and contract assets	*5c*	**(700,000)**	(175,768)
Administrative expenses		**(3,504,879)**	(2,805,560)
Finance costs	*6*	**(4,810)**	(4,565)
Loss before tax		**(1,612,611)**	(580,968)
Income tax credit/(expense)	*7*	**63,864**	(36,875)
Loss for the year	*8*	**(1,548,747)**	(617,843)

	Notes	2023	2022
		S$	*S$*
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange difference on translating foreign operation		**212,865**	–
Other comprehensive income for the year, net of tax		**212,865**	–
Total comprehensive loss for the year attributable to owners of the Company		**(1,335,882)**	(617,843)
Loss per share *(S$ cents)*	*10*		
Basic		**(0.15)**	(0.06)
Diluted		**(0.15)**	(0.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**2023**	2022
		S$	*S$*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**176,567**	312,320
Investment property		**–**	823,868
Right-of-use assets		**145,149**	265,623
Deposit		**94,612**	102,968
Total non-current assets		**416,328**	1,504,779
Current assets			
Trade receivables	*11*	**7,833,214**	5,301,383
Other receivables, deposits and prepayments		**508,539**	1,483,116
Contract assets	*12*	**31,593,789**	29,446,514
Bank balances and cash		**10,184,427**	12,935,125
Total current assets		**50,119,969**	49,166,138
Current liabilities			
Trade and other payables	*13*	**13,618,814**	12,204,900
Contract liabilities	*12*	**188,776**	52,444
Lease liabilities		**112,092**	130,030
Amounts due to directors		**87,913**	120,000
Current tax liabilities		**84,181**	246,020
Total current liabilities		**14,091,776**	12,753,394
Net current assets		**36,028,193**	36,412,744
Total assets less current liabilities		**36,444,521**	37,917,523

	Notes	2023	2022
		S$	*S$*
Non-current liabilities			
Deferred tax liabilities		**–**	35,229
Lease liabilities		**35,572**	137,463
Total non-current liabilities		**35,572**	172,692
Net assets		**36,408,949**	37,744,831
EQUITY			
Capital and reserves			
Share capital	*14*	**1,742,143**	1,742,143
Share premium		**31,669,457**	31,669,457
Merger reserve		**(11,417,891)**	(11,417,891)
Exchange reserve		**212,865**	–
Accumulated profits		**14,202,375**	15,751,122
Equity attributable to owners of the Company		**36,408,949**	37,744,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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, Windward 3, Regatta Office Park, 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 its 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.

On 12 December 2022, a sale and purchase agreement in relation to the sale and purchase of 550,000,000 shares of the Company, representing 55.0% of the total issued share capital of the Company, was entered into among Southern Heritage Limited (incorporated in the British Virgin Islands (the "**BVI**") with limited liability) ("**Southern Heritage**") (the offeror), Lead Development Investment Limited (the vendor) and Mr. Ang Jui Khoon and Mr. Ang Kok Kwang (Hong Guoguang) (the guarantors) for a total cash consideration of HK$152,500,000 (being approximately HK$0.277 per share). Following the completion of such agreement on 27 January 2023, Southern Heritage and parties acting in concert with it became interested in the 550,000,000 shares of the Company, representing 55.0% of the total issued share capital of the Company. Further details are set out in the section headed "Change in shareholding" of "Management Discussion and Analysis" in this announcement.

As at 30 June 2023, Southern Heritage is the immediate and ultimate parent of the Company; and Mr. Chen Zhi is the ultimate controlling shareholder of the Company.

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

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"). IFRSs comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Companies Ordinance.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED IFRSs

(a) Application of new and revised IFRSs

The Group has applied the following amendments to IFRSs and annual improvements issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous contracts – Cost of Fulfilling a Contract
Annual Improvements Project	Annual Improvements to IFRS Standards 2018-2020

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

(b) New and revised IFRSs in issue but not yet effective

The Group has not applied any amendments to standards that have been issued but are not yet effective for the financial year beginning 1 July 2022. The amendments to standards include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules	1 January 2023 (except for IAS 12 paragraph 4A and 88A which are immediately effective upon issue of the amendments)
Amendment to IAS 21 – Lack of Exchangeability	1 January 2025
Amendments to IFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB

The Group is in the process of making an assessment of the expected impact of these amendments in the period of initial application. So far it has concluded that the adoption of such amendments is unlikely to have a significant impact on the consolidated financial statements of the Group.

4. 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.

Segment 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 further detailed analysis of the Group's result nor assets and liabilities is regularly provided to the CODMs for review as the CODMs review the overall results and financial performance of the Group derived from the provision of electrical engineering services 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:

	2023	2022
	S$	*S$*
Contract revenue from provision of electrical engineering services, recognised over time	**50,607,886**	23,058,355

All the Group's services are rendered directly to the customers. Contracts with the Group's customers are agreed in a fixed-price basis with project duration ranging from 3 months to 58 months (2022: 3 months to 58 months).

Included in the Group's revenue for the year ended 30 June 2023 is S$46,066,323 (2022: S$16,297,079) derived from provision of electrical engineering services to customers in the public sector. The remaining revenue is derived from provision of electrical engineering services to the customers in the 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 periods.

	2023	2022
	S$	*S$*
Provision of electrical engineering services:		
– Within one year	**63,084,854**	56,796,282
– More than one year but not more than two years	**38,716,797**	33,562,488
– More than two years but not more than five years	**16,342,555**	20,417,188
	118,144,206	110,775,958

Based on the information available to the Group at the end of the reporting period, the management of the Group expects that the transaction price allocated to the unsatisfied (or partially satisfied) contracts as at 30 June 2022 and 2023 have been or will be recognised as revenue during the years ended/ending 30 June 2023 to 2027.

Revenue from the major customers

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

	2023	2022
	S$	*S$*
Customer I	**9,408,934**	4,575,276
Customer II	**9,349,276**	4,872,320
Customer III	**5,617,106**	N/A#
Customer IV	**5,548,259**	N/A#

\# *The revenue from the customer did not contribute 10% or more of the total revenue of the Group*

Geographical information

The Group principally operates in Singapore, which is also its place of domicile. Revenue derived from Singapore represents 100% of the total revenue of the Group for the year ended 30 June 2023 (2022: 100%) based on the location of services delivered. The Group's non-current assets are all located in Singapore.

5. a. OTHER INCOME

	2023	2022
	S$	*S$*
Bank interest income	**91,551**	29,428
Government grants *(Note)*	**131,567**	466,133
Rental income	**17,400**	34,800
Training income	**70,285**	128,527
Others	**–**	2,541
	310,803	661,429

Note: Government grants in 2023 mainly included the Job Growth Incentive, which supports employers to expand local hiring from September 2020 to March 2023 (inclusive). Government grants in 2022 mainly included COVID-19-related support from the Singapore government, such as the Foreign Worker Levy rebates and the Job Support Scheme ("**JSS**") to help companies tide through the period of economic uncertainty. Under the JSS, the government co-funds 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.

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.

5. b. OTHER GAINS AND LOSSES

	2023	2022
	S$	*S$*
Gain on disposal of property, plant and equipment	**54,682**	–
Gain on disposal of investment property	**240,819**	–
Written off of trade receivables	**(58,703)**	–
Exchange (losses)/gains, net	**(422,933)**	315,216
	(186,135)	315,216

5. c. IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

	2023	2022
	S$	*S$*
Impairment losses recognised on:		
Trade receivables *(Note 11)*	**–**	(53,369)
Contract assets *(Note 12)*	**(700,000)**	(122,399)
	(700,000)	(175,768)

6. FINANCE COSTS

	2023	2022
	S$	*S$*
Interest on lease liabilities	**4,810**	4,565

7. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense has been recognised in profit or loss as follows:

	2023	2022
	S$	*S$*
Current tax:		
– Singapore corporate income tax ("**CIT**")		
Provision for the year	**84,181**	57,640
Overprovision in prior years	**(112,816)**	–
	(28,635)	57,640
Deferred tax credit	**(35,229)**	(20,765)
	(63,864)	36,875

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

CIT is calculated at 17% (2022: 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 ended 30 June 2023 and 2022.

No income tax arising from the BVI and Hong Kong has been recognised as those subsidiaries incorporated in the BVI and Hong Kong had no assessable profits in the years ended 30 June 2023 and 2022.

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2023	2022
	S$	*S$*
Depreciation of property, plant and equipment	**155,609**	303,318
Depreciation of investment property	**14,687**	16,022
Depreciation of right-of-use assets	**131,180**	127,738
Impairment loss on trade receivables *(Note 11)*	**–**	53,369
Impairment loss on contract assets *(Note 12)*	**700,000**	122,399
Auditor's remuneration	**160,000**	175,000
Cost of materials recognised as cost of services	**23,766,707**	8,881,252
Subcontractor costs recognised as cost of services	**17,124,853**	7,840,286
Gross rental income from investment property recognised as other income *(Note 5a)*	**(17,400)**	(34,800)
Less: Direct operating expenses incurred for investment property that generated rental income	**1,126**	2,970
	(16,274)	(31,830)

9. DIVIDEND

No dividends were paid, declared or proposed to the owners of the Company during the years ended 30 June 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

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

	2023	2022
Loss for the year attributable to owners of the Company *(S$)*	**(1,548,747)**	(617,843)
Weighted average number of ordinary shares in issue	**1,000,000,000**	1,000,000,000
Basic and diluted loss per share *(S$ cents)*	**(0.15)**	(0.06)

The calculation of basic loss per share for the years ended 30 June 2023 and 2022 is based on the loss for the year attributable to owners of the Company and the weighted average number of shares in issue.

Diluted loss per share is the same as the basic loss per share because the Group has no dilutive securities that are convertible into shares during the years ended 30 June 2023 and 2022.

11. TRADE RECEIVABLES

	2023	2022
	S$	*S$*
Trade receivables	**7,886,583**	5,354,752
Less: Allowance for impairment losses	**(53,369)**	(53,369)
	7,833,214	5,301,383

The carrying amount of the Group's trade receivables is denominated in S$.

The Group grants credit term of typically 30 to 35 days from invoice date for trade receivables with all customers for the financial year ended 30 June 2023 (2022: 30 to 35 days). The following is an aging 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:

	2023	2022
	S$	*S$*
Within 30 days	**5,094,870**	4,210,719
31 days to 60 days	**1,983,733**	609,970
61 days to 90 days	**89,057**	124,686
91 days to 120 days	**51,168**	226,052
More than 120 days	**614,386**	129,956
	7,833,214	5,301,383

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on an 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 loss ("**ECL**") prescribed by IFRS 9.

The ECL of trade receivables are measured using a provision matrix 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. There has been no changes in the estimation techniques or significant assumption made during the current reporting period.

The following table details the risk profile of trade receivables from contracts with customers based on the Group's historical credit loss experience according to the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimate of future economic conditions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished among the Group's different customer base.

	Trade receivables – days past due						
	Not past due *S$*	≦30 days *S$*	31 to 60 days *S$*	61 to 90 days *S$*	90 to 120 days *S$*	>120 days *S$*	Total *S$*
2023							
Estimated total gross carrying amount at default	**5,102,352**	**1,991,850**	**90,518**	**54,133**	**–**	**647,730**	**7,886,583**
Lifetime ECL	**(7,482)**	**(8,117)**	**(1,461)**	**(2,965)**	**–**	**(33,344)**	**(53,369)**
							7,833,214
2022							
Estimated total gross carrying amount at default	4,233,381	614,295	125,754	233,127	8,453	139,742	5,354,752
Lifetime ECL	(22,662)	(4,325)	(1,068)	(7,075)	(984)	(17,255)	(53,369)
							5,301,383

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	2023 ***S$***	2022 *S$*
Balance at beginning of year	**53,369**	–
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	**–**	53,369
Balance at end of year	**53,369**	53,369

12. CONTRACT ASSETS/LIABILITIES

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

	2023	2022
	S$	*S$*
Contract assets	**32,416,188**	29,568,913
Less: Allowance for impairment loss	**(822,399)**	(122,399)
	31,593,789	29,446,514
Contract liabilities	**(188,776)**	(52,444)
	31,405,013	29,394,070

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$153,786 as at 30 June 2023 (2022: S$162,176).

Contract assets

	2023	2022
	S$	*S$*
Retention receivables	**6,722,714**	5,182,864
Others *(Note)*	**25,847,260**	24,548,225
Less: Allowance for impairment loss	**(822,399)**	(122,399)
	31,747,575	29,608,690

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

The 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.

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

The Group's contract assets include retention receivables to be settled, are recognised 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.

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 except for a customer who failed to settle unbilled work in progress, leading to individual ECL assessment.

The following table details the risk profile of amount due from customers based on the Group's historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimate of future economic conditions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished among the Group's different customer base, except for a customer who failed to settle unbilled work in progress, leading to individual ECL assessment.

	2023	2022
	S$	*S$*
Estimated total gross carrying amount at default		
– amount not past due	**32,416,188**	29,568,913
Lifetime ECL	**(822,399)**	(122,399)
	31,593,789	29,446,514

The table below shows the movement in lifetime ECL – credit impaired that has been recognised for contract assets in accordance with the simplified approach set out in IFRS 9:

	2023	2022
	S$	*S$*
Balance at beginning of year	**122,399**	–
Net increase in loss allowance arising from new amounts recognised in current year, net of those derecognised upon billing	**700,000**	122,399
Balance at end of year	**822,399**	122,399

During the year ended 30 June 2023, a subsidiary of the Company was in a dispute with a customer, who failed to settle the unbilled work in progress of approximately S$1.6 million even though a substantive portion of such work were completed by the subsidiary. The customer claimed to offset the entire unbilled amount by such amount of expenses by way of claiming backcharges, but the subsidiary denied such backcharges. The subsidiary and the customer are engaged in adjudication in the Singapore Mediation Centre to resolve the dispute. Taking into account factual circumstances of the case, merits of the evidence and relevant contract provisions, the Group has made a loss allowance of S$700,000 for the year in respect of the dispute.

Contract liabilities

The contract liabilities represent the Group's obligation to provide 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 2023 and 2022 mainly relate to advances received from customers.

The Group's contract liabilities are analysed as follows:

	2023	2022
	S$	*S$*
Contract liabilities	**342,562**	214,620

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities:

	2023	2022
	S$	*S$*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**214,620**	27,418

None of the revenue recognised during the year ended 30 June 2023 relates to performance obligations that were satisfied in prior periods.

13. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	2023	2022
	S$	*S$*
Trade payables	**8,073,129**	2,435,219
Trade accruals	**1,966,447**	6,530,127
Retention payables *(Note)*	**2,816,796**	2,732,481
	12,856,372	11,697,827
Other payables		
Payroll and CPF payables	**245,098**	182,249
Goods and Services Tax payables	**286,568**	133,048
Rental deposit received	**–**	5,800
Accrued audit fees	**160,000**	161,000
Others	**70,776**	24,976
	13,618,814	12,204,900

Note: The retention payables to subcontractors are interest-free and payable after completion of the 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 balance are classified as current as they are within the Group's normal operating cycle.

The aging analysis of trade payables based on the invoice date is as follows:

	2023	2022
	S$	*S$*
Within 30 days	**2,766,872**	1,399,199
31 to 60 days	**3,120,266**	657,350
61 to 90 days	**996,153**	206,711
91 to 120 days	**763,456**	27,951
Over 120 days	**426,382**	144,008
	8,073,129	2,435,219

The credit period on purchases from suppliers and subcontractors is 30 to 90 days (2022: 30 to 90 days) or payable upon delivery.

The carrying amounts of trade payables are denominated in S$.

14. SHARE CAPITAL

	Number of ordinary shares	Par value	Share capital
		HK$	*HK$*
Authorised share capital of the Company:			
At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023	1,500,000,000	0.01	15,000,000

	Number of ordinary shares	Share capital
		S$
Issued and fully paid share capital of the Company:		
At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023	1,000,000,000	1,742,143

The Group manages its capital to ensure that it will be able to be continue as a going concern while maximising the return to shareholders through the optimisation of equity balance. The Group's overall strategy remains unchanged throughout the financial year ended 30 June 2023.

The capital structure of the Group consists of equity attributable to owners of the Group, comprising issued capital, reserves and accumulated profits.

The management of the Group review the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the associated risk with each class of items in the context of capital structure, and takes appropriate actions to adjust the Group's capital structure. Based on the recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a mechanical and electrical ("**M&E**") 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 alternations ("**A&A**") works and upgrading projects, involving 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 2023, the Group's revenue increased by approximately 119.5% to approximately S$50.6 million as compared to approximately S$23.1 million for the year ended 30 June 2022. The Group's gross profit for the year ended 30 June 2023 also increased by approximately 73.1% to approximately S$2.5 million, as compared to approximately S$1.4 million for the year ended 30 June 2022. The increase was mainly due to the recovery from the unprecedented outbreak of the Coronavirus Disease 2019 ("**COVID-19**") globally. Since July 2022, the entry requirement for work permit holders in Construction, Marine Shipyard and Process sectors has been further eased and there have been an influx of migrant workers into Singapore. The influx of migrant workers into Singapore has sped up the progress of the Group's on-going projects and led to an increase in revenue for the year ended 30 June 2023. Our gross profit margin for the year ended 30 June 2023 has decreased to approximately 4.9%, from approximately 6.2% for the year ended 30 June 2022. Our net loss after tax increased by approximately 150.7% from approximately S$0.6 million for the year ended 30 June 2022 to approximately S$1.5 million for the year ended 30 June 2023. The decrease in gross profit margin and increase in net loss after tax was mainly due to the post-COVID-19 increase in cost of raw materials, wages and sub-contracting costs, the increase in provision for impairment of contract assets and the increase in exchange loss.

OUTLOOK

The Building and Construction Authority ("**BCA**") in Singapore is projecting construction demand to reach between S$27 billion and S$32 billion in 2023. Public sector projects are expected to continue making up the bulk of the construction demand at 60% of the projects. Over the medium-term, BCA projected the total construction demand to reach between S$25 billion and S$32 billion per year from 2024 to 2027, with the public sector expected to lead the demand, contributing S$14 billion to S$18 billion per year from 2024 to 2027. Given the Group's expertise in public sector projects, the Group is well positioned to take advantage of the rising construction demand over coming years. As at 30 June 2023, we had 38 projects on hand (including contracts in progress) with a notional or estimated contract value of approximately S$218.4 million, of which approximately S$53.6 million had been recognised as revenue in prior years, approximately S$32.5 million had been recognised as revenue during the year ended 30 June 2023 and the remaining balance will be recognised as our revenue in accordance with the stage of completion. Other than the contribution of revenue of approximately S$32.5 million from our on-going projects, the remaining S$18.1 million was recognised during the year ended 30 June 2023 mainly attributed to projects which have been completed during the year.

FINANCIAL REVIEW

	For the year ended 30 June		
	2023	2022	
	S$ million	*S$ million*	Change
Revenue	**50.6**	23.1	119.5%
Gross profit	**2.5**	1.4	73.1%
Gross profit margin	**4.9%**	6.2%	-1.3 percentage points
Loss for the year	**(1.5)**	(0.6)	150.7%

Revenue

The Group's principal operating activities are 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, involving residential, commercial and industrial buildings.

	For the year ended 30 June					
	2023			2022		
	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	**63**	**46.1**	**91.0**	57	16.3	70.7
Private sector projects	**24**	**4.5**	**9.0**	11	6.8	29.3
Total	**87**	**50.6**	**100.0**	68	23.1	100.0

The Group's overall revenue increased by approximately S$27.5 million or approximately 119.5% from approximately S$23.1 million for the year ended 30 June 2022 to approximately S$50.6 million for the year ended 30 June 2023. The increase is mainly due to the recovery from the outbreak of COVID-19 globally. Furthermore, the easing of community and border measures in Singapore from July 2022 has given rise to the influx of migrant workers into Singapore, thus speeding up the progress of the Group's on-going projects and led to an increase in revenue for the year ended 30 June 2023.

Cost of services

The Group's cost of services increased by approximately S$26.5 million or approximately 122.5% from approximately S$21.6 million for the year ended 30 June 2022 to approximately S$48.1 million for the year ended 30 June 2023. Such increase in cost of services was generally in line with the increase in revenue.

Gross profit and gross profit margin

	For the year ended 30 June					
	2023			2022		
	Revenue	**Gross Profit**	**Gross profit margin**	Revenue	Gross Profit	Gross profit margin
	S$ million	***S$ million***	***%***	*S$ million*	*S$ million*	*%*
Public sector projects	**46.1**	**2.5**	**5.3**	16.3	1.0	6.2
Private sector projects	**4.5**	**–***	**0.5**	6.8	0.4	6.1
Total	**50.6**	**2.5**	**4.9**	23.1	1.4	6.2

* *Denote less than S$0.1 million*

The gross profit of the Group for the year ended 30 June 2023 amounted to approximately S$2.5 million, representing an increase of approximately 73.1% as compared with approximately S$1.4 million for the year ended 30 June 2022, which was consistent with the increase in revenue for the same period. The Group's gross profit margin for the year ended 30 June 2023 was approximately 4.9%, which represents a decrease of 1.3 percentage points when compared with gross profit margin of approximately 6.2% for the year ended 30 June 2022. The reduction was mainly due to the increase in cost of raw materials, wages and sub-contracting costs arising from the economy recovery from COVID-19 and the disruption in supply chain.

Other income

Other income mainly included income from (i) interest income from banks, (ii) government grants, (iii) rental income, (iv) training income and (v) sundry income. During the year ended 30 June 2023, other income amounted to approximately S$0.3 million (2022: approximately S$0.7 million). The decrease in other income was mainly due to the reduction in government grants for COVID-19 for the year ended 30 June 2023.

Other gains or losses

Other gains or losses mainly included net exchange gain and loss. During the year ended 30 June 2023, other losses amounted to approximately S$0.2 million (2022: gains of approximately S$0.3 million). The decrease in other gains was mainly due to the weakening of United States dollars ("**US$**") and Hong Kong dollars ("**HK$**") currency against S$ in respect of the Group's bank balances during the year ended 30 June 2023.

Impairment losses on financial assets and contract assets

There was an allowance of impairment losses of approximately S$0.7 million during the year ended 30 June 2023 as compared to an allowance of impairment losses of approximately S$0.2 million during the year ended 30 June 2022. The difference was mainly due to additional allowance being provided for impairment losses on contract assets arising from the expected credit losses assessment.

Administrative expenses

The administrative expenses of the Group for the year ended 30 June 2023 amounted to approximately S$3.5 million which represents an increase of approximately S$0.7 million as compared with approximately S$2.8 million for the year ended 30 June 2022, mainly due to the increase in staff costs and legal and professional fee for the year ended 30 June 2023.

Finance costs

Finance costs for the year ended 30 June 2023 was approximately S$5,000 which was relatively constant with that of the year ended 30 June 2022 of approximately S$5,000.

Income tax credit/(expense)

The Group's income tax credit was approximately S$64,000 for the year ended 30 June 2023, as compared with income tax expense of approximately S$37,000 for the year ended 30 June 2022. Such change was mainly due to the reversal of overprovision of income tax expense in prior years of approximately S$113,000 in the year ended 30 June 2023 (2022: S$Nil).

Loss for the year

Loss for the year ended 30 June 2023 was approximately S$1.5 million when compared to approximately S$0.6 million for the year ended 30 June 2022, which is mainly due to the decrease in gross profit margin, the increase in provision for impairment of contract assets and the increase in exchange loss.

Trade receivables

As at 30 June 2023, the Group had trade receivables of approximately S$7.8 million, as compared with trade receivables of approximately S$5.3 million as at 30 June 2022.

An amount of approximately S$6.3 million (i.e. approximately 80.6%) of the trade receivable as at 30 June 2023 has been settled up to the date of this announcement.

Contract assets

As at 30 June 2023, the Group had contract assets (excluding retention receivables) of approximately S$25.0 million, as compared with contract assets (excluding retention receivables) of approximately S$24.4 million, as at 30 June 2022.

An amount of approximately S$12.2 million (i.e. approximately 48.6%) of contract assets (excluding retention receivables) as at 30 June 2023 has been billed up to the date of this announcement.

As part of the normal business and common industry practice, the certification and billing process for work in progress may take some time (from 6 months to 1 year) as additional time is required to perform additional procedures for verifying the functionality of certain electrical engineering works performed by the Group. Consultants may also require longer time to certify the site preparation works carried out by the Group and to approve the materials procured from suppliers during the preliminary stage of the projects.

Final dividend

The Board did not recommend the payment of a final dividend for the year ended 30 June 2023 (2022: S$Nil).

Liquidity, financial resources and capital structure

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 5 July 2019 by way of share offer (the "**Share Offer**") and there has been no change in the 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 S$, US$ and HK$, are generally deposited with certain reputable financial institutions.

As at 30 June 2023, the Group had total bank balances and cash of approximately S$10.2 million, as compared with bank balances and cash of approximately S$12.9 million as at 30 June 2022. The Group does not have any bank borrowings as at 30 June 2023 and 30 June 2022.

Pledge of assets

As at 30 June 2023, the Group had approximately S$74,000 (as at 30 June 2022: approximately S$0.1 million) pledged 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 S$ and the Group's assets and liabilities are primarily denominated in S$. However, the Group has certain bank balances denominated in US$ and HK$ amounting to approximately S$6.9 million which may expose the Group to foreign currency risk. The Group does not expect the risk could materially affect the Group's results of operations, and therefore no hedging instrument has been employed. The Group manages the risk by closely monitoring the movement of the foreign currency rate and will take appropriate measures to deal with the foreign exchange exposure if necessary.

Gearing ratio

Gearing ratio is calculated by dividing all borrowings by total equity at the year end date and expressed as a percentage. The gearing ratio of the Group as at 30 June 2023 was Nil (as at 30 June 2022: Nil).

Significant investment, material acquisitions and disposal of subsidiaries and associated companies or joint ventures

There were no significant investment held, material acquisitions or disposals of subsidiaries and associated companies or joint ventures by the Group during the year ended 30 June 2023.

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 30 June 2023.

Employees and remuneration policy

As at 30 June 2023, the Group had a total of 207 employees (2022: 147 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 2023 amounted to approximately S$7.1 million (2022: approximately S$5.1 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 the Group's environmental policies, performance and compliance with laws and regulations will be set out in the "Environmental, Social and Governance Report" in the 2022/2023 annual report of the Company to be published.

Contingent liabilities

As at 30 June 2023, the Group had performance bonds of approximately S$2.1 million (2022: approximately S$0.6 million) given by an insurance company in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and the customers. The performance guarantees will be released upon completion of the contracts.

Capital expenditures and capital commitments

During the year ended 30 June 2023, the Group acquired items of property, plant and equipment of approximately S$30,000 (2022: approximately S$50,000).

As at 30 June 2023, the Group had no material capital commitments.

Change in shareholding

On 12 December 2022, a sale and purchase agreement in relation to the sale and purchase of 550,000,000 shares of the Company ("**Sale Shares**"), representing 55.0% of the total issued share capital of the Company, was entered into among Southern Heritage Limited ("**Southern Heritage**") (the offeror), Lead Development Investment Limited (the vendor) and Mr. Ang Jui Khoon and Mr. Ang Kok Kwang (Hong Guoguang) (the guarantors) for a total cash consideration of HK$152,500,000 (being approximately HK$0.277 per Sale Share).

The purchase of Sale Shares of the Company was completed on 27 January 2023. Following the completion, Southern Heritage and parties acting in concert with it became interested in the Sale Shares of the Company. As a result of the completion, Southern Heritage was required to make a mandatory unconditional cash offer for 450,000,000 shares of the Company ("**Offer Shares**"), being all the issued shares of the Company other than those already owned or agreed to be acquired by Southern Heritage and parties acting in concert with it pursuant to the Hong Kong Code on Takeovers and Mergers. Mighty Divine Securities Limited, on behalf of Southern Heritage, made the offer (the "**Offer**") to acquire all the Offer Shares on the basis of HK$0.278 in cash for each Offer Share.

The Offer was closed on 24 February 2023. No valid acceptance in respect of the Offer Shares under the Offer was received. Accordingly, Southern Heritage and parties acting in concert with it are interested in 550,000,000 shares of the Company immediately after the close of the Offer. The Company continues to satisfy the minimum public float requirement under Rule 8.08(1)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Use of net proceeds from the Share Offer

The net proceeds from the Share Offer were approximately HK$95.0 million (equivalent to approximately S$16.6 million) (after deducting listing expenses) (the "**Net Proceeds**").

As disclosed in the announcements of the Group titled "Changes in Use of Proceeds" and "Further Change in Use of Proceeds" dated 13 May 2020 and 19 September 2022, respectively, the Board resolved to change the use of the then unutilised Net Proceeds and the Company expected that the then unutilised Net Proceeds would be fully utilised by June 2023. Set out below is the status of the utilised and unutilised Net Proceeds as at 30 June 2023:

		Planned use of Net Proceeds as disclosed in the Prospectus *S$ million (approximately)*	Revised allocation of the Net Proceeds as disclosed in the Announcement dated 13 May 2020 *S$ million (approximately)*	Further revised allocation of the Net Proceeds (the "Re-allocated Net Proceeds") as disclosed in the Announcement dated 19 September 2022 *S$ million (approximately)*	Utilised Net Proceeds up to 30 June 2022 *S$ million (approximately)*	Utilised Re-allocated Net Proceeds up to 30 June 2023 *S$ million (approximately)*	Unutilised Re-allocated Net Proceeds up to 30 June 2023 (being proceeds brought forward from the Share Offer) *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	7.1	3.5	–	–	–	–	N/A
(ii)	Strengthening the Group's manpower by recruiting additional staff	2.5	1.0	1.0	0.8	1.0	–	N/A
(iii)	Expanding the Group's premises for its various operational needs	1.8	–	–	–	–	–	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 projects)***	1.7	5.2	5.2	5.2	5.2	–	N/A

		Planned use of Net Proceeds as disclosed in the Prospectus *S$ million (approximately)*	Revised allocation of the Net Proceeds as disclosed in the Announcement dated 13 May 2020 *S$ million (approximately)*	Further revised allocation of the Net Proceeds (the "Re-allocated Net Proceeds") as disclosed in the Announcement dated 19 September 2022 *S$ million (approximately)*	Utilised Net Proceeds up to 30 June 2022 *S$ million (approximately)*	Utilised Re-allocated Net Proceeds up to 30 June 2023 *S$ million (approximately)*	Unutilised Re-allocated Net Proceeds up to 30 June 2023 (being proceeds brought forward from the Share Offer) *S$ million (approximately)*	Expected date to fully utilise the unutilised Re-allocated Net Proceeds
(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	6.5	3.0	6.5	–	N/A
(vi)	Financing the acquisition of additional machinery and equipment	1.4	0.7	0.7	0.2	0.2	0.5	On or before 31 December 2023
(vii)	Purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading the Group's enterprise resource planning system	0.9	0.5	0.5	0.3	0.4	0.1	On or before 31 December 2023
(viii)	Financing the acquisition of additional lorries	0.3	0.3	0.3	0.2	0.2	0.1	On or before 31 December 2023
(ix)	Reserved as the Group's general working capital	0.9	2.4	2.4	2.4	2.4	–	N/A
Total		16.6	16.6	16.6	12.1	15.9	0.7	

The Net Proceeds were used and are proposed to be used according to the intentions previously disclosed by the Company. As at 30 June 2023, the Re-allocated Net Proceeds of approximately S$0.7 million were unutilised mainly because the Group was only gradually resuming its acquisition plans after COVID-19 pandemic was subdued, and as such the acquisition plans of the Group has yet to be fully implemented. The Group expects that such unutilised Re-allocated Net Proceeds will be fully utilised in accordance with the purposes disclosed above on or before 31 December 2023. As at 30 June 2023, the unutilised amount of Re-allocated Net Proceeds was placed in licensed banks in Hong Kong and Singapore. 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

There are no significant events affecting the Group which have occurred after the year ended 30 June 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company complied with the code provisions as set out in the Corporate Governance Code contained in Part 2 of Appendix 14 of the Listing Rules during the year ended 30 June 2023.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by Directors and by relevant employees of the Group. Specific enquiry has been made with all the Directors who were holding office as a Director during the year ended 30 June 2023 and all of them confirmed that they have complied with the Model Code and its code of conduct regarding the Directors' securities transactions during the year ended 30 June 2023.

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

During the year ended 30 June 2023, 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 2023 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 or the auditor of the Company.

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

Hong Kong, 27 September 2023

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. Leung Wing Chi Kylie, Mr. Fok Wai Hung and Mr. Hon Chin Kheong (Han Zhenqiang).