

# ISP Global Limited

(incorporated in the Cayman Islands with limited liability)

**Stock Code: 8487**



**Annual Report 2018/2019**

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# CORPORATE INFORMATION

EXECUTIVE DIRECTORS	:	Mr. Mong Kean Yeow (Chairman) Ms. Choon Shew Lang Mr. He Pengfei (appointed on 7 September 2018, removed on 21 May 2019)
INDEPENDENT NON-EXECUTIVE DIRECTORS	:	Mr. Tang Chi Wai Mr. Lim Loo Kit Mr. Lim Meng Yi
AUDIT COMMITTEE	:	Mr. Tang Chi Wai (Chairman) Mr. Lim Loo Kit Mr. Lim Meng Yi
REMUNERATION COMMITTEE	:	Mr. Lim Meng Yi (Chairman) Mr. Tang Chi Wai Ms. Choon Shew Lang
NOMINATION COMMITTEE	:	Mr. Mong Kean Yeow (Chairman) Mr. Lim Loo Kit Mr. Lim Meng Yi
COMPANY SECRETARY	:	Mr. Lee Ka Hok George (resigned on 7 September 2018) Ms. Tang Lo Nar (appointed on 7 September 2018)
AUTHORISED REPRESENTATIVES	:	Ms. Choon Shew Lang Mr. Lee Ka Hok George (resigned on 7 September 2018) Ms. Tang Lo Nar (appointed on 7 September 2018)
REGISTERED OFFICE	:	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS	:	3 Ang Mo Kio Street 62 #01-39 LINK@AMK Singapore 569139

## CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG	:	Suites 1801-03, 18/F One Taikoo Place, 979 King's Road Quarry Bay, Hong Kong
COMPLIANCE ADVISER	:	Kingsway Capital Limited 7/F, Tower One, Lippo Centre 89 Queensway Hong Kong
HONG KONG LEGAL ADVISER	:	Guantao & Chow Solicitors and Notaries Suites 1801-03, 18/F One Taikoo Place, 979 King's Road Quarry Bay, Hong Kong
CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	:	Estera Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	:	Boardroom Share Registrars (HK) Limited 2103B, 21/F 148 Electric Road North Point, Hong Kong
AUDITORS	:	Deloitte & Touche LLP Public Accountants and Chartered Accountants 6 Shenton Way OUE Downtown 2, #33-00 Singapore 068809
PRINCIPAL BANK	:	United Overseas Bank Limited
COMPANY'S WEBSITE	:	<a href="http://www.ispg.hk">www.ispg.hk</a>
STOCK CODE	:	8487

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”), I am pleased to present the annual report of ISP Global Limited for the year ended 30 June 2019 (the “**Year**”).

## OVERVIEW

The Company's shares (the “**Shares**”) were successfully listed on GEM of the Stock Exchange (the “**Listing**”) on 16 January 2018 (the “**Listing Date**”). In the second year since its Listing, the Group has experienced increased competition in the sound and communication service solutions industry in Singapore. As such, the Group's revenue declined by 5.1%. However, with the capital raised from the Listing, the Group has enhanced its financial flexibility and reputation which will assist the Group with its future business development within sound and communication services solution industry in Singapore.

## PROSPECT

Since 2002, the Group has been providing and maintaining sound and communication service solutions to our clients in the education and healthcare sectors in Singapore.

On 18 February 2019, the government of Singapore announced that it expects to increase expenditure in healthcare and education sectors by S\$1.2 billion, from S\$23.7 billion in 2018 to S\$24.9 billion in 2019. The increased expenditure is in line with achieving objectives set out in its “Healthcare 2020” plan which are to enhance the accessibility, affordability, and quality of healthcare in Singapore through increasing capacity and supply in hospital and specialist care, and intermediate and long-term care amongst other initiatives.

With 17 years of professional expertise, the Group is well-placed to provide innovative sound and communications systems solutions in support of the evolving education communication landscape and the projected increased healthcare capacities in Singapore.

Forecasting a slowdown in growth of Singapore's construction sector, the Group has, in recent years, accepted more maintenance and other service contracts for sound and communications system solutions as part of our effort to maintain direct stakeholder relationships with institutions in the healthcare and education sectors. The Board will continue to strive to bring value to our stakeholders. The Group intends to strengthen our team by employing engineer(s) to remain innovative in our integrated systems solutions.

Looking forward, the Group will remain cautiously optimistic of our business and expansion opportunities in Singapore and the Asia Pacific region.



## CHAIRMAN'S STATEMENT

### APPRECIATION

On behalf of the Board, let me take this opportunity to extend our heartfelt gratitude to our shareholders, business partners, customers, and employees for your continuous support and contribution to the Group. We are committed to delivering value and bringing returns to all our stakeholders.

**Mong Kean Yeow**

*Chairman*

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Mong Kean Yeow (蒙景耀)**, aged 51, is the chairman, an executive Director and one of our controlling shareholders of the Company. He was appointed as a Director on 21 July 2017 and was redesignated as an executive Director and appointed as the chairman of the Board (the “**Chairman**”) on 14 December 2017. Mr. Mong is the co-founder of ISPL Pte. Ltd. (“**ISPL**”) and has been a director of that company since 22 July 2002. He is also the chairman of the Nomination Committee of the Company. Mr. Mong is responsible for the overall strategic planning and the daily operation of our Group including managing key customer relationship. Mr. Mong has approximately 19 years of experience in sound and communication industry. Mr. Mong was responsible for new business development and managed the project planning and implementation process. Mr. Mong obtained a diploma in electronics and communication from Singapore Polytechnic and a management diploma in sales and marketing from Temasek Polytechnic in May 1989 and August 1993 respectively.

**Ms. Choon Shew Lang (莊秀蘭)**, aged 50, is our executive Director, chief executive officer and compliance officer of our Company. Ms. Choon was appointed as a Director on 21 July 2017 and was redesignated as an executive Director on 14 December 2017. Ms. Choon is the co-founder of ISPL and has been a director of that company since 22 July 2002. She is also a member of the Remuneration Committee. Ms. Choon is responsible for overseeing the sales and contract department and administrative and account department of our Group. Ms. Choon obtained a diploma in electronics and communication engineering from Singapore Polytechnic and was awarded the management diploma in sales and marketing from Temasek Polytechnic in May 1989 and August 1993 respectively.



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lim Loo Kit (林魯傑)**, aged 49, was appointed as our independent non-executive Director on 14 December 2017. He is a member of the Audit Committee and the Nomination Committee. He is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Lim has over 21 years of experience in engineering. Mr. Lim has been serving as a senior project manager at China Construction (South Pacific) Development Co. Pte Ltd since July 2012. From November 2009 to July 2012, Mr. Lim served as a project manager at Qingjian Group Co., Pte Ltd Singapore branch. From December 2007 to October 2009, Mr. Lim was a project manager at Lian Beng Construction (1988) Pte Ltd. From June 2007 to December 2007, Mr. Lim was a site project manager at Jansen SC International Pte Ltd. From September 2006 to June 2007, Mr. Lim was an assistant project manager at Wee Hur Construction Pte Ltd. From April 1997 to March 2005, Mr. Lim was a project engineer at Chip Hup Hup Kee Construction Pte Ltd.

Mr. Lim graduated from Nanyang Technological University with a bachelor of engineering (civil) with merit in June 1996. He also has completed and passed the examination for the risk management course accredited by the Singapore Ministry of Manpower which was conducted by the Singaporean Contractors Association Ltd (SCAL) SCAL Academy in March 2012.

Over the years, Mr. Lim has obtained various professional qualifications and memberships including the following:

<b>Professional qualifications</b>	<b>Dates of admission</b>
ISO internal auditor	September 1999
Form work supervisor	October 2001
Construction safety for project manager	April 2007
Certified Construction Quality Assessment System (CONQUAS) Manager	August 2015

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lim Meng Yi (林明毓)**, aged 48, was appointed as our independent non-executive Director on 14 December 2017. He is the chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee. He is primarily responsible for supervising and providing independent judgement to our Board. Mr. Lim has over 18 years of experience in architecture. From February 1999 to April 2005, Mr. Lim worked for Archispace Designs. From May 2005 to October 2006, Mr. Lim worked as a project director in Kyoob Architects Pte Ltd. Mr. Lim then founded MYA Designs, a sole proprietorship established in Singapore in September 2005 and has since been its principal architect. From February 2008 to December 2008, Mr. Lim was a project architect in Kann Finch Group, working on a project in the United Arab Emirates. Since May 2012, Mr. Lim joined Context Architects Pte Ltd as one of the principal architects. During his terms of service in such company, Mr. Lim has established his professional practices through building a strong business network and ensuring dedicated consultancy services with design excellence.

Mr. Lim obtained a bachelor of arts degree in (architectural studies) in July 1995 and a bachelor of architecture degree in July 1998, both from the National University of Singapore. He has been a registered architect of the Singapore Board of Architects since May 2002.

**Mr. Tang Chi Wai (鄧智偉)**, aged 46, was appointed as our independent non-executive Director on 14 December 2017. He is the chairman of the Audit Committee and a member of the Remuneration Committee. He is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Tang has over 20 years of experience in auditing and accounting. Mr. Tang has been serving as a financial controller, company secretary and authorised representative of Universal Technologies Holdings Limited (stock code: 1026, the shares of which is listed on the Main Board of the Stock Exchange) since June 2008. Mr. Tang has been responsible for financial and accounting functions as well as secretarial and compliance related matters of the aforesaid company. Mr. Tang has been an independent non-executive director of (1) Century Group International Holdings Limited (formerly known as CHERISH Holdings Limited) (stock code: 2113, the shares of which is listed on the Main Board of the Stock Exchange) since September 2016, (2) Xin Point Holdings Limited (stock code: 1571, the shares of which is listed on the Main Board of the Stock Exchange) since June 2017 and (3) Noble Engineering Group Holdings Limited (stock code: 8445, the shares of which is listed on GEM) since September 2017.

Mr. Tang graduated from The Hong Kong Polytechnic University with a bachelor of accountancy in November 1996. He has been a practising Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since April 2001 and a Certified Internal Auditor of the Institute of Internal Auditors since November 2015. Mr. Tang has also been a holder of the Practitioner's Endorsement from The Hong Kong Institute of Chartered Secretaries since August 2015.

<b>Professional qualifications</b>	<b>Dates of admission</b>
Member of Chinese Institute of Certified Public Accountants	September 2003
Fellow of The Association of Chartered Certified Accountants	January 2005
Fellow of The Hong Kong Institute of Certified Public Accountants	September 2009
Fellow of The Taxation Institute of Hong Kong	July 2010
Fellow of The Institute of Chartered Secretaries and Administrators	July 2015
Fellow of The Hong Kong Institute of Chartered Secretaries	July 2015
Fellow of The Hong Kong Institute of Directors	April 2015

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Goh Boon Pan (吳文平)**, aged 48, is the senior manager of our Company. Mr. Goh joined our Group in July 2015 and has been responsible for the management, design and implementation of our projects. Mr. Goh also oversees and manages the engineer and technician team of our Group. Mr. Goh has accumulated approximately 17 years' experience in project management. Prior to joining our Group, he worked in ISPL Service Centre from August 2002 to June 2015 as senior project manager and in Intellink Systems Pte Ltd (now known as Intellilink Systems Pte. Ltd.) from September 2000 to July 2002 as a project engineer.

Mr. Goh obtained a diploma in electronics, computer and communication engineering from Singapore Polytechnic in May 1997.

**Mr. Heng Yew Chong Benedict (王僂仲)**, aged 28, is the financial controller of our Company. Mr. Heng joined our Group in June 2017 and has been responsible for the accounting and finance matters of our Group. Mr. Heng is experienced in the fields of auditing, accounting and financial management. Prior to joining our Group, Mr. Heng worked for Ernst & Young LLP from August 2014 to June 2017, his last position held was an audit senior.

Mr. Heng obtained his bachelor of accountancy degree with a second specialisation in business law from Nanyang Business School, Nanyang Technological University in June 2014. Mr. Heng has been a member of the Institute of Singapore Chartered Accountants since September 2017.

## COMPANY SECRETARY

**Ms. Tang Lo Nar (鄧露娜)**, aged 46, is the company secretary of our Company. She is also the company secretary of Shuanghua Holdings Limited (stock code: 1241 a Hong Kong Main Board listed company). She is a Fellow of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Tang obtained a master's degree in Applied Finance from University of Western Sydney of Australia in 2004 and a bachelor's degree in Accountancy from The Hong Kong Polytechnic University in 1995. Ms. Tang has over 20 years of experience in accounting, tax, audit, company secretarial and finance. Since 2005, Ms. Tang began her own business by establishing a private company in Hong Kong to provide accounting, management consultancy, tax and company secretarial services.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

We are a sound and communication services solution provider in Singapore. We have more than 16 years of experience in the provision of sound and communication systems services solution for various building systems in Singapore. We primarily provide (i) sale of sound and communication systems and related services; (ii) integrated services of sound and communication systems, with a focus on customisation and installation of sound and communication systems in buildings; and (iii) Alert Alarm System (“AAS”) services for our customers in Singapore.

For the Year, the Group recorded revenue of approximately S\$8.6 million and profit and other comprehensive income of approximately S\$0.1 million. Comparing with the year ended 30 June 2018, the Group recorded revenue of approximately S\$9.1 million as well as the total comprehensive loss of approximately S\$1.6 million. The following table sets forth the breakdown of our revenue by segment for the years indicated:

	For year ended 30 June	
	2019	2018
	S\$	S\$
<i>Revenue from:</i>		
<b>At a point in time:</b>		
Sale of sound and communication systems and related services	6,425,214	7,200,016
<b>Over time:</b>		
Integrated services of sound and communication systems	1,316,044	1,006,300
AAS services	875,544	875,544
	<b>8,616,802</b>	<b>9,081,860</b>

### ***Sale of sound and communication systems and related services***

Our revenue generated from the sale of sound and communication systems and related services was approximately S\$7.2 million and S\$6.4 million for the years ended 30 June 2018 and 2019, respectively, which represent approximately 79.3% and 74.6% of our total revenue for the same period. The revenue decrease was in line with a decrease in contracts completed during the Year, from 158 to 141 for the years ended 30 June 2018 and 2019 respectively. We continue to develop value and relationship with customers in the longer term by entering into contracts for the provision of maintenance and related services.

### ***Integrated services of sound and communication systems***

Our revenue generated from the provision of integrated services of sound and communication systems was approximately S\$1.0 million and S\$1.3 million for the years ended 30 June 2018 and 2019, respectively, which represent approximately 11.1% and 15.3% of our total revenue for the same period. The revenue increase was due to the progression of a contract with approximately 62.5% completed during the Year while such contract progressed approximately 8.5% in the year ended 30 June 2018.

### ***AAS services***

Our revenue generated from the provision of AAS services was approximately S\$0.9 million for both the years ended 30 June 2018 and 2019 respectively, which represent approximately 9.6% and 10.2% of our total revenue for the same period. We expect there will be stable revenue generated from the two long term AAS services contracts with their contract terms of June 2013 to April 2021, and, January 2015 to April 2021, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### ***Revenue***

Our revenue decreased by approximately S\$0.5 million or 5.1% to approximately S\$8.6 million for the year ended 30 June 2019 (the “Year”), from approximately S\$9.1 million for the year ended 30 June 2018. This was principally due to a decrease in sales of sound and communication systems and related services.

### ***Costs of sales/services***

Our costs of sales/services increased by approximately S\$0.1 million or 0.6% to approximately S\$5.9 million for the Year from approximately S\$5.8 million for the year ended 30 June 2018. The increase in costs was due to higher material purchase costs during the Year.

### ***Gross profit***

Our gross profit decreased by approximately S\$0.5 million or to approximately S\$2.7 million for the Year from approximately S\$3.2 million for year ended 30 June 2018. The Group’s gross profit margin decreased to 31.7% for the Year, from approximately 35.7% for the year ended 30 June 2018. The decrease in gross profit margin was due to the Group’s substantial increase in headcount of operational staff and material costs for the timely completion of the projects in the integrated services for sound and communication systems segment during the Year.

### ***Other income, gains and losses***

Our other income, gains and losses increased to approximately S\$354.9 thousand for the Year, by approximately S\$184.5 thousand, from gains of approximately S\$170.4 thousand for the year ended 30 June 2018. This increase was mainly due to gains recognised upon disposal of Crosswins Group Holdings Limited during the Year. We also recorded an increase in interest income from fixed deposits which further contributed to the increase in other income. The increase in other gains was offset by recognising expected credit losses on trade receivables in the Group, and higher foreign exchange losses of monetary assets held in currencies other than S\$, such as US\$ and HK\$, which had depreciated against the S\$.

### ***Administrative expenses***

Our administrative expenses increased to approximately S\$2.7 million for the Year, by approximately S\$0.8 million or 42.8%, from approximately S\$1.9 million for the year ended 30 June 2018. The increase was mainly due to the increased compliance fees, and the increased payroll costs, which were in turn, in line with the increased headcount and annual salary increments.

### ***Listing expenses***

No listing expenses were incurred during the Year. Listing expenses incurred for the year ended 30 June 2018 was approximately S\$2.7 million.

### ***Finance costs***

Our finance costs decreased to approximately S\$38.8 thousand for the Year, by approximately S\$38.9 thousand or 50.1%, from approximately S\$77.7 thousand for the year ended 30 June 2018. The decrease was mainly due to the partial repayment of bank mortgage loan during the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Income tax expense*

Our income tax expense decreased to approximately S\$0.2 million for the Year, by approximately S\$0.2 million or 40.7%, from approximately S\$0.4 million for the year ended 30 June 2018. The decrease was substantially due to the decrease in income tax expenses in Singapore subsidiary ISPL, which was in line with the decrease in ISPL's profits before taxation.

## *Profit (loss) and other comprehensive income for the year*

The Group recorded total comprehensive income for the year of approximately S\$0.1 million for the Year. Compared to the loss representing total comprehensive loss of approximately S\$1.6 million for the year ended 30 June 2018, the increase is principally caused by the decrease in listing expenses of approximately S\$2.7 million, which was mainly offset by increase in administrative expenses of S\$0.8 million.

## DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2018: nil)

## LIQUIDITY AND FINANCIAL RESOURCES

The Group financed our operations primarily through cash generated from our operating activities.

## *Cash and bank balances*

As at 30 June 2019, our Group's cash and bank balances are denominated in the following currencies:

	For year ended 30 June	
	2019	2018
	S\$	S\$
<i>Denominated in:</i>		
HKD	3,405,525	5,397,710
SGD	4,343,891	3,396,244
USD	2,060,123	2,592,493
MYR	72,880	–
EUR	–	7,616
	<b>9,882,419</b>	<b>11,394,063</b>

## **Net current assets**

As at 30 June 2019, the Group had net current assets of approximately S\$10.6 million (2018: S\$12.1 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## ***Total equity***

The equity of the Group mainly comprises share capital, share premium and reserves. The Group's total equity attributable to owners of the Company amounted to S\$14.7 million (2018: S\$14.7 million).

## ***Borrowings***

Our borrowings decreased by approximately S\$1.8 million or 53.3% from approximately S\$3.4 million as at 30 June 2018 to approximately S\$1.6 million as at 30 June 2019. The decrease was primarily due to the partial repayment of loan during the Year.

## **CAPITAL STRUCTURE**

The Group's shares were successfully listed on GEM on 16 January 2018. There has been no change in the capital structure of the Group since the Listing Date and up to the date of this report.

## **TREASURY POLICY**

The Group has adopted a conservative approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, 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 from time to time.

## **CAPITAL EXPENDITURES AND COMMITMENTS**

During the Year, the Group acquired items of property, plant and equipment of approximately S\$42.3 thousand (2018: approximately S\$78.9 thousand).

As at 30 June 2019, the Group did not have any capital commitments (2018: nil).

## **OPERATING LEASE COMMITMENTS**

Our operating lease commitments represent the minimum lease payments which would be payable under operating lease in respect of staff dormitories and office equipment, amounting to approximately S\$56.7 thousand (2018: approximately S\$55.6 thousand).

## **CONTINGENT LIABILITIES**

As at 30 June 2019, the Group did not have any contingent liabilities (2018: nil).

## **OFF BALANCE SHEET ARRANGEMENTS**

As at 30 June 2019, the Group did not enter into any material off-balance sheet arrangements (2018: nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### PLEGGED ASSETS

Our pledged bank deposits represent deposits placed to a bank for corresponding amounts of performance guarantee arranged by our Group in favour of a customer with an original maturity term of 36 months. The balances carry interest of 0.65% per annum as at 30 June 2019 and 2018. We had pledged bank deposits of S\$0.2 million as at 30 June 2019 and 2018.

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, including our Directors, the Group had a total of 71 employees (2018: 59).

We recognise employees as valuable assets and our success is underpinned by our people. In line with our human resource policies, we are committed to providing attractive remuneration packages, and a fair and harmonious working environment to safeguard the legitimate rights and interests of our employees. The Group regularly reviews our human resource policies which outline the Group's compensation, working hours, rest periods and other benefits and welfare, to ensure compliance with laws and regulations. We always place emphasis on attracting qualified applicants by offering competitive remuneration packages. These packages are reviewed based on employees' performance and reference to prevailing market conditions, and are adjusted in a timely manner to keep them in line with market benchmarking.

The Group operates the retirement scheme for employees which is outlined in the Central Provident Fund Act (Chapter 36 of Singapore).

In addition, the Company has conditionally adopted a share option scheme (the "Share Option Scheme") on 14 December 2017 so as to motivate, attract and retain the right employees.

### SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any significant investments during the Year and did not have any material acquisition and disposal of subsidiary or affiliated company during the Year.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

### *Capital management*

Our Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital and other reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on 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.

### *Financial risk management*

Our Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, and borrowings. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. For further details, please refer to Note 34 to the consolidated financial statements included in this annual report.

## KEY FINANCIAL RATIOS

	For year ended 30 June	
	2019	2018
	Times	Times
<i>Liquidity ratios</i>		
Current ratio	9.5	9.3
Quick ratio	9.4	9.3
	%	%
<i>Capital adequacy ratios</i>		
Gearing ratio	10.7%	22.8%

The calculation of current ratio is based on current assets divided by current liabilities.

The calculation of quick ratio is based on current assets less inventories divided by current liabilities.

The calculation of gearing ratio is based on interest-bearing liabilities divided by the total equity and multiplied by 100%.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Quick and current ratios*

The quick and current ratios are relatively stable during the Year.

## *Gearing ratio*

The significant decrease of gearing ratio is due to the partial repayment of mortgage loan during the Year.

## USE OF PROCEEDS FROM LISTING AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Up to 30 June 2019, we utilised the net proceeds raised from the Listing in accordance with the designated uses set out in the prospectus issued by the Company on 29 December 2017 (the "Prospectus") as follows:

Description	Amount	Planned use of	Actual use of	% utilised
	designated in	proceeds from	proceeds from	
	the Prospectus	Listing Date to	Listing Date to	
	HK\$M	30/06/19	30/06/19	
		HK\$M	HK\$M	
Strengthen our marketing efforts in the sound and communication industry in Singapore	1.4	1.2	0.2	14.3%
Expand and train our sales and marketing, technical and support workforce	11.6	6.5	2.0	17.2%
Purchase transportation vehicles	3.0	1.8	0.5	16.7%
Setting up of a new sales office in Singapore	10.0	10.0	–	0.0%
Partial repayment of bank loan	10.0	10.0	10.0	100.0%
Resources for the provision of performance bonds	2.0	2.0	–	0.0%
Take steps to obtain higher grade level under our current mechanical and electrical workhead	2.5	2.5	–	0.0%
General working capital and general corporate purposes	3.5	3.5	3.5	100.0%
Grand total	44.0	37.5	16.2	36.8%

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the designated and actual implementation plan up to 30 June 2019:

Purpose	Implementation Plan	Actual implementation activities
Strengthen our marketing efforts in the sound and communication industry in Singapore	<ul style="list-style-type: none"> <li>Implement corporate branding and identity for our sound and communication services solution operations in Singapore which includes printing of marketing materials and advertisement</li> <li>Maintain and update our corporate websites by the external consultant for customised website development</li> <li>Participate in trade show(s)</li> </ul>	<ul style="list-style-type: none"> <li>Maintained and improved our corporate websites, which included appointing an external consultant for customised website development</li> </ul>
Expand and train our sales and marketing, technical and support workforce	<ul style="list-style-type: none"> <li>Staff cost for retaining the approximately one project manager, two engineers and 10 technicians to be recruited by February 2018, and the associated staff accommodation costs</li> <li>Staff cost for retaining the approximately one sales manager, two sales and marketing executives and 10 technicians to be recruited by July 2018, and taking into account potential increase in wage level, and the associated staff accommodation costs</li> <li>To provide internal and external trainings and workshops to our sales and technical staff</li> </ul>	<ul style="list-style-type: none"> <li>New headcount of approximately 8 technicians were recruited by June 2018</li> <li>New headcount of approximately two engineers and 9 technicians were recruited by June 2019</li> <li>New headcount of approximately 2 sales and marketing executives were recruited by June 2019</li> <li>Provided internal and external trainings and workshops to our technical staff</li> </ul>
Purchase transportation vehicles	<ul style="list-style-type: none"> <li>Purchase of one van for maintenance operations and, transportation of relevant equipment and/or labour</li> <li>Purchase of one lorry for delivery and transportation of larger equipment and/or labour</li> </ul>	<ul style="list-style-type: none"> <li>Purchased one van for maintenance operations and transportation of relevant equipment and/or labour</li> <li>Considered and monitored Group's current project portfolio but postponed the purchase of lorry due to current different project requirements</li> </ul>

## MANAGEMENT DISCUSSION AND ANALYSIS

Purpose	Implementation Plan	Actual implementation activities
Setting up a new sales office in Singapore	<ul style="list-style-type: none"> <li>Purchase of one new property to be used by our sales and contract department and act as a demonstration facility for our sound and communication systems</li> </ul>	<ul style="list-style-type: none"> <li>Considered and monitored the Group's project tenders and plan was postponed due to current observed industry customers' requirements</li> </ul>
Partial repayment of bank loan	<ul style="list-style-type: none"> <li>Partial repayment for the bank loan in relation to the mortgage loan secured for the purchase of our head office in Singapore.</li> </ul>	<ul style="list-style-type: none"> <li>The mortgage loan was partially repaid on 11 July 2018.</li> </ul>
Expansion of our sound and communication services solution business	<ul style="list-style-type: none"> <li>To explore, evaluate and tender for potential integrated services of sound and communication systems projects in Singapore, particularly larger scale projects which may be required for the provision of performance bonds.</li> </ul>	<ul style="list-style-type: none"> <li>Postponed due to performance bond not required in recent awarded tenders to the Group.</li> <li>In the process of exploring large scale potential projects which requires the provision of performance bonds</li> </ul>
Take steps to obtain higher grade level under our current mechanical and electrical workhead	<ul style="list-style-type: none"> <li>Satisfy the minimum financial requirements for "L6" grade under our current mechanical and electrical workhead.</li> </ul>	<ul style="list-style-type: none"> <li>Considered and monitored the Group's project portfolio and postponed to April 2020</li> </ul>

The net proceeds from the Listing, after deducting the related expenses, were approximately HK\$44.0 million. After the Listing, a part of these proceeds has been applied in accordance with the future plans and use of proceeds as set out in the Prospectus, and the remainder of which will be deployed in accordance with previously stated as soon as the opportunity arises. The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

The Group recognises the importance of its role in corporate social responsibility (“**CSR**”), and is committed to integrating ESG aspects into its risk management system and takes practicable and possible measures in its daily operations to comply with the relevant national laws and regulations.

## REPORTING SCOPE AND STANDARDS

This report is prepared in accordance with the “Environmental, Social and Governance (ESG) Reporting Guide” contained in Appendix 20 of the GEM Listing Rules.

Unless otherwise stated, the report (“**ESG report**”) mainly covers the core business activities of the Group including sales and integrated services of sound and communication systems and alert alarm systems services in Singapore over the period from 1 July 2018 to 30 June 2019 (the “**Year**”). The ESG report represents the Group’s sustainability approach and performance in the environmental aspects based on its Singapore office during the Year.

## ENGAGEMENT WITH STAKEHOLDERS

We believe that stakeholders’ participation is critical in the sustainable development and value creation for the Group. We highly value the feedback from our stakeholders and take initiative to build a trustful and supportive relationship with them. With regular communications with our key stakeholders through different channels to maintain liaison with them, we can hence collect feedback and opinion from our stakeholders and respond to their needs. The table below lists the Group’s stakeholders and illustrates our communication and response measures.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Groups	Specific Stakeholders	Methods of Communication
Investors	<ul style="list-style-type: none"> <li>Shareholders</li> <li>Potential investors</li> </ul>	<ul style="list-style-type: none"> <li>Corporate website</li> <li>Annual and Interim financial report</li> <li>Annual general meeting</li> <li>Announcements and disclosure of stock listing information</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Senior Management</li> <li>Staff</li> <li>Direct workers</li> <li>Potential recruits</li> </ul>	<ul style="list-style-type: none"> <li>Training and seminars</li> <li>Direct communication</li> <li>Independent focus groups and interviews</li> <li>Regular performance assessment</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Singapore Government agencies</li> <li>Private organisations</li> <li>Ultimate users</li> </ul>	<ul style="list-style-type: none"> <li>Periodical meetings with contractors and customers</li> <li>Customer assessment</li> <li>Designated customer hotline</li> </ul>
Suppliers/Contractors	<ul style="list-style-type: none"> <li>Suppliers</li> <li>Sub-contractors</li> <li>Service providers</li> </ul>	<ul style="list-style-type: none"> <li>Supplier assessment</li> <li>Daily work review</li> <li>Site inspection and meeting with sub-contractors</li> </ul>
Government	<ul style="list-style-type: none"> <li>National and local governments</li> <li>Regulators</li> </ul>	<ul style="list-style-type: none"> <li>Written correspondence</li> <li>Statutory reports and general disclosures</li> </ul>
Community	<ul style="list-style-type: none"> <li>National and local community organisations</li> </ul>	<ul style="list-style-type: none"> <li>Internship programme</li> </ul>

## MATERIALITY ASSESSMENT

The directors, management and staff of the Group's respective major functions have participated in the preparation of this report to assist the Group in reviewing its operation, identifying key ESG issues that are critical to the Group and stakeholders. In this ESG report, we adopted the reporting principles as proposed in the guide for materiality, quantification, balance and consistency. We made improvements to content and information presentation to better meet the expectation of our stakeholders.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## PROTECTING THE ENVIRONMENT

Pursuant to which we have taken into account factors concerning environmental protection and will continue to devote operating and financial resources on environmental compliance as required under applicable laws or regulations. We are aware of our social responsibilities and adhere closely to existing measures spearheaded by the Singapore government agencies to protect the environment. To enhance the environmental awareness of our staff, suppliers and other stakeholders, we have established appropriate policies and procedures to reduce emissions, to use the resources effectively and properly.

### *Emissions*

Global warming is one of the major issues of climate change nowadays and the risks associated are imminent. Recognising the impact of air emissions and greenhouse gases (“GHG”) emissions on the global climate and the environment, the Group strives to be efficient in the usage of energy, water and materials, and also complies with relevant local environment regulations with an aim to reduce the use of natural resources and to protect the environment.

The Group is a non-production company principally engaged in the provisions of sound and communication system services solution, which do not generate significant amount of GHG emissions, discharges into water and land and generation of hazardous and non-hazardous waste. Our business operations do not produce hazardous waste and do not rely on energy consumption or water resources. The fuel used by our motor vehicles, the electricity consumption for our head office, business air travel by our employees and disposal of paper at landfills are the main sources of air emissions and GHG emissions for our business operations.

In order to minimise the air emissions and GHG emissions at sources, we closely monitor the travel logs and fuel consumption of our motor vehicles to avoid unnecessary usage of fuel. Our vehicles are properly maintained to keep up the fuel efficiency. Over the years, the Group has opted to use Synergy Diesel, which helps vehicles engine run more smoothly and provide better detergency performance to improve fuel economy. During the Year, the Group owns 2 light goods vehicles in Singapore, with a low level of direct emission recorded. Nitrogen oxide, sulphur oxide and particulate matter emissions from this source were all close to zero tonne.

Recognising that there are indirect GHG emissions from business air travel by employees, the Group encourages employees to utilise instant messaging tools, video calls, or teleconferences where feasible. The total amount of carbon dioxide emissions from business air travel by employees during the Year was significantly increased, compared with the same corresponding period in last year, because the Group has plan of expansion of its sales and marketing force with a closer partnership with clients over the Asia-Pacific regions, by having more face to face meetings.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Air emissions during the Year:*

	Unit	2018/19	2017/18
<b>Emissions data from Gaseous Fuel Consumption</b>			
Nitrogen Oxide (NOx)	kg	66.01	67.82
Sulphur Oxide (SOx)	g	58.84	60.45
Particulate Matter (PM)	kg	6.33	6.50

## *GHG emissions during the Year:*

		Unit	2018/19	2017/18*
<b>Direct emission or removals from sources (Scope 1)</b>				
GHG emissions from mobile combustion sources	Carbon Dioxide (CO <sub>2</sub> )	tonne	9.55	9.81
	Methane (CH <sub>4</sub> )	kg	5.53	5.68
	Nitrous Oxide (N <sub>2</sub> O)	tonne	0.57	0.59
<b>Energy indirect emissions (Scope 2)</b>				
Electricity purchased from power companies	Carbon Dioxide (CO <sub>2</sub> )	tonne	12.34	16.44
<b>Other indirect emissions (Scope 3)</b>				
Paper waste disposed at landfills	Carbon Dioxide (CO <sub>2</sub> )	tonne	3.91	3.03
Electricity used for fresh water and sewage processing	Carbon Dioxide (CO <sub>2</sub> )	tonne	0.15	0.13
Business air travel by employees	Carbon Dioxide (CO <sub>2</sub> )	tonne	12.96	7.17

\* Those KPIs related to GHG emissions in FY2017/18 were updated in this table after review. The corresponding emission figures were revised to correct misinterpretation.

## **Waste Management**

In the normal course of our operations, solid waste is mainly generated in daily office operations without production of hazardous waste. Non-hazardous waste produced from our office are domestic waste and paper. Such wastes are eventually collected and processed by government-linked general waste service providers, with the billing comes in a monthly basis at a flat rate. Hence, the key performance indicator relating to the total of non-hazardous waste produced is unavailable. We stick to the principle of reduction from the source, reuse and recycling in order to minimise pollution to the environment. To facilitate recycling of wastepaper, plastic bottles and metal cans and to reduce general waste, waste separation at source is encouraged within the Group, responsible personnel is to collect and recycle the wastes.

The Group does not involve in generation of hazardous wastes and the amount of non-hazardous wastes is not significant. Therefore, the relevant key performance indicators were not applicable to the Group.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Use of Resources*

The Group's major use of resources includes energy and water consumption. As means to save costs and to properly manage our GHG emissions and combat global warming, we target to control our electricity and water consumption, and actively adopt conservation and monitoring measures in the workplace. To this end, we have taken various measures to monitor the electricity consumption and to improve energy efficiency. Our staff are also responsible for monitoring the usage of office equipment. Computers and printers idled for a long time are required to turn off. Monitors will be turned off when computers are in standby mode. Air conditioners are set at reasonable temperature and motion-sensor lighting is in place for energy saving. The last person leaves the office is responsible for checking and ensuring that all lighting, air conditioning and power, etc, are turned off. In addition, the Group's head office was designed to maximise the admission of natural daylight in order to reduce energy for office lighting.

The Group does not produce, or primarily engage in business which produces, a significant amount of industrial wastewater. Our water consumption mainly comes from office water consumption and domestic sewage in our office premise during daily operations. To ensure our workers are committed to reduce water usage, we have placed reminders near our water taps to remind them to turn the faucet to the off position while not in use. The water is sourced and discharged without any problems through the urban water supply and discharge network.

## *Resources consumption during the Year:*

	Unit	2018/19	2017/18
Electricity Consumption	kWh	29,448	39,214
	kWh/employee	414.76	664.64
Water Consumption	m <sup>3</sup>	249.80	224.70
	m <sup>3</sup> /employee	3.52	3.81

Due to the nature of the Group's business, there were no significant packaging materials being used in our daily operations during the Year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENT AND NATURAL RESOURCES

As a responsible corporate citizen, the Group is committed to protecting natural resources and the global environment. Our commitment to emission reduction, energy and resources conservation encompasses most aspects of our operations. Though the Group expects no significant impact on the environment or natural resources is caused during its business activities, the Group continues to act responsibly to mitigate the potential threats of the business operations that might pose to the natural environment. Through enhancing resources utilisation and executing environmentally friendly guidance in our daily operations, we alerted our employees awareness on natural resources consumption and practising green.

With the implementation of the measures mentioned in the above, the Group believes that the objectives of energy conservation, wastes reduction and green office promotion can be achieved. The Group will continue to look for opportunities to reduce further emissions and wastes to minimise negative environmental impacts of its operations and to promote sustainable development.

The Group fully understands that ESG policies and practices may change over time to reflect the changes in business operations, structures, technology, laws and regulations, and environment. Hence, we keep abreast of any update on all applicable laws and regulations associated with environmental protection issues and commit in measures that strengthen environmental protection. During the Year, the Group has complied with all relevant environmental laws and regulations in Singapore such as the Environmental Protection and Management Act (Cap. 94A of Statutes of Singapore) and other regulations promulgated by governments and currently applicable to the Group, as well as environmental requirements of customers.

For the Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to air and GHG emissions, noise control, discharges into water and land, and generation of hazardous and non-hazardous waste.

### ***Employment and Labour Practices***

As employees are our paramount assets and foundation of success, we spare no effort in caring their needs and always strives for their benefits. Under our sound policy, an equal employment environment is fostered in which there is no workplace discrimination on the basis of ethnicity, nationality, age, gender, religion, disability, marital status, social orientation and other factors.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Adherence to a people-oriented approach, we respect and protect the legal rights and interests of our employees and standardise employment management and ultimately to achieve a positive, constructive and harmonious working relationship. We are committed to ensuring a comprehensive, efficient and humanistic approach to manage employment and labour practices in accordance with anti-discrimination ordinances and the guidance under the Employment Ordinance (Cap. 57), the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and the Minimum Wage Ordinance (Cap. 608), Laws of Hong Kong; the Employment Act (Cap. 91), the Central Provident Fund Act (Cap. 36), Statutes of Singapore; and the Employment Act 1955, Employee's Provident Fund Act 1991 and Employment Insurance System Act 2018, Laws of Malaysia, as well as industry features and practices.

The Group complies strictly with local laws and regulations and emphasises on equal opportunities for all personnel in respect of recruitment and promotion, dismissal, remuneration, benefits, and training and development. We also put great efforts into the welfare and environment provided to our employees, aiming to build and retain a vibrant team.

The Group values the contribution of our employees and actively shares the achievements with them, by regularly reviewing its remuneration policy to ensure competitive remuneration packages, including basic salary, commission, bonus and other welfares and allowances, are offered to our employees. To support and maintain the culture of work-life balance, there is an employee wellness program in place to encourage employees' social, recreational and health conscious awareness.

Employee's remuneration packages are determined with reference to the prevailing market level in line with their competency, qualifications and experience. Under such policy, performance evaluation is conducted on a yearly basis to appraise the performance of all employees, offering them recognitions and rewards according to their respective individual performance.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

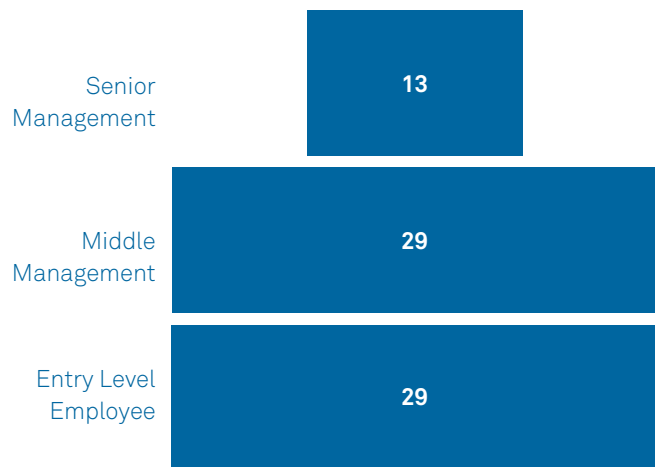
## Staff Composition

As at 30 June 2019, we employed a total of 71 staff, including back office and site staff. 70 of our staff members are located in Singapore and the other one is located in Hong Kong.

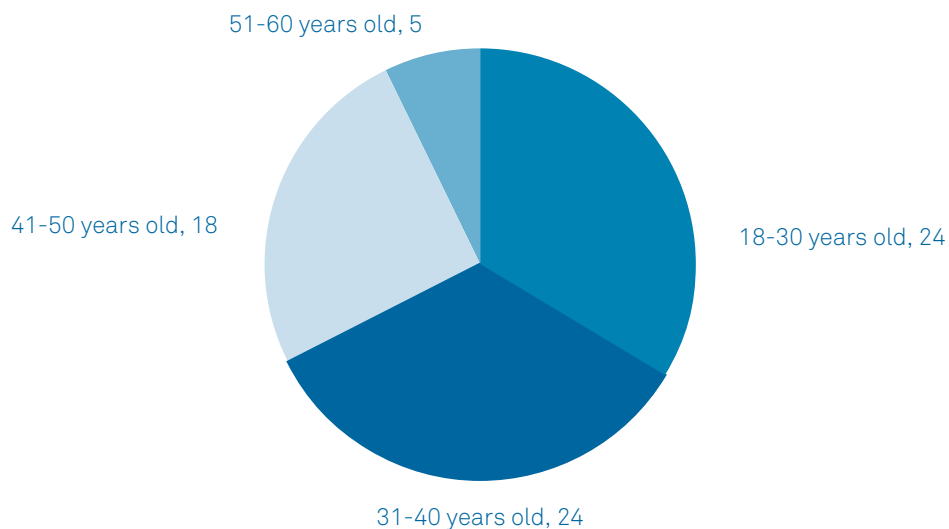
Employees by Gender



Employees by Employment Category



Employees by Age Group



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ***Employee Turnover***

During the Year, the Group has an annual turnover rate of approximately 15.5%, with 17% our male staff and 8% of our female staff leaving the Group. Employee turnover categorised by age was as follows: 21% of those in the 18 to 30 years bracket left the Group, 8% of those from the 31 to 40 bracket and 22% from the 41 to 50 bracket. None of those from the 31 to 40 bracket nor over 60 years old left the Group.

For the Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

## ***Health and Safety***

Due to the nature of the Group's business, there is no significant risk in occupational health and safety ("OHS") in the course of its operations. The Group strives to provide a high OHS standard, a safe and comfortable working environment to prevent employees from injuries and accidents, as well as to minimise the risk of any occupational hazards at all times.

In accordance with the statutory requirements of Singapore, the Group has maintained group hospitalisation and surgical insurance for all confirmed office employees as stipulated by the Ministry of Manpower of Singapore. While in Hong Kong and Malaysia, the Group maintains employee compensation insurance that includes work injury for our employees in Hong Kong and Malaysia under regulatory requirements. These policies and insurance compensation cover all qualified employees to protect their health and safety against occupational hazards, accidents and sickness. The Group has also equipped the office and project sites with all the required safety equipment and facilities, and has passed all the governmental safety inspections.

Our work safety rules and policies, which are in all material aspects in compliance with all the relevant laws, rules and regulations relating to health and safety requirements, including but not limited to Work Injury Compensation Act (Cap. 354) and the Workplace Safety and Health Act (Cap. 354A), Statutes of Singapore; the Employees' Compensation Ordinance (Cap. 282) and the Occupational Safety and Health Ordinance (Cap. 509), Laws of Hong Kong; and the Occupational Safety and Health Act 1994 and Workmen's Compensation Act 1952, Laws of Malaysia, have been implemented.

Under the Workplace Safety and Health (Construction) Regulations 2007, no employee without adequate health and safety training is allowed to supervise or oversee any process, or work carried out in a worksite. In order to enhance the capabilities in addressing workplace health, safety and security, the Group has attained BizSafe Level 3 certification. Project implementation team and safety team regularly inspect and alert workers to take precautionary measures to ensure that the workplace is safe. To comply with the BizSafe requirements, we provide adequate safety training courses to our employees, conduct risk assessments to identify potential OHS hazards and periodical internal audits to ensure compliance with our systems manuals and procedures, followed with the development of an action plan, implementation of corrective and prevention measures.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Regular communication are maintained between project implementation team and safety team together with the participation of sub-contractor's and worker's representatives to share the latest information and best practices regarding occupational health and safety. Project managers are responsible for conduct site inspections to ensure that the Group's existing business operations and working procedures are in compliant with health and safety standards. Review and checking for updates of relevant laws and regulations are also performed on a regular basis.

For the Year, the work injury statistics for the Group were as follows:

<b>Work Injury Statistics</b>	<b>Unit</b>	<b>2018/19</b>	<b>2017/18</b>
Number of work-related fatalities	Case	0	0
Rate of work-related fatalities	Percentage	0%	0%
Number of reported accidents (sick leave > 3 days)	Case	1	0
Lost days due to work injury	Day	199	0

As at 30 June 2019, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and protecting employees from occupational hazards.

## ***Development and Training***

Seeking high-calibre individuals and cultivating talents are the Group's key objectives for which we will work relentlessly to achieve through training programme or other alternatives. To accommodate the employees' career development, we will continue to establish a series of courses and based on the needs to broaden their knowledge and technical skills sets. Through undertaking various training programme, employees can enhance their personal qualities, strengthen their working skills and reinforce the team performance. In addition, all of our employees are subject to regular performance and career development appraisal, in order to ensure the efficiency and quality of our employees and to foster the stable development of the Group.

The Group also supports self-improvement and continuous learning, and encourages our employees to fully utilise their expertise at work to enhance quality. An education sponsorship programme is set to encourage our employees to take part in external training courses that could directly and effectively expand their skill sets related to their current job requirements. For any courses that is not job-related, employees could also voice their interest to the Administration Department subjected to the approval of their department heads. Such arrangements can enhance the communication and team spirit, also improve their technical skills and managerial capability and encourage employees at all levels.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For newly hired employees, comprehensive on-the-job training will be provided to help them to better understand the Group's corporate history and culture, the Group's internal policies and its business development. For experienced staff, the Group provides relevant training according to their roles and positions. For instance, the Group is fully aware of the director's responsibilities under the GEM Listing Rules, the Group's corporate governance policies, legal and other regulatory requirements. Hence, we provide briefings to all directors to develop and refresh their knowledge and skills relating to their duties and responsibilities. The Group aims to foster a learning culture that could strengthen employees' professional knowledge, and meanwhile, benefit the Group as employees are expected to achieve desired results after receiving appropriate training.

During the Year, 59% of our male employees and 38% of female employees participated in training, with the average duration at approximately 9.17 hours and 1.92 hours respectively. The percentage of employees participating in training for senior and middle management and entry level employees were approximately 15%, 55% and 72% respectively. The average duration of training in each of these categories was approximately 5.31 hours, 8.00 hours and 8.83 hours respectively. In the coming years, we will continuously refine our training plan and ensure employees from each level can receive a sound level of training.

Training courses that have been undertaken by employees include but are not limited to electrical works training organised by the Building and Construction Authority and supervise construction work for workplace safety and health training accredited in accordance with the Singapore Workforce Skills Qualifications System.

### ***Labour Standards***

The Group recognises that child labour and forced labour violate fundamental human rights and the protocol of international labour conventions, and we agree they pose a threat to sustainable social and economic development. Thus, we strictly abide the Employment of Children and Young Persons Regulations, the Employment Act and the Prevention of Human Trafficking Act, Statues of Singapore; Employment of Children Regulations and Employment of Young Persons (Industry) Regulations and the Employment Ordinance (Cap. 57), Laws of Hong Kong; and the Children and Young Persons (Employment) Act 1966 and the Employment Act 1955, Laws of Malaysia.

The Group prohibits employment of child labour. We check and verify the identity cards or other identification documents of the candidates to ensure that applicants are lawfully employable in the course recruitment. We would strictly follow the employment contracts and would not prejudice the employment relationship in any way between the staff and the Group, such as detaining a deposit or forcing to work against their will under any kind of threat. Employment contracts are signed by the Group and the employees, explaining and detailing the rights and responsibilities of both parties to prohibit any labour exploitation or forced labour.

For the Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to preventing child and forced labour.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OPERATION MANAGEMENT

### *Supply Chain Management*

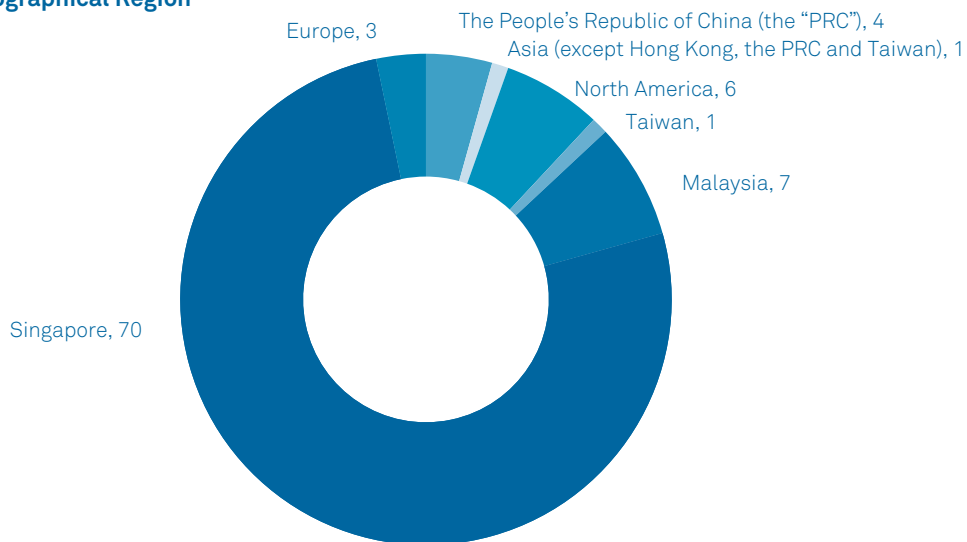
The Group highly values its corporation with its suppliers and understands that establishing corporative relationship with suppliers is beneficial to constantly enhance its operation procedures and improve its service quality. The Group is well aware of the environmental and social practices of the suppliers, and tries to engage suppliers and sub-contractors with responsible acts to the society in view of green supply chain management.

In order to ensure that our suppliers have met clients' and our requirements regarding quality, environmental and safety standards, we have laid down procedures and guidelines for procuring materials and for the selection of suppliers in a fair and equitable manner. We evaluate and monitor our suppliers' performance based on factors such as the quality of service, the timeliness in completing the required service or delivering of goods, responsiveness and compliance with relevant rules and regulations. In this regard, a list of approved suppliers is maintained and updated timely whereby those suppliers with unsatisfactory performance will be removed from the list.

Additionally, all materials delivered are examined by designated site staff before we accept them. Materials which are found to be defective or of low qualities will be returned and replaced. We also maintain close liaison with our suppliers to monitor their performance to ensure that it is consistent with their service commitment.

During the Year, most of our suppliers are based in Singapore, effectively mitigating carbon emissions that result from haulage and transportation. In addition to geographical factors, we expect our suppliers to maintain sound social responsibility systems on managing environmental and social aspects, the scopes of which mainly include operational compliance, employee's security and health, commercial ethics and environmental protection.

### Suppliers by Geographical Region





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ***Product Responsibility***

We value our customers and are committed to reinforcing our relationships by continuously improving the quality of our products and customers experience. Our project team conducts routine inspection at the relevant project sites to ascertain our clients' satisfaction with the service quality of our workers. To ensure the quality of our services, the Group has also developed its internal management system and closely monitored its project execution process, with the aim of rendering premium and reliable services to our clients. We have established and implemented a quality management system ("QMS") in our operations, which are in conformity with the internationally recognised ISO 9001:2015 standard, as certified by SGS International Certification Services Singapore Pte Ltd. With the implementation of our QMS, we demonstrate our ability to consistently provide products and services that meet clients' and all applicable statutory and regulatory requirements.

We prioritise our clients and endeavour to offer the most customer-friendly and responsive experience for both recurring and new clients. Not only do we prioritise the health and safety of our employees, an unwavering determination to keep efficient, reliable, and enhancing its services is believed by the Group to ensure the resilience and stability of business development as well. The Group also maintains on-going communication with its clients to ensure understanding and satisfaction of their demand and expectations, as well as constantly improving its services.

During the Year, we received no complaints or claims from our customers arising from the quality issues of the works performed either by us or our sub-contractors, which in the view of directors was the result of the effective quality control measures.

In compliance with the Personal Data Protection Act, Statutes of Singapore and the Personal Data (Privacy) Ordinance (Cap. 486), Laws of Hong Kong, and the Personal Data Protection Act 2010, Laws of Malaysia, we ensure that all the business data collected from our clients is treated as strictly confidential. Our clients' data can only be assessed by authorised personnel and data processing are guided by different departments to protect their information against improper disclosure, misuse or unauthorised use, loss, damage and corruption. All employees have to comply with the internal guidelines and employment contracts containing relevant clauses to ensure the confidentiality of such information. Through internal trainings and confidentiality agreements, the Group has enforced proper measures to safeguard data integrity by avoiding and restricting any unauthorised access and data leakage.

With regards to the protection of intellectual property rights, the Group complies with relevant regulations and insists to purchase and use proper licensed software and information in its business operations. Employees are also required to avoid having unlicensed computer software on their computers at the workplace. Our employees are required to enter into employment contracts, under which they are required to keep all information relating to the intellectual property rights of the Group confidential. In addition, the Group has taken steps to protect our copyrights and other intellectual property rights by necessary filing or registration.

For the Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ANTI-CORRUPTION

With integrity being a core part of the Group's business ethics, we adamantly comply with relevant regulations and laws, such as the Prevention of Corruption (Cap. 241) and Competition (Cap. 50B) Act, Statutes of Singapore; Prevention of Bribery Ordinance (Cap. 201), and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), Laws of Hong Kong; and the Anti-Corruption Commission Act 2009, Laws of Malaysia.

To maintain high standards of corporate governance, we fulfil our commitment through establishing anti-corruption policies and guidelines such as acceptance of gifts and conflicts of interest and set out in the Staff Handbook that prohibits all forms of fraud and corruption, such as bribery, extortion, illegal inducement, offering or accepting disallowed gifts, kickbacks or other disallowed advantages. Such policies are effectively conveyed to our employees during their induction training to ensure their understanding of and compliance with all the applicable anti-corruption laws and regulations. Related information on anti-money laundering is also provided to employees to raise their awareness in this regard.

In addition, the Group has formulated a Whistle-Blowing Policy to facilitate disclosure of relevant information via a confidential reporting channel available to all employees. Employees are encouraged to report verbally or in writing to the senior management for any suspected misconduct and violation of rules with full details and supporting evidence. Investigation work for whistleblowing reports is handled with strict confidentiality under circumstances to preserve anonymity. Additionally, the Group is fully aware that it is obligated to refer the matter to the legal enforcement parties or regulators and shall be subject to disciplinary action where appropriate.

For the Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to bribery, extortion, fraud and money laundering.

## GIVING BACK TO THE COMMUNITY

Committed to the long-term sustainability of its business, the Group strives to adopt appropriate approaches to broaden the communities we serve and support the employment of people from different backgrounds. During the Year, the Group has offered multiple short-term internship opportunities to students from the Institute of Technology Education, hoping to foster interest in the career of sound and communication systems services among young people in Singapore.

In the future, we will continuously seek opportunities to take part in community development, make use of our expertise and resources to support the local community and all related parties to make our due contributions.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## PERFORMANCE SUMMARY

### *Environmental Performance*

<b>Air Emissions</b>	<b>Unit</b>	<b>2018/19</b>	<b>2017/18</b>
Nitrogen Oxide (NO <sub>x</sub> )	kg	66.01	67.82
Sulphur Oxide (SO <sub>x</sub> )	g	58.84	60.45
Particulate Matter (PM)	kg	6.33	6.50

<b>GHG Emissions</b>	<b>Unit</b>	<b>2018/19</b>	<b>2017/18*</b>	
<b>Direct emission or removals from sources (Scope 1)</b>				
GHG emissions from mobile combustion sources	Carbon Dioxide (CO <sub>2</sub> )	tonne	9.55	9.81
	Methane (CH <sub>4</sub> )	kg	5.53	5.68
	Nitrous Oxide (N <sub>2</sub> O)	tonne	0.57	0.59
<b>Energy indirect emissions (Scope 2)</b>				
Electricity purchased from power companies	Carbon Dioxide (CO <sub>2</sub> )	tonne	12.34	16.44
<b>Other indirect emissions (Scope 3)</b>				
Paper waste disposed at landfills	Carbon Dioxide (CO <sub>2</sub> )	tonne	3.91	3.03
Electricity used for fresh water and sewage processing	Carbon Dioxide (CO <sub>2</sub> )	tonne	0.15	0.13
Business air travel by employees	Carbon Dioxide (CO <sub>2</sub> )	tonne	12.96	7.17

\* Those KPIs related to GHG emissions in FY2017/18 were updated in this table after review. The corresponding emissions figures were revised to correct misinterpretation.

<b>Resources Consumption</b>	<b>Unit</b>	<b>2018/19</b>	<b>2017/18</b>
Electricity Consumption	kWh	29,448	39,214
	kWh/employee	414.76	664.64
Water Consumption	m <sup>3</sup>	249.80	224.70
	m <sup>3</sup> /employee	3.52	3.81

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Social Performance – Employment and Labour

	Total Workforce No. of People in 2018/19	Total Workforce No. of People in 2017/18
<b>By Gender</b>		
Male	58	49
Female	13	10
<b>By Age Group</b>		
18 – 30 years old	24	20
31 – 40 years old	24	20
41 – 50 years old	18	17
51 – 60 years old	5	2
Over 60 years old	0	0
<b>By Geographical Region</b>		
Singapore	70	58
Hong Kong	1	1
<b>By Employment Category</b>		
Senior Management	13	20
Middle Management	29	26
Entry Level Employees	29	13

	Employee Turnover in 2018/19		Employee Turnover in 2017/18	
	No. of People	Turnover Rate	No. of People	Turnover Rate
<b>By Gender</b>				
Male	10	17%	4	8%
Female	1	8%	2	20%
<b>By Age Group</b>				
18 – 30 years old	5	21%	3	15%
31 – 40 years old	2	8%	1	5%
41 – 50 years old	4	22%	2	12%
51 – 60 years old	0	0%	0	0%
Over 60 years old	0	0%	0	0%
<b>By Geographical Region</b>				
Singapore	11	16%	6	11%
Hong Kong	0	0%	0	0%

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>Work Injury Statistics</b>	<b>Unit</b>	<b>2018/19</b>	<b>2017/18</b>
Number of work-related fatalities	Case	0	0
Rate of work-related fatalities	Percentage	0%	0%
Number of reported accidents (sick leave > 3 days)	Case	1	0
Lost days due to work injury	Day	199	0

	<b>Percentage of employees being trained in 2018/19</b>	<b>Percentage of employees being trained in 2017/18</b>
	<b>Rate</b>	<b>Rate</b>
<b>By Gender</b>		
Male	59%	51%
Female	38%	60%
<b>By Employment Category</b>		
Senior Management	15%	38%
Middle Management	55%	54%
Entry Level Employees	72%	60%

	<b>Average training hours completed in 2018/19</b>	<b>Average training hours completed in 2017/18</b>
	<b>No. of Hours</b>	<b>No. of Hours</b>
<b>By Gender</b>		
Male	9.17	13.16
Female	1.92	7.30
<b>By Category</b>		
Senior Management	5.31	7.38
Middle Management	8.00	17.77
Entry Level Employees	8.83	8.00

<b>Number of Suppliers by Geographical Region</b>	<b>2018/19</b>	<b>2017/18</b>
Asia (except Hong Kong, the PRC and Taiwan)	1	1
Europe	3	1
Malaysia	7	4
North America	6	5
Singapore	70	44
Taiwan	1	0
The PRC	4	1

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” under Appendix 20 of the GEM Listing Rules. The following table provides an overview of the general disclosures and KPIs of various aspects under each subject area, which are either cross-referenced to the relevant chapters of the Report or supplementing the Report with additional information.

Description	Reference	Remark
<b>ENVIRONMENTAL</b>		
<b>Aspect A1: EMISSIONS</b>		
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Protecting the Environment – emissions; waste management; use of resources;
<b>KPI A1.1</b>	The types of emissions and respective emissions data	Performance Summary
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	N/A We do not generate hazardous waste in our operations
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	N/A
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved	Emissions

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark	
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Waste Management	
<b>Aspect A2: USE OF RESOURCES</b>			
<b>General Disclosure</b>	Policies on the efficient use of resources, including energy, water and other raw materials	Use of Resources	
<b>KPI A2.1</b>	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Use of Resources	
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	N/A	
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved	Use of Resources	
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	N/A	We encounter no issue in sourcing water that is fit for our purpose
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	N/A	We do not generate significant packaging material waste in our operations

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark
<b>Aspect A3: THE ENVIRONMENT AND NATURAL RESOURCES</b>		
<b>General Disclosure</b>	Policies on minimising the issuer's significant impact on the environment and natural resources	Environment and Natural Resources
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment and Natural Resources
<b>EMPLOYMENT AND LABOUR PRACTICES</b>		
<b>Aspect B1: EMPLOYMENT</b>		
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment and Labour Practices
<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices – Staff Composition
<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region	Employment and Labour Practices – Employee Turnover
<b>Aspect B2: HEALTH AND SAFETY</b>		
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark	
<b>KPI B2.1</b>	Number and rate of work-related fatalities	Health and Safety	During the Year, we do not note any work-related fatalities due to work injury found.
<b>KPI B2.2</b>	Lost days due to work Injury	Health and Safety	
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety	
<b>Aspect B3: DEVELOPMENT AND TRAINING</b>			
<b>General Disclosure</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Development and Training	
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category	Development and Training	
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category	Development and Training	
<b>Aspect B4: LABOUR STANDARDS</b>			
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Labour Standards	
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour	Labour Standards	
<b>KPI B4.2</b>	Description of step taken to eliminate such practices when discovered	Labour Standards	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark	
<b>Aspect B5: SUPPLY CHAIN MANAGEMENT</b>			
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain	Supply Chain Management	
<b>KPI B5.1</b>	Number of suppliers by geographical region	Supply Chain Management	
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management	
<b>Aspect B6: PRODUCT RESPONSIBILITY</b>			
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Product Responsibility	
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	There were no recalls concerning the provision.
<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with	N/A	There were no validated complaints received during the Year.
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility	
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures.	N/A	Recall procedures are not relevant to our operations.
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark
<b>Aspect B7: ANTI-CORRUPTION</b>		
<b>General Disclosure</b>	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Anti-Corruption
<b>KPI B7.1</b>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	N/A
<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-Corruption
<b>Aspect B8: COMMUNITY INVESTMENT</b>		
<b>General Disclosure</b>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Giving Back to the Community
<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Giving Back to the Community
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area	N/A

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good corporate governance to improve accountability and transparency, and to safeguard the interest of shareholders.

The Company has adopted the Code on Corporate Governance Practices (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules during the Year and up to the date of this report (the “**Relevant Period**”). Having made specific enquires of the Directors, all the Directors have confirmed that they have complied with the required CG Code’s standard for the Relevant Period.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors’ securities transactions by Directors in respect of the shares of the Company (the “**Code of Conduct**”). After specific enquires by the Company, all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the Relevant Period.

## BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting the Company’s success by directing and supervising its affairs. Directors take decisions objectively in the best interests of the Company. The Board meets regularly and regular board meetings are held four times a year at quarterly intervals.

## BOARD COMPOSITION

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is an independent element on the Board, which can effectively exercise independent judgement, and that non-executive Directors should be of sufficient calibre and number for their views to carry weight.

# CORPORATE GOVERNANCE REPORT

As at the date of this report, the Board comprises the following six Directors:

## ***Executive Directors***

Mr. Mong Kean Yeow (Chairman)

Ms. Choon Shew Lang (Chief Executive Officer)

Mr. He Pengfei (appointed on 7 September 2018, removed on 21 May 2019)

## ***Independent Non-executive Directors (“INED”)***

Mr. Lim Loo Kit

Mr. Lim Meng Yi

Mr. Tang Chi Wai

## ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the regular Board meetings, Board committee meetings and the general meeting of the Company held during the Year is set out in the table below:

	Number of meetings held during the Year				
	Attended/number of meetings held during the respective Director's tenure				
	Regular Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting of the Company (“AGM”) held on 21 December 2018
<b>Number of meetings held</b>	4	5	3	3	1
<b><i>Executive Directors</i></b>					
Mr. Mong Kean Yeow (Chairman)	4/4	N/A	3/3	N/A	1/1
Ms. Choon Shew Lang (Chief Executive Officer)	4/4	N/A	N/A	3/3	1/1
Mr. He Pengfei (appointed on 7 September 18, removed on 21 May 2019)	4/4	N/A	N/A	N/A	1/1
<b><i>Independent non-executive Directors</i></b>					
Mr. Lim Loo Kit	4/4	5/5	3/3	N/A	1/1
Mr. Lim Meng Yi	4/4	5/5	3/3	3/3	1/1
Mr. Tang Chi Wai	3/4	4/5	N/A	3/3	1/1

The biographical details of each of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this report.

## CORPORATE GOVERNANCE REPORT

In compliance with Rule 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rule, the Company has appointed three INEDs representing more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The INEDs have brought in a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs have made various contributions to the Company.

The Company has received from each INED an annual confirmation of his independence, and the Company considers such INED to be independent in accordance with the guidelines set out in Rule 5.09 of the GEM Listing Rules.

Appropriate insurance coverage in respect of legal action against the Company's Directors has been arranged by the Company.

## APPOINTMENTS, RE-ELECTION AND REMOVAL

In accordance with the amended and restated articles of association ("**Articles of Association**"), all the Directors are subject to retirement by rotation at least once every three years. Any new Director appointed by the Board (i) to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company following his/her appointment and shall be subject to re-election at such meeting; and (ii) as an addition to the Board shall hold office until the next following AGM and shall then be eligible for re-election.

## ROLE AND RESPONSIBILITIES

The Board is responsible for the overall management of the Group and all day-to-day operations and management of the Group's business has been delegated to management under the leadership of the chief executive officer of the Group.

The principal roles of the Board are:

- Set long term objectives and strategies;
- Approve major policies and guidelines;
- Prepare and approve financial statements, annual report, interim report, and quarterly report;
- Approve major capital expenditures, acquisition and disposals;
- Approve connected transactions;
- Approve material borrowings and expenditures;
- Review and monitor internal control and risk management; and
- Declare and recommend the payment of dividends.

# CORPORATE GOVERNANCE REPORT

The Board is also responsible for the corporate governance functions of the Group, which includes:

- Develop and review of the Group’s policies and practices on corporate governance;
- Review and monitor the training and continuous professional development of directors and senior management;
- Review and monitor the Group’s policies and practices on compliance with legal and regulatory requirements;
- Develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and
- Review the Group’s compliance with the CG Code and disclosure in the corporate governance report.

During the Relevant Period, the Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of the corporate governance policy of the Group.

## BOARD COMMITTEES

To facilitate the work of the Board, the Board has established three board committees to oversee specific aspects of the Group’s affairs, namely audit committee (the “**Audit Committee**”), remuneration committee (the “**Remuneration Committee**”) and nomination committee (the “**Nomination Committee**”). Each board committee has its own terms of reference relating to its authority and duties, which have been approved by the Board and are reviewed periodically. The terms of reference of each committee are available on the websites of the Company and the Stock Exchange.

Each board committee has also been provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent profession advice in appropriate circumstances at the Group’s expense.

### ***Audit Committee***

The Group established the Audit Committee on 14 December 2017 with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the CG Code. The primary duties of our Audit Committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts, our half-year report, and quarterly report and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems. Our Audit Committee comprises three INEDs, namely Mr. Lim Loo Kit, Mr. Lim Meng Yi and Mr. Tang Chi Wai. Mr. Tang Chi Wai is the chairman of our Audit Committee.

During the Year, the Audit Committee held five meetings, at which it has reviewed and discussed (i) the Group’s consolidated financial results for the Year, including the accounting principles and practice adopted by the Group, (ii) the Company’s compliance with the CG Code and disclosure in this Corporate Governance Report, (iii) the effectiveness of the Group’s risk management and internal control systems as well as the Group’s internal audit function, (iv) considered, adopted and/or recommended to the Board the amendments to the terms of reference of the Audit Committee. The Audit Committee has also recommended to the Board to consider the re-appointment of Deloitte & Touche LLP (“**Deloitte**”) as the Company’s external independent auditors at the forthcoming AGM.

# CORPORATE GOVERNANCE REPORT

## ***Nomination Committee***

The Group established the Nomination Committee on 14 December 2017 with written terms of reference in compliance with paragraph A.5.2 of the CG Code. The primary duties of our Nomination Committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our INEDs; and (d) making recommendations to our Board on the appointment and succession planning for our Directors. Our Nomination Committee comprises two INEDs, namely Mr. Lim Loo Kit and Mr. Lim Meng Yi, and one executive Director, namely Mr. Mong Kean Yeow. Mr. Mong is the chairman of our Nomination Committee.

During the Year, the Nomination Committee held three meetings, at which it (i) assessed the independence of the INEDs, (ii) recommended to the Board for consideration the re-appointment of all the retiring Directors at the forthcoming AGM, (iii) considered and approved of the appointment of an executive Director, and (iv) considered, adopted and/or recommended to the Board the amendments to the policy of Board diversity, nomination policy and terms of reference of the Nomination Committee.

## ***Remuneration Committee***

The Group established the Remuneration Committee on 14 December 2017 with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B.1.2 of the CG Code. The primary duties of our Remuneration Committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration include, among others, making recommendations to our Board on (a) our remuneration policy and structure for all of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of our non-executive Directors. Our Remuneration Committee comprises two INEDs, namely Mr. Lim Meng Yi and Mr. Tang Chi Wai and one executive Director namely Ms. Choon Shew Lang. Mr. Lim Meng Yi is the chairman of our Remuneration Committee.

During the Year, the Remuneration Committee held three meetings, at which it (i) reviewed the remuneration policy and structure for as well as the remuneration packages of all Directors and the senior management, (ii) considered and approved of remuneration package of executive Directors. No Director was involved in deciding his/her own remuneration.



# CORPORATE GOVERNANCE REPORT

## BOARD DIVERSITY POLICY

During the Relevant Period, the Board has adopted a policy of the Board diversity (the “**Board Diversity Policy**”) which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

In designing the Board’s composition, the Company considers diversity of board members through a number of aspects, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional experience, skills and/or qualifications, knowledge, length of service and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the objectives of its Board Diversity Policy for the Relevant Period.

## NOMINATION POLICY

The Company has adopted nomination policy (the “**Nomination Policy**”) for the purpose to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders for election as a Director. The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

- Reputation for integrity;
- Accomplishment, experience and reputation in the relevant industry and other relevant sectors;
- Commitment in respect of sufficient time, interest and attention to the Company’s business;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;
- The ability to assist and support management and make significant contributions to the Company’s success;
- Compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules for the appointment of an independent non-executive Director; and
- Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

Each proposed new appointment, election or re-election of a director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the shareholders for consideration and determination.

# CORPORATE GOVERNANCE REPORT

## DIVIDEND POLICY

The Company has adopted dividend policy (the “**Dividend Policy**”) in compliance with code provision E.1.5 of the CG Code. It is the policy of the Company, in considering the payments of dividends and to allow shareholders of the Company to participate in the Company’s profits whilst retaining adequate reserves for future growth of the Group.

Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

- the general financial condition of the Group;
- capital and debt level of the Group;
- future cash requirements and availability for business operations, business strategies and future development needs;
- any restrictions on payment of dividends that may be imposed by the Group’s lenders;
- the general market conditions; and
- any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and the Articles of Association. The Policy will be reviewed by the Board from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of one year and such letter of appointment may be terminated by either party giving at least one month’s notice in writing. Also, the INEDs are subject to re-election on retirement by rotation at the AGM in accordance with the Articles of Association.

The Company has received written annual confirmation from each INEDs of their independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all INEDs namely Mr. Lim Loo Kit, Mr. Lim Meng Yi and Mr. Tang Chi Wai to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the Year.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statutes and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Company will from time to time provide briefings to all Directors to develop and refresh their knowledge and skills relating to their duties and responsibilities.

Pursuant to the Code Provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. According to the training records maintained by the Company, all Directors have participated in continuous professional development relevant to his or her professional duties as Director during the Year.

## HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained the procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or insider information or any use of such information for the advantage of any individuals. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and the Board will decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of Stock Exchange and the Company in due course.

## REMUNERATION OF SENIOR MANAGEMENT

During the Year, the remuneration bands of senior management is listed as follows:

<b>Band of remuneration (HK\$)</b>	<b>No. of person(s)</b>
HK\$0 to HK\$1,000,000	2

Further details of the remuneration of the Directors and the 5 highest paid employees are set out in note 12 to the consolidation financial statements.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors also acknowledge their responsibility to ensure the financial statements are published in a timely manner. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the external independent auditor of the Company, Deloitte & Touche LLP, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report as annexed to this report.

## INDEPENDENT AUDITOR'S REMUNERATION

During the Year, the fee paid/payable to Deloitte and its affiliates is as follows:

Description	S\$
Audit services – Annual audit	123,000
Non-audit services – Tax services fee relating to the Listing	5,500
Grand total	128,500

## COMPANY SECRETARY

Ms. Tang Lo Nar is appointed as the company secretary of the Company with effect from 7 September 2018. During the year, Ms. Tang has undertaken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of GEM Listing Rules.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal control systems. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the shareholders and the assets of the Company.

The Board oversees the Group's overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavours to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems which are compatible with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Integrated Framework 2013 principles. They are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

# CORPORATE GOVERNANCE REPORT

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified.
2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.
3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

The risk management framework, coupled with our internal controls, ensures the risk associated with our different business units are effectively controlled in line with the Group's risk appetite.

The Group does not have an internal audit department. But the Group has conducted an annual review on whether there is a need for such an internal audit department. Given the Group's relatively simple corporate and operation structure, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group including financial, operational and compliance controls and risk management functions and for reviewing its effectiveness.

The Group engaged an external consultant, CT Partners Consultants Limited, to conduct review on the internal control system of the Group during the Year. The review covers certain procedures on the provision and maintenance of sound and communications systems and related services undertaken by the Group, and make recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified.

The Group's risk management and internal control systems are aimed to manage, rather than eliminating, the risk of failure to achieve business objectives and thus can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequate resources, staff qualifications and experience, training programs and the budget accounting and financial reporting. The Board concluded that the Group's risk management and internal control systems were in place and effective.

With respect to the monitoring and disclosure of insider information, the Group has adopted a policy on disclosure of insider information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

### ***Procedures for Convening General Meetings by Shareholders***

Pursuant to the Articles of Association, and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time), the Board may, whenever it thinks fit, convene an extraordinary general meeting ("EGM"). EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose requiring an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company by mail at Suites 1801-03, 18/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong to require an EGM to be called by the Board for the transaction of any business specified in such requisition. Such requisition should specify clearly the name of the eligible shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the eligible shareholder(s) concerned together with a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement by submitted by shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

The requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles of Association to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the eligible shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM.

If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### ***Procedures for Putting Forward Proposals at Shareholders' Meeting***

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above in the paragraph headed "Procedures for Convening General Meetings by Shareholders".

### ***Procedures by which Enquiries may be put to the Board***

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Shareholders are encouraged to send their enquiries to the Board by post to the principal place of business set out in the section headed "Corporate Information" in this report. Shareholders may also make enquires with the Board at the general meetings of the Company.

# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS

The Board strives to maintain on-going dialogue with shareholders and the investment community. The Company has established a shareholders communication policy to set out the Company's procedures in providing the shareholders and investment community with ready, equal and timely access to balanced and understandable information about the Company.

Latest information on the Group including, but not limited to, annual, interim and quarterly reports, circulars, announcements, and notices of AGMs are available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of the Company ([www.ispg.hk](http://www.ispg.hk)).

In addition, the Company regards the AGM as an important event as it provides an opportunity for direct communication between the Board and its shareholders. Shareholders are encouraged to attend the AGM, where all Board members and external auditors are available to answer questions on the Group's business.

## CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during the Relevant Period. The Articles of Association is available on the respective websites of the Stock Exchange and the Company.

## REPORT OF THE DIRECTORS

The Board is pleased to submit this annual report together with the audited consolidated financial statements of the Group for the Year.

### PRINCIPAL ACTIVITIES

The principal business activity of the Company is that of investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in note 29 to the consolidated financial statements.

### REORGANISATION AND SHARE OFFER

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 21 July 2017. Its shares were listed on GEM of the Stock Exchange on 16 January 2018. Pursuant to the reorganisation of the Group in connection with the Listing, the Company underwent a corporate reorganisation (the “**Reorganisation**”) and the Company became the holding company of the Group on 8 December 2017. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” to the Prospectus.

### DIRECTORS

During the Year and up to the date of this report, the Board comprises the following Directors:

#### ***Executive Directors***

Mr. Mong Kean Yeow (Chairman)

Ms. Choon Shew Lang (Chief Executive Officer)

Mr. He Pengfei (appointed on 7 September 2018, removed on 21 May 2019)

#### ***Independent Non-executive Directors (“INED”)***

Mr. Lim Loo Kit

Mr. Lim Meng Yi

Mr. Tang Chi Wai

In accordance with Article 108(a) of the Company's Articles of Association, Ms. Choon Shew Lang and Mr. Lim Meng Yi will retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

The biographical details of the Directors and the senior management of the Company are set out on pages 7 to 10 of this report.

### RESULTS/BUSINESS REVIEW

The results of the Group for the Year are set out in the section headed “Consolidated Statements of Profit or Loss and Other Comprehensive Income” on page 71 of this report. The business review of the Group for the Year and the outlook are set out in the sections headed “Chairman's Statement” on pages 5 to 6 and “Management Discussion and Analysis” on pages 11 to 19 of this report.



## **REPORT OF THE DIRECTORS**

### **SUMMARY FINANCIAL INFORMATION**

A summary of the published results and assets and liabilities of the Group for the past four financial years, as extracted from the audited consolidated financial statements, is set out on pages 139 to 140 of this annual report. This summary does not form part of the audited financial statements.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

### **SHARE CAPITAL**

Details of movements in the share capital of the Company during the Year are set out in note 25 to the consolidated financial statements.

### **RESERVES AND DISTRIBUTABLE RESERVES**

Details of movements in the reserves of the Group and the Company during the Year are set out in the “Consolidated Statement of Changes in Equity” on page 74 and note 32 to the consolidated financial statements.

The Company did not have distributable reserve as at 30 June 2019, calculated under the Companies Law of Cayman Islands, as it has accumulated losses.

### **FINAL DIVIDEND**

The Board has resolved not to recommend the declaration of any final dividend for the Year.

### **PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES**

The Board confirms that during the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities.

### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Articles of Association or the Laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **EQUITY-LINKED AGREEMENTS**

Save for the Share Option Scheme, no equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 14 December 2017 (the “**Adoption Date**”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

### **(A) Purpose of Share Option Scheme**

The purpose of the Share Option Scheme is to provide incentives or rewards to eligible persons for their contribution to the Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest (“**Invested Entity**”).

### **(B) Participants of the Share Option Scheme**

- (1) Any employee (whether full-time or part-time) of the Company, any of the subsidiaries and any Invested Entity;
- (2) Any director (including executive, non-executive and independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (3) Any supplier of goods or services to any member of the Group or any Invested Entity;
- (4) Any customer of the Group or any Invested Entity;
- (5) Any consultant adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (6) Or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity eligible for options under the Share Option Scheme.

### **(C) Total number of Shares available for Issue under the Share Option Scheme**

Under the Share Option Scheme, the total number of Shares which may be allotted and issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 80,000,000 Share (the “**Scheme Limit**”). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by the Shareholders in that general meeting.

## REPORT OF THE DIRECTORS

### ***(D) Maximum Entitlement of Each Participant under the Share Option Scheme***

The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue.

### ***(E) Period within which the Shares must be taken up under an Option***

The period during which an option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

### ***(F) Minimum period for which an Option must be held before it can be exercised***

The minimum period will be determined by the Board upon the grant of an option.

### ***(G) Amount payable on acceptance of an option and the Period within which payments shall be made***

A consideration of S\$1 is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date no later than 21 business days from the date upon which it is made.

### ***(H) Basis of determining the Exercise Price***

The exercise price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, (2) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of grant, and (3) the nominal value of the share on the date of grant.

### ***(I) Remaining life of the Share Option Scheme***

The Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date until 13 December 2027.

As of the report date, no share option has been granted, exercised, cancelled, or lapsed under the Share Option Scheme since its adoption on 14 December 2017.

## REPORT OF THE DIRECTORS

### TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the Year attributable to the Group's major customers and suppliers are as follows:

	%
<b>SALES</b>	
– The largest customer	15.4
– Five largest customers	43.6
<b>PURCHASES</b>	
– The largest supplier	31.6
– Five largest suppliers	52.7

None of the Directors, their associates or any shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

### RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Year, details of significant transactions with its related parties or transactions undertaken in the normal course of business are set out in the note 28 to the consolidated financial statements. None of those transactions constitutes a disclosable connected transaction pursuant to Chapter 20 of the GEM Listing Rules.

# REPORT OF THE DIRECTORS

## DISCLOSURE OF INTERESTS

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2019, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which were notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

#### *I. Long position in the ordinary shares of the Company*

<b>Name of Directors</b>	<b>Capacity/Nature of interest</b>	<b>Number of shares held/ interested</b>	<b>Approximate percentage of shareholding in our Company</b>
Mr. Mong Kean Yeow (“Mr. Mong”)	Interest in a controlled corporation	407,700,000 <i>(Note 1)</i>	50.96%
Ms. Choon Shew Lang (“Ms. Choon”)	Interest in a controlled corporation	407,700,000 <i>(Note 1)</i>	50.96%

*Note:*

- (1) These shares are held by Express Ventures Global Limited (“**Express Ventures**”). The issued share capital of Express Ventures is legally and beneficially owned as to 97.14% by Mr. Mong, and as to 2.86% by Ms. Choon. On 22 August 2017, Mr. Mong and Ms. Choon entered into the acting in concert confirmation to acknowledge and confirm, among other things, that they are parties acting in concert. Mr. Mong and Ms. Choon are deemed to be interested in the Shares in which Express Ventures is interested in under Part XV of the SFO.

## REPORT OF THE DIRECTORS

### II. Long position in the ordinary shares of associated corporation, Express Ventures

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held in Express Ventures	Percentage of interest in Express Ventures	Number of ordinary shares held by Express Ventures	Approximate percentage of shareholding in our Company
Mr. Mong Kean Yeow	Beneficial owner	510	97.14%	407,700,000 <i>(Note 1)</i>	50.96%
Ms. Choon Shew Lang	Beneficial owner	15	2.86%	407,700,000 <i>(Note 1)</i>	50.96%

*Note:*

- (1) The issued share capital of Express Ventures is legally and beneficially owned as to 97.14% by Mr. Mong, and as to 2.86% by Ms. Choon. On 22 August 2017, Mr. Mong and Ms. Choon entered into the acting in concert confirmation to acknowledge and confirm, among other things, that they are parties acting in concert. Mr. Mong and Ms. Choon are deemed to be interested in the Shares in which Express Ventures is interested in under Part XV of the SFO.

Save as disclosed above, as at 30 June 2019, none of the Directors had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the CG Code.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2019, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Express Ventures Global Limited	Beneficial owner	407,700,000 <i>(Note 1)</i>	50.96%

*Note:*

- (1) The issued share capital of Express Ventures is legally and beneficially owned as to 97.14% by Mr. Mong and as to 2.86% by Ms. Choon. On 22 August 2017, Mr. Mong and Ms. Choon entered into the acting in concert confirmation to acknowledge and confirm, among other things, that they are parties acting in concert. Mr. Mong and Ms. Choon are deemed to be interested in the Shares in which Express Ventures is interested in under Part XV of the SFO.

# REPORT OF THE DIRECTORS

## DIRECTORS' SERVICE CONTRACTS

All executive Directors currently in office have entered into service agreements with the Company for a term of three years commencing from the Listing Date. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles of Association.

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of one year commencing from the Listing Date, which may be terminated by either party giving no less than one month's written notice served by either party on the other.

Save as disclosed above, none of the Directors who proposed to be re-elected at the forthcoming AGM has entered into a service contract that are not determinable within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' REMUNERATION

The Directors' emoluments are subject to the Company's shareholders' approval at general meetings and such emoluments shall be determined by the Board and the Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of remuneration of the Directors are set out in note 12 to the consolidated financial statements.

## EMOLUMENT POLICY

The Company has established the Remuneration Committee in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits in kind and other compensation payable to the Directors and senior management, after consultation with the chairman and the chief executive officer of the Company.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group.

Details of the Directors' remuneration and the five highest paid individuals are set out in note 12 to the consolidated financial statements.

## PERMITTED INDEMNITY PROVISION

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors..

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors or any entity connected with the Directors had a material interest, either directly or indirectly, in any significant transactions, arrangements and contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party for the Relevant Period.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No Director has entered in any arrangement to enable himself/herself to acquire benefits by means of acquisition of shares in or debentures of the Company or any Invested Entity during the Year and up to the date of this report.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

### INTEREST IN COMPETING INTERESTS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Year, and is required to be disclosed pursuant to GEM Listing Rules.

### DEED OF NON-COMPETITION

Mr. Mong, Ms. Choon and Express Ventures, the controlling shareholders of the Company within the meaning of the GEM Listing Rules (collectively the "**Controlling Shareholders**") entered into a deed of non-competition dated 14 December 2017 in favour of the Company and the subsidiaries (the "**Deed of Non-Competition**"). Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries), among others, that, during the period in which (i) the Shares remain listed in the Stock Exchange and (ii) the Controlling Shareholders, individually or collectively with their close associates, are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Controlling Shareholders, each of them shall not, and shall procure that his/her/its close associates (other than any member of the Group) not carry on or be engaged, concerned or interested, or otherwise be involved directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or any business activity to be conducted by any member of the Group from time to time. For further details of the Deed of Non-Competition, please refer to the section headed "Relationship with Controlling Shareholders – Deed of Non-Competition" in the Prospectus.

The Company has received a written confirmation from the Controlling Shareholders that they have complied with the terms of the Deed of Non-Competition during the Relevant Period. The INEDs have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied for the Year.



# REPORT OF THE DIRECTORS

## INTEREST OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Kingsway Capital Limited (“**Kingsway**”) as the compliance adviser. Kingsway, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Except for the compliance adviser agreement entered into between the Company and the compliance adviser dated 21 August 2017, neither Kingsway nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company or in the share capital of any member of the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this report.

## SUFFICIENCY OF PUBLIC FLOAT

During the Year, based on the information that is publicly available to the Company and within the best knowledge of the Directors, Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the GEM Listing Rules.

## RETIREMENT SCHEME

During the Year, the Group participates in the Central Provident Fund in Singapore which is a defined contribution retirement plan, when employees have rendered service entitling them to the contributions. Save for the aforementioned, the Group did not participate in any other pension schemes.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The environmental policies and performance of the Group are provided in the section headed “Environmental, Social and Governance Report” in this report.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group fully complies with all laws and regulations and regularly monitors and gathers information about changes in laws, rules and regulations relevant to the Group’s businesses to ensure the Group’s observance of those applicable laws, rules and regulations, especially those which may have material impact on the Group.

## CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 43 to 54 of the annual report.

## REPORT OF THE DIRECTORS

### EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events from the end of the reporting period to the date of this report.

### INDEPENDENT AUDITOR

The consolidated financial statements for the Year were audited by Deloitte, who will retire in the AGM, and being eligible, offer itself for re-appointment. A resolution for the re-appointment of Deloitte as auditor of the Company will be submitted at the forthcoming AGM.

By Order of the Board

**ISP Global Limited**

**Mong Kean Yeow**

*Chairman and executive Director*

Singapore, 27 September 2019

# INDEPENDENT AUDITOR'S REPORT

## To the Members of ISP GLOBAL LIMITED

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

## OPINION

We have audited the consolidated financial statements of ISP Global Limited (the “**Company**”) and its subsidiaries (herein referred to as the “**Group**”) set out on pages 71 to 138, which comprise the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”) issued by International Auditing and Assurance Standards Board (the “**IAASB**”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matters

### How our audit addressed the key audit matters

#### Revenue recognition for sale of goods and construction contracts (Note 6)

- (a) Revenue from Sale of Sound and Communication Systems and Related Services

The Group recognised revenue from Sale of Sound and Communication Systems and Related Services of S\$6,425,214 for the year ended 30 June 2019, where the period in which such revenue is recorded is an inherent risk due to the ad hoc nature and large volumes of customer work orders.

- (b) Revenue from provision of Integrated Services of Sound and Communication Systems

Revenue from provision of Integrated Services of Sound and Communication Systems by the Group for the year ended 30 June 2019 amounted to S\$1,316,044. Such revenue recognition is based on the percentage of completion ("**POC**") method to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time. The output method recognises revenue on the basis of direct measurements of the value to the customer of the services transferred to date (i.e. surveys of work performed to date with reference to customer certificate) relative to the estimated total contract revenue.

Significant judgements are required to estimate the total budgeted cost for each construction contract and foreseeable losses whenever there is an indication that the estimated contract revenue is lower than the estimated total contract cost.

The Group's revenue recognition policy is set out in Note 4 to the consolidated financial statements.

We evaluated the design and implementation of relevant controls put in place by the Group in respect of revenue recognition, and assessed the Group's revenue recognition practices to determine whether they are in compliance with IFRS 15 *Revenue from Contracts with Customers* including stages of completion.

In relation to management's recognition of revenue from Sale of Sound and Communication Systems and Related Services, we selected, on a sample basis, invoices and credit notes issued prior to and subsequent to the year-end and tested the appropriateness of timing of recorded transactions, which is measured by the acknowledgement and acceptance by the customers.

In relation to management's recognition of revenue from provision of Integrated Services of Sound and Communication Systems, we focused our audit on the following procedures:

- (a) Obtained from management a complete list of construction contracts during the financial year;
- (b) Agreed the total contracted sum to contracts entered by the Group;
- (c) Obtained the latest certification by surveyor, assess the competency of surveyor and recompute to check the accuracy of POC;
- (d) Obtained management's budgeted costs and assessed the reasonableness of the assumptions and estimates applied by management including key elements such as materials, subcontractor and labour costs;
- (e) Discussed with management on the latest project activity and inquired if there are any potential disputes, variation order claims, or significant events that impacts the estimated costs; and
- (f) Compared total contract revenue to actual cost incurred plus estimated cost to complete and assessed for foreseeable losses.

## **INDEPENDENT AUDITOR'S REPORT**

### **INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible to oversee the Group's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## INDEPENDENT AUDITOR'S REPORT

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Adrian Chia Jet Wui.

Deloitte & Touche LLP  
*Public Accountants and Chartered Accountants*  
Singapore

27 September 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2019

	Note	2019 S\$	2018 S\$
<b>Revenue</b>	6	<b>8,616,802</b>	9,081,860
Costs of sales/services		<b>(5,881,472)</b>	(5,843,773)
<b>Gross profit</b>		<b>2,735,330</b>	3,238,087
Other income	7	<b>120,391</b>	48,463
Administrative expenses		<b>(2,705,452)</b>	(1,894,603)
Other gains and losses	8	<b>234,532</b>	121,907
Listing expenses		—	(2,665,816)
Finance costs	9	<b>(38,771)</b>	(77,660)
<b>Profit (Loss) before taxation</b>		<b>346,030</b>	(1,229,622)
Income tax expense	10	<b>(244,478)</b>	(411,931)
<b>Profit (loss) for the year</b>	11	<b>101,552</b>	(1,641,553)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<b>97</b>	—
<b>Other comprehensive income for the year, net of tax</b>		<b>97</b>	—
<b>Total comprehensive income (loss) for the year</b>		<b>101,649</b>	(1,641,553)
<b>Basic and diluted earnings (loss) per share (S\$ cents)</b>	13	<b>0.01</b>	(0.24)

See accompanying notes to consolidated financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 S\$	2018 S\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	5,316,804	5,818,811
Pledged bank deposits	21	206,947	206,947
		<b>5,523,751</b>	6,025,758
<b>Current assets</b>			
Inventories	15	174,294	5,130
Trade receivables	16	1,744,662	2,115,645
Other receivables, deposits and prepayments	17	122,513	163,704
Amounts due from customers for contract works	18	—	72,905
Contract assets	19	126,040	—
Contract costs	20	36,000	—
Bank balances and cash	21	9,675,472	11,187,116
		<b>11,878,981</b>	13,544,500
<b>Current liabilities</b>			
Trade and other payables	22	794,028	1,034,158
Contract liabilities	19	57,723	—
Borrowings	23	156,999	89,137
Income tax payable		237,905	331,207
		<b>1,246,655</b>	1,454,502
<b>Net current assets</b>		<b>10,632,326</b>	12,089,998
<b>Total assets less current liabilities</b>		<b>16,156,077</b>	18,115,756
<b>Non-current liabilities</b>			
Borrowings	23	1,400,812	3,250,042
Deferred tax liabilities	24	133,435	191,471
		<b>1,534,247</b>	3,441,513
<b>Net assets</b>		<b>14,621,830</b>	14,674,243

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 S\$	2018 S\$
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	25	1,372,630	1,372,630
Reserves		13,249,200	13,301,613
		<b>14,621,830</b>	14,674,243
<b>Equity attributable to owners of the Company</b>		<b>14,621,830</b>	14,674,243

The consolidated financial statements on pages 71 to 138 were approved and authorised for issue by the Board of Directors on 27 September 2019 and are signed on its behalf by:

**Mr. Mong Kean Yeow**  
*Chairman and Executive Director*

**Ms. Choon Shew Lang**  
*Executive Director*

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

	Share capital S\$	Share premium (Note a) S\$	Merger reserve (Note b) S\$	Translation reserves S\$	Accumulated profits S\$	Total S\$
<b>Balance at 1 July 2017</b>	525,000	—	—	—	5,825,105	6,350,105
Total comprehensive loss for the year:						
Loss for the year	—	—	—	—	(1,641,553)	(1,641,553)
Transaction with owner, recognised directly in equity:						
Issue of shares pursuant to the reorganisation (Notes 2 and 24b)	17	6,352,500	524,983	—	—	6,877,500
Elimination of share capital pursuant to the reorganisation (Note 2)	(525,000)	(6,352,500)	—	—	—	(6,877,500)
Issue of shares under the capitalisation issue (Note 24c)	1,034,483	(1,034,483)	—	—	—	—
Issue of shares under the Share Offer (Note 24d)	338,130	11,496,390	—	—	—	11,834,520
Share issue expenses	—	(1,868,829)	—	—	—	(1,868,829)
<b>Total</b>	<b>847,630</b>	<b>8,593,078</b>	<b>524,983</b>	<b>—</b>	<b>—</b>	<b>9,965,691</b>
<b>Balance at 30 June 2018</b>	<b>1,372,630</b>	<b>8,593,078</b>	<b>524,983</b>	<b>—</b>	<b>4,183,552</b>	<b>14,674,243</b>
Effects of adopting IFRS 9 (Note 35)	—	—	—	—	(81,157)	(81,157)
Effects of adopting IFRS 15 (Note 35)	—	—	—	—	(72,905)	(72,905)
<b>Balance at 1 July 2018</b>	<b>1,372,630</b>	<b>8,593,078</b>	<b>524,983</b>	<b>—</b>	<b>4,029,490</b>	<b>14,520,181</b>
Total comprehensive income for the year:						
Profit for the year	—	—	—	—	101,552	101,552
Other comprehensive income for the year	—	—	—	97	—	97
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>97</b>	<b>101,552</b>	<b>101,649</b>
<b>Balance at 30 June 2019</b>	<b>1,372,630</b>	<b>8,593,078</b>	<b>524,983</b>	<b>97</b>	<b>4,131,042</b>	<b>14,621,830</b>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2019

	2019 S\$	2018 S\$
<b>Operating activities</b>		
Profit (Loss) before taxation	346,030	(1,229,622)
Adjustments for:		
Depreciation of property, plant and equipment	524,228	575,596
Loss on disposal of property, plant and equipment	—	15,285
Gain on disposal of subsidiaries	(316,639)	—
Write-off of trade receivables	—	19,576
Interest income	(106,089)	(41,008)
Foreign exchange gain	19,999	—
Impairment loss recognised on trade receivables	6,632	—
Finance costs	38,771	77,660
Operating cash flows before movements in working capital	512,932	(582,513)
Movements in working capital:		
Decrease (Increase) in trade receivables	3,699	(427,007)
(Increase) Decrease in other receivables, deposits and prepayments	(181,423)	127,401
Increase in amounts due from customers for contract works	—	(72,489)
(Increase) Decrease in inventories	(169,164)	14,605
Increase (Decrease) in trade and other payables	386,034	(412,885)
Decrease in contract assets	153,455	—
Increase in contract costs	(36,000)	—
Increase in contract liabilities	9,567	—
Cash generated from (used in) operations	679,100	(1,352,888)
Interest received	115,722	31,375
Income tax paid	(395,816)	(586,103)
Net cash from (used in) operating activities	399,006	(1,907,616)
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(42,259)	(78,880)
Net cash outflow arising from disposal of subsidiaries (Note 30)	(18,257)	—
Proceeds from sale of property, plant and equipment	—	300
Net cash used in investing activities	(60,516)	(78,580)

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2019

	2019 S\$	2018 S\$
<b>Financing activities</b>		
Dividends paid	—	(300,000)
Repayment of borrowings	<b>(1,781,368)</b>	(134,098)
Proceeds from issue of shares	—	11,834,520
Payments of share issue expenses	—	(1,868,829)
Interest paid	<b>(48,864)</b>	(67,567)
Net cash (used in) generated from financing activities	<b>(1,830,232)</b>	9,464,026
Net (decrease) increase in cash and cash equivalents	<b>(1,491,742)</b>	7,477,830
Cash and cash equivalents at beginning of the year	<b>11,187,116</b>	3,709,286
Effect of foreign exchange rate changes on the balance of cash held in foreign currency	<b>(19,902)</b>	—
<b>Cash and cash equivalents at end of the year represented by bank balances and cash</b>	<b>9,675,472</b>	11,187,116

See accompanying notes to consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 1 GENERAL

ISP Global Limited (the “**Company**”) was incorporated and registered as an exempted Company in the Cayman Islands with limited liability on 21 July 2017 and its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”) on 8 September 2017 and the principal place of business in Hong Kong registered is Suites 1604-6, 16/F ICBC Tower, 3 Garden Road, Central, Hong Kong. The head office and principal place of business of the Group is at No. 3 Ang Mo Kio Street 62, #01-39, LINK@AMK, Singapore 569139. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 16 January 2018.

The Company is a subsidiary of Express Ventures Global Limited (“**Express Ventures**”), incorporated in the British Virgin Islands (“**BVI**”), which is also the Company’s ultimate holding company. Mr. Mong Kean Yeow and his spouse Ms. Choon Shew Lang jointly controls the ultimate holding company and are the controlling shareholders of ISP Global 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 subsidiaries are sale of sound and communication systems and related services, provision of integrated services of sound and communication systems, and provision of alert alarm system services in Singapore. The details of the subsidiaries are set out in Note 29.

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

The consolidated financial statements are approved by the Board of Directors of the Company on 27 September 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 2 GROUP REORGANISATION AND BASIS OF PREPARATION

In the previous financial year, to effect the group reorganisation (“**Group Reorganisation**”) for the purpose of the listing of the Company’s shares on GEM of the Stock Exchange:

- (i) An investment holding company, Holy Ark Limited (“**Holy Ark**”), was incorporated in the BVI on 29 May 2017 with 525 ordinary shares of no par value allotted and issued to the Controlling Shareholders, all credited as fully paid.
- (ii) In August 2017, the Controlling Shareholders, who were the then beneficial shareholders of ISPL Pte. Ltd. (“**ISPL**”), transferred their respective shareholdings in ISPL to Holy Ark at a total consideration of S\$6,352,500, which was settled by Holy Ark allotting and issuing 525 new ordinary shares of no par value to the Controlling Shareholders, all credited as fully paid.
- (iii) In December 2017, the Controlling Shareholders, who were the then beneficial shareholders of Holy Ark, transferred their respective shareholdings in Holy Ark to the Company at a total consideration of S\$6,352,500, which was settled by the Company allotting and issuing 9,999 new shares of par value HK\$0.01 each to Express Ventures at the instructions of the Controlling Shareholders, all credited as fully paid.

After completion of the above share transfers, Holy Ark become a direct wholly-owned subsidiary of the Company, and ISPL become an indirect wholly-owned subsidiary of the Company.

The Group, comprising the Company, resulting from the Group Reorganisation has always been under the common control of the Controlling Shareholders during the financial year ended 30 June 2018 and 2017 or from the respective date of incorporation to 30 June 2018, regardless of the actual dates when they formally and legally became subsidiaries of the Company. Therefore, the Group is regarded as a continuing entity and merger accounting has been applied for the preparation of the consolidated financial statements.

The consolidated financial statements has been prepared under the principles of common control combination as if the Company had been the holding company of the Group throughout the financial years and as at each reporting date taking into account the respective date of incorporation of the group entities. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial years ended 30 June 2018 and 2017 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence during financial years ended 30 June 2018 and 2017, or since their respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 30 June 2018 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 3 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 July 2018, the Group has adopted all the new and revised IFRSs and Interpretations of IFRS (“IFRIC”) that are effective and relevant to its operations. The adoption of these new/revised IFRSs and IFRIC does not result in significant changes to the Group’s accounting policies and the effects on the amounts reported for the current or prior periods are disclosed below.

### ***IFRS 9 Financial Instruments***

IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets, financial liabilities, 2) impairment of financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the consolidated financial statements are described below and illustrated in Note 35.

The Group applied IFRS 9 in accordance with the transition provision set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under Expected Credit Loss model) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carry amounts as at 1 July 2018 are recognised in the opening accumulated profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under *IAS 39 Financial Instruments: Recognition and Measurement*.

The significant accounting policies for financial instruments under IFRS 9 are described in Note 4.

### ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations. IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the financial statements are described below.

The Group has applied IFRS 15 using the modified retrospective method under which any cumulative effect of initially applying this standard recognised at the date of initial application (1 July 2018) is recognised as an adjustment to the opening accumulated profits. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and the related interpretations. The Group has elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 3 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### **IFRS 15 Revenue from Contracts with Customers** (continued)

IFRS 15 uses the terms “contract asset” and “contract liability” to describe what might more commonly be known as “accrued revenue” and “deferred revenue”, however the standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances.

The Group’s significant accounting policies for its revenue streams are disclosed in Note 4. Apart from providing more extensive disclosures, the amount of adjustment for each financial statement line item affected by the application of IFRS 9 and IFRS 15 under the modified retrospective approach is illustrated in Note 35.

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

IFRS 16	Leases <sup>1</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to IFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Annual Improvements to IFRS Standards 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

Except as described below, the directors of the Group consider that the application of the other new IFRSs, International Accounting Standards (“IASs”) and Interpretations is unlikely to have a material impact on the financial statements of the Group in future periods.

### **IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 3 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### *IFRS 16 Leases* (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the IFRS16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

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

The management of the Group anticipate that the application of IFRS 16 may result in more disclosures, but will have no material impact on the amounts recognised as the Group has non-cancellable operating lease commitments of S\$15,150 (2018: S\$16,650) with terms ranging from 1 to 4 months as at 30 June 2019, as disclosed in Note 26, which qualify for short-term leases upon the application of IFRS 16.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### ***Basis of consolidation*** (continued)

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### ***Revenue recognition (upon application of IFRS 15 in accordance with transitions in Note 3)***

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### ***Revenue recognition (upon application of IFRS 15 in accordance with transitions in Note 3)*** (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs;  
or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group recognises revenue from the following revenue streams:

#### **(i) Revenue from contract works, being provision of Integrated Services of Sound and Communication Systems**

Revenue from contract works is recognised over time during the course of construction by reference to the progress towards complete satisfaction of a performance obligation at the end of the reporting period. Progress towards complete satisfaction is measured based on output method, which recognises revenue on the basis of direct measurements of the value to the customer of the services transferred to date (i.e. surveys of work performed to date with reference to customer certificate) relative to the estimated total contract revenue.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

There is no significant financing component as the Group expects that the period between the recognition of revenue under the output method and the payment will be one year or less.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### ***Revenue recognition (upon application of IFRS 15 in accordance with transitions in Note 3)*** (continued)

#### **(ii) Revenue from sale of goods, being sale of sound and communication systems**

Revenue from sale of goods is recognised at a point in time when the customer obtains control of the good, being when the goods have been delivered to the customer's premises.

#### **(iii) Revenue from provision of services, including Alert Alarm System Services**

Revenue from provision of services is recognised over time when the services are provided.

#### **(iv) Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### ***Revenue recognition (before application of IFRS 15 in 1 July 2018)***

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

#### **(i) Revenue from contract works, being provision of Integrated Services of Sound and Communication Systems**

Revenue from contract works is recognised in accordance with the Group's accounting policy on construction contracts (see below construction contracts policy).

#### **(ii) Revenue from sale of goods, being sale of sound and communication systems**

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Revenue recognition (before application of IFRS 15 in 1 July 2018)* (continued)

#### **(iii) Revenue from provision of services, including Alert Alarm System Services**

Revenue from provision of services is recognised when the services are provided.

#### ***Construction contracts***

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period.

The stage of completion is measured by the proportion of surveys of work performed to date with reference to customer certificate relative to the estimated total contract revenue.

Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probably recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of construction contracts include costs that relate directly to the specific contract and costs that are attributable to contract activity and can be allocated to the contract. Such costs include but are not limited to material, labour, depreciation and hire of equipment, interest expense, subcontract cost and estimated costs of rectification and guarantee work, including expected warranty costs.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract works. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade receivables.

#### ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### ***Government grants***

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### ***Retirement benefit costs***

Payments made to Central Provident Fund (“CPF”) are recognised as expense when employees have rendered service entitling them to the contributions.

### ***Short-term and long-term employee benefits***

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deduction any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### ***Property, plant and equipment***

Property, plant and equipment, including leasehold properties, held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Leasehold land for own use**

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### ***Impairment of tangible and intangible assets***

At the end of each reporting period, the management of the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating-units, or otherwise they are allocated to the smallest group of cash-generating-units for which a reasonable and consistent allocation basis can be identified.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### ***Impairment of tangible and intangible assets*** (continued)

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### ***Financial instruments***

Financial assets and liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

### ***Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)***

All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

*Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)*  
(continued)

### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)*

(continued)

#### **Amortised cost and effective interest method** (continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

#### **Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost and measured at FVTPL, that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other gains and losses” line item.

#### **Impairment of financial assets**

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables and deposits). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)*

(continued)

#### **Impairment of financial assets** (continued)

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as forecast of future conditions.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### **(i) Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)*

(continued)

#### **Impairment of financial assets** (continued)

##### **(i) Significant increase in credit risk** (continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### **(ii) Definition of default**

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

*Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)*  
(continued)

**Impairment of financial assets** (continued)

### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

### (v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)***  
(continued)

**Impairment of financial assets** (continued)

**(v) Measurement and recognition of expected credit losses** (continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### **Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### ***Financial assets (before application of IFRS 9 in 1 July 2018)***

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

The Group's financial assets are classified into "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Financial assets (before application of IFRS 9 in 1 July 2018)* (continued)

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting would be immaterial.

#### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

Interest income is recognised on an effective interest basis for debt instruments.

#### **Impairment loss on financial assets**

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets held by the Group, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the counterparty will enter bankruptcy or financial reorganisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Financial assets (before application of IFRS 9 in 1 July 2018)* (continued)

#### **Impairment loss on financial assets** (continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### ***Financial liabilities and equity instruments***

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### **Financial liabilities**

Financial liabilities (including trade and other payables and borrowings) are subsequently measured at amortised cost, using the effective interest method.

#### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the group companies after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Financial liabilities and equity instruments* (continued)

#### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### ***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### ***Offsetting arrangements***

Financial assets and financial liabilities are offset and the net amount presented in the consolidated financial statements when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

#### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **Onerous contracts**

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

### ***Leasing***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### **The Group as lessee**

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as obligation under finance lease. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Leasing* (continued)

#### **The Group as lessee** (continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### ***Foreign currency transactions and translation***

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the consolidated statement of financial position of the Group are presented in Singapore Dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group's management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

### ***Contracts for provision of Integrated Services of Sound and Communication Systems***

Such contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. Where the outcome of a contract work can be estimated reliably, revenue and costs are recognised by reference to the progress towards complete satisfaction of performance obligation at the end of the reporting period.

Progress towards complete satisfaction is measured based on the output method which recognises revenue on the basis of direct measurements of the value to the customer of the services transferred to date (i.e. surveys of work performed to date with reference to customer certificate) relative to the estimated total contract revenue.

Management reviews these contracts for foreseeable losses whenever there is an indication that the estimated contract revenue is lower than the estimated total contract cost. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date and the adjustment would be recognised in the period of changes in estimates.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 19 to the financial statements.

### **Estimated impairment of trade receivables**

Starting from 1 July 2018, the Group recognises lifetime ECL for trade receivables and contract assets. When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Estimated impairment of trade receivables (continued)

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collaterals.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group uses a provision matrix to calculate ECL for the trade receivables. The provision matrix is based on the Group's historical default rates taking into consideration reasonable and supportable forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables which are credit impaired are assessed for ECL individually.

The information about the ECL and the Group's trade receivables is disclosed in Note 16.

## 6 REVENUE AND SEGMENT INFORMATION

Revenue represents the consideration to which the Group expects to be entitled to from (1) sale of sound and communication systems and related services ("**Sale of Sound and Communication Systems and Related Services**"), (2) provision of integrated services of sound and communication systems, includes installation and customisation of sound and communication systems in buildings in Singapore ("**Integrated Services of Sound and Communication Systems**"), and (3) provision of alert alarm system services ("**Alert Alarm System Services**") to external customers. The Group's operations are mainly derived from Singapore during the financial year.

Information is reported to the Executive Directors, being the chief operating decision maker ("**CODM**") of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as Group's accounting policies described in Note 4. The CODM reviews revenue by nature of revenue, i.e. Sale of Sound and Communication Systems and Related Services, Integrated Services of Sound and Communication Systems and Alert Alarm System Services. No analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 6 REVENUE AND SEGMENT INFORMATION (continued)

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

	2019 S\$	2018 S\$
<i>Revenue from:</i>		
<b>At a point in time:</b>		
Sale of Sound and Communication Systems and Related Services	6,425,214	7,200,016
<b>Over time:</b>		
Integrated Services of Sound and Communication Systems	1,316,044	1,006,300
Alert Alarm System Services	875,544	875,544
	<b>8,616,802</b>	<b>9,081,860</b>

### ***Information about the major customers***

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

	2019 S\$	2018 S\$
Customer I	—*	1,163,257
Customer II	880,844	929,444
Customer III	1,284,923	—*

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

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for integrated services of sound and communication systems as at the end of the reporting period is S\$860,883. Management expects that the full amount will be recognised as revenue during the next reporting period.

### ***Geographical information***

The Group principally operates in Singapore, which is also the place of domicile. All revenue are derived from Singapore based on the location where products and services are delivered and the Group's property, plant and equipment are all located in Singapore.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 7 OTHER INCOME

	2019 S\$	2018 S\$
Government grants	3,074	7,455
Interest income	106,089	41,008
Others	11,228	—
	<b>120,391</b>	48,463

## 8 OTHER GAINS AND LOSSES

	2019 S\$	2018 S\$
Net foreign exchange (loss) gain	(20,483)	156,768
Write-off of trade receivables	—	(19,576)
Impairment loss recognised on trade receivables	(6,632)	—
Loss on disposal of property, plant and equipment	—	(15,285)
Provision for litigation claims and legal fees (Note a)	(54,992)	—
Gain on disposal of subsidiaries (Note 30)	316,639	—
	<b>234,532</b>	121,907

Notes:

- The provision for litigation claims and legal fees pertains to expenses incurred from ongoing litigation commenced by a former contractor of ISPL Pte. Ltd.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 9 FINANCE COSTS

	2019	2018
	S\$	S\$
Interest on bank borrowings	38,771	77,660

## 10 INCOME TAX EXPENSE

	2019	2018
	S\$	S\$
Tax expense comprises:		
Current tax		
– Singapore corporate income tax (“CIT”)	237,905	331,207
– Under provision of prior years tax	64,609	150,158
Deferred tax (Note 24)	(58,036)	(69,434)
	244,478	411,931

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 20%, capped at S\$10,000 for the Year of Assessment 2019, and no rebates are available for the Year of Assessment 2020. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 of normal chargeable income. This is adjusted to 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 the Year of Assessment 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 10 INCOME TAX EXPENSE (continued)

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

	2019	2018
	S\$	S\$
Profit (Loss) before taxation	<b>346,030</b>	(1,229,622)
Tax at applicable tax rate of 17%	<b>58,825</b>	(209,036)
Effect of different tax rate of the Company operating in other jurisdiction	<b>110,587</b>	488,354
Tax effect of expenses not deductible for tax purpose	<b>40,276</b>	17,646
Effect of tax concessions and partial tax exemptions	<b>(29,819)</b>	(35,191)
Under provision of prior years tax	<b>64,609</b>	150,158
Taxation for the year	<b>244,478</b>	411,931

## 11 PROFIT (LOSS) FOR THE YEAR

Profit (Loss) before taxation has been arrived at after charging:

	2019	2018
	S\$	S\$
Depreciation of property, plant and equipment (Note a)	<b>524,228</b>	575,596
Annual audit fees paid to auditors of the Company	<b>123,000</b>	110,000
Listing expenses (Note c)	—	2,665,816
Directors' remuneration (Note 12)	<b>710,900</b>	606,600
Other staff costs:		
– Salaries, wages and other benefit	<b>2,039,179</b>	1,807,578
– Defined contribution plans, including retirement benefits	<b>95,729</b>	80,985
– Foreign worker levy and skill development levy	<b>300,158</b>	218,576
Total staff costs (inclusive of directors' remuneration) (Note b)	<b>3,145,966</b>	2,713,739
Cost of materials recognised as costs of sales/services	<b>3,685,042</b>	3,121,432
Subcontractor costs recognised as costs of sales/services	<b>56,360</b>	611,673

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 11 PROFIT (LOSS) FOR THE YEAR (continued)

Notes:

- Depreciation of S\$396,297 (2018: S\$396,297) are included in costs of sales/services.
- Staff costs of S\$1,743,772 (2018: S\$1,569,580) are included in costs of sales/services.
- In 2018, included in listing expenses are audit and non-audit fees of S\$105,000 and S\$33,750 paid to auditors of the Company respectively, and non-audit fees of S\$127,500 paid to other auditors of the Group.

## 12 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

### *Directors' and chief executive's emoluments*

Mr. Mong Kean Yeow and Ms. Choon Shew Lang were appointed as executive directors of the Company on 21 July 2017. Mr. Lim Loo Kit, Mr. Lim Meng Yi and Mr. Tang Chi Wai were appointed as independent non-executive directors of the Company on 14 December 2017. Mr He Pengfei was appointed as an executive director of the Company on 7 September 2018. Mr He Pengfei was subsequently removed from office on 21 May 2019.

The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group are as follows:

	Fees S\$	Discretionary bonus (Note iii) S\$	Salaries and allowances S\$	Contributions to retirement benefit scheme (Note iv) S\$	Total S\$
<b>Year ended 30 June 2019</b>					
<b>Executive Directors</b>					
Mr. Mong Kean Yeow (i)	120,000	23,000	174,400	16,150	333,550
Ms. Choon Shew Lang (ii)	120,000	19,000	123,200	15,470	277,670
Mr. He Pengfei	36,680	—	—	—	36,680
<b>Independent Non-Executive Directors</b>					
Mr. Lim Loo Kit	21,000	—	—	—	21,000
Mr. Lim Meng Yi	21,000	—	—	—	21,000
Mr. Tang Chi Wai	21,000	—	—	—	21,000
	<b>339,680</b>	<b>42,000</b>	<b>297,600</b>	<b>31,620</b>	<b>710,900</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 12 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

### *Directors' and chief executive's emoluments* (continued)

	Fees	Discretionary bonus (Note iii)	Salaries and allowances	Contributions to retirement benefit scheme (Note iv)	Total
	S\$	S\$	S\$	S\$	S\$
<b>Year ended 30 June 2018</b>					
<b>Executive Directors</b>					
Mr. Mong Kean Yeow (i)	120,000	23,000	164,000	16,150	323,150
Ms. Choon Shew Lang (ii)	120,000	19,000	100,000	15,470	254,470
<b>Independent Non-Executive Directors</b>					
Mr. Lim Loo Kit	9,660	—	—	—	9,660
Mr. Lim Meng Yi	9,660	—	—	—	9,660
Mr. Tang Chi Wai	9,660	—	—	—	9,660
	268,980	42,000	264,000	31,620	606,600

Notes:

- (i) Mr. Mong acts as chairman of the Company.
- (ii) Ms. Choon acts as chief executive of the Company.
- (iii) The discretionary bonus is determined by reference to the duties and responsibilities of the individual within the Group and the Group's performance.
- (iv) No other retirement benefits were paid to Mr. Mong and Ms. Choon in respect of their respective other services in connection with the management of the affairs of the Company or its subsidiaries undertaking.

The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group.

The independent non-executive directors' emoluments shown above were for their service as directors of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 12 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

### *Employees' emoluments*

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors of the Company during the year ended 30 June 2019 whose emoluments are included in the disclosures above. The emoluments of the remaining three (2018: three) individuals were as follows:

	2019	2018
	S\$	S\$
Salaries and allowances	229,199	223,054
Discretionary bonus	18,100	11,910
Contributions to retirement benefit plan	38,189	36,918
	<b>285,488</b>	271,882

The number of the highest paid individuals, including the directors of the Company, whose emoluments were within the following bands presented in Hong Kong Dollars ("HK\$"):

	Number of Employee	
	2019	2018
<b>Emolument bands</b>		
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	2	1
	<b>5</b>	5

During both reporting periods, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 13 EARNINGS (LOSS) PER SHARE

	2019	2018
	S\$	S\$
Profit (Loss) attributable to the owners of the Company (S\$)	<b>101,552</b>	(1,641,553)
Weighted average number of ordinary shares in issue	<b>800,000,000</b>	690,958,904
Basic and diluted earnings (loss) per share (S\$ cents)	<b>0.01</b>	(0.24)

The calculation of basic earnings (loss) per share is based on the profit (loss) for the year attributable to owners of the Company and the weighted average number of shares in issue. The number of shares for the purpose of calculating basic earnings (loss) per share for the years ended 30 June 2019 and 2018 have been determined on the assumption that the Group Reorganisation and capitalisation issue as detailed in Notes 2 and 25 have been effective since 1 July 2016.

Diluted earnings (loss) per share is the same as the basic earnings (loss) per share because the Group has no dilutive securities that are convertible into shares during the years ended 30 June 2019 and 2018.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 14 PROPERTY, PLANT AND EQUIPMENT

	Computers	Office equipment	Furniture, fixtures and fittings	Motor vehicles	Leasehold land and property	Alert alarm systems	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<b>Cost:</b>							
At 1 July 2017	12,703	56,481	160,964	88,407	4,938,600	2,752,307	8,009,462
Additions	5,825	—	—	73,055	—	—	78,880
Disposals	—	—	—	(26,500)	—	—	(26,500)
At 30 June 2018	18,528	56,481	160,964	134,962	4,938,600	2,752,307	8,061,842
Additions	19,703	15,256	7,300	—	—	—	42,259
Disposal of subsidiaries (Note 30)	(5,355)	(15,256)	—	—	—	—	(20,611)
At 30 June 2019	32,876	56,481	168,264	134,962	4,938,600	2,752,307	8,083,490
<b>Accumulated depreciation:</b>							
At 1 July 2017	9,710	34,558	111,173	24,310	232,404	1,266,195	1,678,350
Depreciation for the year	5,636	18,710	48,953	18,848	87,152	396,297	575,596
Disposals	—	—	—	(10,915)	—	—	(10,915)
At 30 June 2018	15,346	53,268	160,126	32,243	319,556	1,662,492	2,243,031
Depreciation for the year	12,814	3,213	2,258	22,493	87,152	396,298	524,228
Disposal of subsidiaries (Note 30)	(573)	—	—	—	—	—	(573)
At 30 June 2019	27,587	56,481	162,384	54,736	406,708	2,058,790	2,766,686
<b>Carrying amount:</b>							
At 30 June 2018	3,182	3,213	838	102,719	4,619,044	1,089,815	5,818,811
At 30 June 2019	5,289	—	5,880	80,226	4,531,892	693,517	5,316,804

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 14 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Computers	—	1 year
Office equipment	—	3 years
Furniture, fixtures and fittings	—	3 years
Motor vehicles	—	6 years
Leasehold land and property	—	Over the remaining lease term, which is 680 months
Alert alarm systems	—	Over the remaining service contract term, which ranges from 72 to 94 months

At 30 June 2019, the leasehold land and property was pledged to a bank for a mortgage loan raised by the Group (Note 23).

## 15 INVENTORIES

	2019	2018
	S\$	S\$
Finished goods	174,294	—
Goods in transit	—	5,130
	<b>174,294</b>	5,130

## 16 TRADE RECEIVABLES

	2019	2018
	S\$	S\$
Trade receivables	1,700,924	1,800,805
Unbilled revenue (Note a)	79,832	35,345
Retention receivables (Note b)	—	279,495
Loss allowance	(36,094)	—
	<b>1,744,662</b>	2,115,645

Notes:

- Unbilled revenue relates to accrued revenue for which the contract works has been performed before year end but no billing has been raised to customers. The Group's rights of the unbilled revenue are unconditional.
- As at 30 June 2019, retention receivables has been recognised as "contract assets" set out in Note 19.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 16 TRADE RECEIVABLES (continued)

The Group grants credit terms to customers typically between 30 to 90 days (2018: 30 to 90 days) from the invoice date for trade receivables. The Group does not charge interest nor hold any collateral over these balances.

In 2019, the loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. 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 between the Group's different customer base.

June 30, 2019	Group					Total
	Trade receivables – days past due					
	< 30 days	31 – 90 days	91 – 180 days	181 – 365 days	>365 days	
Expected credit loss rate	—	—	—	19%	84%	
Estimated total gross carrying amount at default	754,853	548,929	334,350	128,785	13,839	1,780,756
Lifetime ECL	—	—	—	(24,469)	(11,625)	(36,094)
						1,744,662

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 16 TRADE RECEIVABLES (continued)

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.

<b>Group</b>	<b>Lifetime ECL – credit- impaired S\$</b>
Balance as at 1 July 2018	81,157
Amount written off	(51,695)
Net re-measurement of loss allowance	14,209
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	(7,577)
<b>Balance as at 30 June 2019</b>	<b>36,094</b>

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

In 2018, trade receivables are considered to be impaired when there is objective evidence of impairment.

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 once a year.

The carrying values of trade receivables approximate their fair values. Allowance for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts, determined by reference to individual customer's credit quality. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period and no impairment is considered necessary for those balances which are not past due at each reporting date.

Included in the Group's trade receivables are carrying amounts of S\$1,231,956 which are past due at 30 June 2018, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 16 TRADE RECEIVABLES (continued)

### *Previous accounting policy for impairment of trade receivables* (continued)

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

#### Receivables that are past due but not impaired

	2018
	S\$
Within 90 days	1,004,964
91 days to 180 days	154,843
181 days to 365 days	49,128
Over 365 days	23,021
	<b>1,231,956</b>

In the opinion of the management of the Group, trade receivables at the end of each reporting period are of good credit quality which considering the high credibility of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

The Group does not charge interest nor hold any collateral over these balances.

## 17 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	S\$	S\$
Deposits	<b>40,035</b>	40,998
Prepayments	<b>63,091</b>	104,286
Interest receivable	—	9,633
Advances to staff	<b>19,387</b>	8,787
	<b>122,513</b>	163,704

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 18 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2019	2018
	S\$	S\$
Contract costs incurred plus recognised profits less recognised losses	—	191,705
Less: Progress billings	—	(118,800)
	—	72,905
<i>Analysed for reporting purposes as:</i>		
Amounts due from customers for contract work	—	72,905

## 19 CONTRACT ASSET AND CONTRACT LIABILITIES

	2019	2018
	S\$	S\$
<b>Contract assets</b>		
Retention receivables	126,040	—
<b>Contract liabilities</b>		
Advance billing to customer	57,723	—

### ***Contract assets***

The contract assets include retention receivables which represent monies withheld by customers of contract works that will be released after the end of warranty period of the relevant contracts, and are classified as current as they are expected to be received within the Group's normal operating cycle. 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.

At 30 June 2018, the contract assets relating to retention receivables held by customers for contract works are recognised as "retention receivables" set out in Note 16.

### ***Contract liabilities***

The contract liabilities represent 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 20 CONTRACT COST

	2019	2018
	S\$	S\$
Contract cost	36,000	—

The contract cost represent the costs that relate directly to a contract that will be used in satisfying performance obligation in the future.

## 21 PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	2019	2018
	S\$	S\$
Pledged bank deposits (Note a)	206,947	206,947
Bank balances and cash (Note b)	9,675,472	11,187,116

Notes:

- The balances represent deposits placed to a bank for corresponding amounts of performance guarantee granted to the Group in favour of a customer with a maturity term of 36 months ending in April 2022. The balances carry interest rate of 0.65% (2018: 0.65%) per annum at 30 June 2019.
- Approximately S\$5,071,000 (2018: S\$7,428,000) included in bank balances carry interest rate ranging from 0.05% to 2.47% (2018: 0.05% to 2.19%) per annum at 30 June 2019. The remaining bank balances and cash are interest free.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 22 TRADE AND OTHER PAYABLES

	2019 S\$	2018 S\$
Trade payables	338,755	594,562
Retention payables	26,500	36,505
	<b>365,255</b>	631,067
Other payables		
Goods and Services Tax ("GST") payable	64,568	125,217
Prepayments from customers	—	48,156
Accrued operating expenses	301,138	170,567
Accrued interest payables	—	10,093
Accrued payroll costs	61,325	49,058
Others	1,742	—
	<b>794,028</b>	1,034,158

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

	2019 S\$	2018 S\$
Within 30 days	133,472	270,731
31 days to 90 days	199,665	320,008
91 days to 180 days	1,776	41
Over 180 days	3,842	3,782
	<b>338,755</b>	594,562

The credit period on purchases from suppliers and subcontractors is between 30 to 60 days (2018: 30 to 60 days) or payable upon delivery.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 23 BORROWINGS

	2019 S\$	2018 S\$
Bank loans – Secured	<b>1,557,811</b>	3,339,179
<i>Analysed as:</i>		
Carrying amount repayable within 1 year	<b>156,999</b>	89,137
Carrying amount repayable more than 1 year, but not exceeding 2 years	<b>139,891</b>	94,226
Carrying amount repayable more than 2 years, but not exceeding 5 years	<b>471,332</b>	320,701
Carrying amount repayable more than 5 years	<b>789,589</b>	2,835,115
	<b>1,557,811</b>	3,339,179
Less: Amount due within 1 year (shown under current liabilities)	<b>(156,999)</b>	(89,137)
Amount shown under non-current liabilities	<b>1,400,812</b>	3,250,042

The loans were secured by the legal mortgage over the Group's leasehold land and property (Note 14) with corporate guarantee provided by the Company. The loans bear floating interest rates with weighted average effective interest rate at 2.47% (2018: 6.00%) per annum as at 30 June 2019.

## 24 DEFERRED TAX LIABILITIES

	2019 S\$	2018 S\$
As at 1 July	<b>191,471</b>	260,905
Credited to profit or loss for the year:		
Accelerated tax depreciation (Note 10)	<b>(58,036)</b>	(69,434)
As at 30 June	<b>133,435</b>	191,471

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 25 SHARE CAPITAL

	Company					
	2019	2018	2019	2018	2019	2018
	Number of shares '000,000	'000,000	Par Value HK\$	HK\$	Share Capital HK\$'000	HK\$'000
<b>Authorised share capital of the Company:</b>						
As the beginning of the year or incorporation of company (Note a)	1,500	10	0.01	0.01	15,000	100
Increase on 14 December 2017 (Note c)	—	1,490	—	0.01	—	14,900
As at end of the year	1,500	1,500	0.01	0.01	15,000	15,000

	Company			
	2019	2018	2019	2018
	Number of shares		Share capital S\$	S\$
<b>Issued and paid up:</b>				
At the beginning of the year or incorporation of the Company (Note a)	800,000,000	1	1,372,630	—
Issue of shares pursuant to the reorganisation (Note b)	—	9,999	—	17
Issue of shares pursuant to the capitalisation issue (Note c)	—	599,990,000	—	1,034,483
Issue of shares under the the Share Offer (Note d)	—	200,000,000	—	338,130
As at end of the year	800,000,000	800,000,000	1,372,630	1,372,630

Fully paid ordinary shares carry one vote per share and a right to dividends as and when declared by the Company.

Note:

- On 21 July 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, of which one share was allotted and issued in nil-paid form to the initial subscriber, an independent third party. The said share was transferred to Express Ventures, a company not forming part of the Group and is controlled by Mr. Mong and Ms. Choon on the same date.
- On 8 December 2017, the Company issued and allotted 9,999 new shares of par value HK\$0.01 each to Express Ventures at the instructions of the Controlling Shareholders, all credited as fully paid.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 25 SHARE CAPITAL (continued)

- c. Pursuant to written resolution of the sole shareholder of the Company passed on 14 December 2017, it is resolved, among other things:
- the authorised share capital of the Company was increased from HK\$100,000 to HK\$15,000,000 by the creation of an additional 1,490,000,000 ordinary shares of HK\$0.01 each; and
  - conditional upon the share premium account of the Company being credited as a result of the share offer, the Company was authorised to capitalise the amount of HK\$5,999,900 (equivalent to approximately S\$1,034,483) from the amount standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 599,990,000 ordinary shares for allotment, ranking *pari passu* in all respects with the existing shares.
- d. The shares of the Company were successfully listed on GEM of the Stock Exchange on 16 January 2018 by way of placing of 180,000,000 ordinary shares and public offer of 20,000,000 ordinary shares at the price of HK\$0.35 per share ("**Share Offer**"). The Company's share of net proceeds after deducting the underwriting commissions and estimated expenses paid or payable by the Company in relation to the Share Offer amounted to approximately HK\$44 million (S\$7 million).

In 2018, included in share issue expenses are audit fees and non-audit fees of S\$35,000 and S\$11,250 paid to the auditors of the Company respectively, and non-audit fees of S\$42,500 paid to other auditors of the Group.

## 26 OPERATING LEASE COMMITMENTS

### *The Group as lessee*

	2019	2018
	S\$	S\$
Minimum lease payments paid during the year under operating lease in respect of office premises, staff dormitories and office equipment	<b>56,692</b>	55,603

Future minimum rental payable under non-cancellable leases as at the end of reporting period are as follows:

	2019	2018
	S\$	S\$
Within 1 year	<b>15,150</b>	16,650

The leases have tenures ranging from 1 to 4 months (2018: 4 to 5 months) and no contingent rent provision included in the contracts. There is no restriction placed upon the Group by entering into these leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 27 RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund (“CPF”) Board of Singapore, the Group’s employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For the years ended 30 June 2018 and 2019, the Group contributes up to 17% of the eligible employees’ salaries to the CPF scheme, with each employee’s qualifying salary capped at S\$6,000 per month.

The total costs charged to profit or loss amounting to S\$95,729 for the year ended 30 June 2019 (2018: S\$80,985) represent contributions paid to the retirement benefits scheme by the Group.

As at 30 June 2019, contributions of S\$20,363 (2018: S\$20,796) were due respectively but had not been paid to the CPF. The amounts were paid subsequent to the end of the financial year.

## 28 RELATED PARTY TRANSACTIONS

Some of the Group’s transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these consolidated financial statements. Related parties refer to entities in which directors of the Group and his/her spouse have beneficial interest in.

### *Compensation of key management personnel*

The remuneration of directors and other members of key management during the year were as follows:

	2019	2018
	S\$	S\$
Short term benefits	<b>679,280</b>	574,980
Post-employment benefits	<b>31,620</b>	31,620
Total compensation	<b>710,900</b>	606,600

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 29 PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company as at 30 June 2019 are set out below.

Name of subsidiary	Place of incorporation/ operation	Paid up issued capital	Group's effective interest and voting rights	Held by the Company	Principal activities
<i>Directly held:</i>					
Holy Ark Limited	BVI	N/A	100%	100%	Investment holding
<i>Indirectly held:</i>					
ISPL Pte. Ltd.	Singapore	S\$525,000	100%	—	Sale of Sound and Communication Systems and Related Services, provision of Integrated Services of Sound and Communication Systems, and provision of Alert Alarm System Services.
Crosswins Group Holding Limited <sup>(a)</sup>	BVI	US\$1	—	—	Investment holding
CrissCross International Holdings (HK) Limited <sup>(a)</sup>	Hong Kong	HK\$1	—	—	Investment holding
Hyperlearn Technology (Shenzhen) Co., Ltd <sup>(a)</sup>	People's Republic of China	—	—	—	Information and technology enterprise management, consulting and training business. Research and development of information and technology software.
ISPL Sdn. Bhd. <sup>(b)</sup>	Malaysia	MYR50,000	100%	—	Sale of Sound and Communication Systems and Related Services, provision of Integrated Services of Sound and Communication Systems.

None of the subsidiaries had issued any debt securities at the end of the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 29 PARTICULARS OF SUBSIDIARIES (continued)

Notes:

- (a) These subsidiaries have been disposed off during the year (Note 30).
- (b) This subsidiary was incorporated during the year.

## 30 DISPOSAL OF SUBSIDIARIES

During the year ended 30 June 2019, the Group disposed off its subsidiaries, Crosswins Group Holdings Limited, CrissCross International Holdings (HK) Limited and Hyperlean Technology (Shenzhen) Co., Ltd. The disposal was completed on 28 March 2019.

Details of the disposal are as follows:

	2019 S\$
<b>ASSETS AND LIABILITIES</b>	
<b>Non-current asset</b>	
Property, plant and equipment	20,038
<b>Current assets</b>	
Other receivables	212,981
Bank balances and cash	18,258
<b>Total current assets</b>	231,239
<b>Current liabilities</b>	
Other payables	(567,915)
<b>Net liabilities derecognised</b>	(316,638)
Included in the statement of profit or loss and other comprehensive income:	
Consideration received	1
Net liabilities derecognised	316,638
<b>Gain on disposal</b>	316,639
<b>Net cash outflow arising on disposal</b>	
Cash consideration received	1
Cash and cash equivalents disposed of	(18,258)
	(18,257)

The gain on disposal of the subsidiary is recorded as part of other gains and losses in the statement of profit or loss and other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 31 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings (Note 23) S\$	Accrued interest payables (Note 22) S\$	Total S\$
1 July 2017	3,473,277	—	3,473,277
Financing cash flows	(134,098)	(67,567)	(201,665)
<i>Non-cash changes</i>			
Interest on bank borrowings (Note 9)	—	77,660	77,660
30 June 2018	3,339,179	10,093	3,349,272
Financing cash flows	(1,781,368)	(48,864)	(1,830,232)
<i>Non-cash changes</i>			
Interest on bank borrowings (Note 9)	—	38,771	38,771
30 June 2019	<b>1,557,811</b>	—	<b>1,557,811</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 32 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019	2018
	S\$	S\$
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current asset</b>		
Investment in a subsidiary	6,352,500	6,352,500
<b>Current assets</b>		
Amount due from subsidiaries	3,016,854	1,561,211
Other receivables	19,187	26,618
Bank balances and cash	3,395,127	5,397,710
<b>Total current assets</b>	<b>6,431,168</b>	6,985,539
<b>Current liabilities</b>		
Other payables	176,664	101,168
<b>Net current assets</b>	<b>6,254,504</b>	6,884,371
<b>Total assets less current liabilities, representing net assets</b>	<b>12,607,004</b>	13,236,871
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Share capital	1,372,630	1,372,630
Reserves	11,234,374	11,864,241
<b>Equity attributable to owners of the Company</b>	<b>12,607,004</b>	13,236,871



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 32 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

A summary of the Company's reserves is as follows:

	Share premium S\$	Accumulated losses S\$	Total S\$
<b>At 21 July 2017 (date of incorporation)</b>	—	—	—
<i>Total comprehensive loss for the period:</i>			
Loss for the period	—	(3,081,337)	(3,081,337)
<i>Transactions with owner, recognised directly in equity:</i>			
Issue of shares pursuant to the reorganisation	6,352,500	—	6,352,500
Issue of shares under the capitalisation issue	(1,034,483)	—	(1,034,483)
Issue of shares under the Share Offer	11,496,390	—	11,496,390
Share issue expenses	(1,868,829)	—	(1,868,829)
	14,945,578	—	14,945,578
<b>At 30 June 2018</b>	14,945,578	(3,081,337)	11,864,241
<i>Total comprehensive loss for the year:</i>			
Loss for the year	—	(629,867)	(629,867)
<b>At 30 June 2019</b>	<b>14,945,578</b>	<b>(3,711,204)</b>	<b>11,234,374</b>

## 33 CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of debt, which includes borrowings as disclosed in Note 23, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital and reserves.

The management of the Group reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### *Categories of financial instruments*

#### The Group

	2019	2018
	S\$	S\$
<b>Financial assets</b>		
– <i>Amortised cost</i>		
Trade receivables	1,744,662	2,115,645
Contract assets	126,040	—
Contract cost	36,000	—
Other receivables and deposits	59,422	59,418
Pledged bank deposits	206,947	206,947
Bank balances and cash	9,675,472	11,187,116
<b>Total</b>	<b>11,848,543</b>	<b>13,569,126</b>

	2019	2018
	S\$	S\$
<b>Financial liabilities</b>		
– <i>Amortised cost</i>		
Trade and other payables (Note)	729,460	860,785
Borrowings	1,557,811	3,339,179
<b>Total</b>	<b>2,287,271</b>	<b>4,199,964</b>

Note: The amount excludes GST payable and prepayments from customers.

### *Financial risk management objectives and policies*

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

### ***Financial risk management objectives and policies*** (continued)

#### **(a) Market risk**

##### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interests earned on bank balances and incurred on borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate deposits.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

##### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to variable interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The following sensitivity analysis represents management's assessment of the reasonably possible change in interest rates.

##### *Variable-rate borrowings*

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2019 would decrease/increase by approximately S\$6,500 (2018: the Group's loss for the year would increase/decrease by approximately S\$13,900).

##### *Variable-rate bank balances*

If interest rates of variable-rate bank balances had been 10 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2019 would decrease/increase by approximately S\$8,200 (2018: the Group's loss for the year would increase/decrease by approximately S\$9,500).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

### *Financial risk management objectives and policies* (continued)

#### (b) Currency risk

Certain bank balances (Note 21) and trade payables (Note 22) are denominated in US\$, HK\$, EURO or MYR other than the functional currency of respective group entities, which expose the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rate.

At the end of the reporting period, the carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies are as follows:

	Assets		Liabilities	
	2019 S\$	2018 S\$	2019 S\$	2018 S\$
United States Dollars ("US\$")	2,060,123	2,592,493	178,585	408,104
Hong Kong Dollars ("HK\$")	3,405,525	5,397,710	26,510	—
European Dollars ("EURO")	—	7,616	—	—
Malaysian Ringgit ("MYR")	72,880	—	1,109	—

Assuming that all other variables remain constant at year end, a 10% depreciation/appreciation of the S\$ against US\$ would result in an increase/decrease in the Group's profit for the year by approximately S\$156,000 for the year ended 30 June 2019 (2018: the Group's loss for the year would decrease/increase by S\$181,000).

Assuming that all other variables remain constant at year end, a 10% depreciation/appreciation of the S\$ against HK\$ would result in an increase/decrease in the Group's profit for the year by approximately S\$280,000 for the year ended 30 June 2019 (2018: S\$540,000).

No sensitivity analysis on the change of S\$ against EURO and the MYR are prepared as the impact to the financial statements is insignificant.

In the management's opinion, the sensitivity analysis above is unrepresentative for the currency risk as the exposure at the end of reporting period does not reflect the exposure during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

### *Financial risk management objectives and policies* (continued)

#### **(c) Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a mean of mitigating the risk of financial loss from such defaults.

Included in financial assets as at 30 June 2019 as a component of bank balances and cash is S\$3,405,525 (2018: S\$5,397,710), placed in a bank in Hong Kong. The remaining bank deposits and balances of S\$6,476,894 (2018: S\$5,996,353) are placed in four (2018: four) reputable banks. All these counterparties have been assessed by management to be financially sound.

Other than the concentration of credit risk of bank balances and cash in Hong Kong, the Group's concentration of credit risk by geographical locations is mainly in Singapore, which accounted for 99% of the total financial assets as at 30 June 2019 (2018: 100%).

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and sufficient allowance on doubtful debts are provide for on timely manner. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Approximately 49% of total trade receivables outstanding at 30 June 2019 (2018: 39%) were due from top 5 debtors which exposed the Group to concentration of credit risk.

Those five largest customers are with good creditworthiness based on historical settlement record. In order to minimise the concentration of credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

### *Financial risk management objectives and policies* (continued)

#### **(c) Credit risk** (continued)

Other than concentration of credit risk on bank deposits and balances and on trade receivables from top 5 customers as disclosed above, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

In order to minimise credit risk, the Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its trading records to rate its major customers and other debtors. The Group does not hold any collateral to cover its credit risks associated with its financial assets. The Group's current credit risk grading framework comprises the following categories:

<b>Category</b>	<b>Description</b>	<b>Basis for recognising expected credit losses (ECL)</b>
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

### *Financial risk management objectives and policies* (continued)

#### (c) Credit risk (continued)

The table below details the credit quality of the Group's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
<b>2019</b>						
Trade receivables	16	(i)	Lifetime ECL (Simplified approach)	1,780,756	(36,094)	1,744,662
Other receivables	17	Performing	12-month ECL	122,513	—	122,513
Contract assets	19	(i)	Lifetime ECL (Simplified approach)	126,040	—	126,040
					(36,094)	

- (i) For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Note 16 includes further details on the loss allowance for the trade receivables. For contract assets, management believes that there is no loss allowance required as at 30 June 2019.

#### (d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

### *Financial risk management objectives and policies* (continued)

#### (d) Liquidity risk (continued)

##### *Non-derivative financial assets*

All financial assets of the Group as at 30 June 2019 and 2018 are non-interest bearing and repayable on demand or due within one year, except for bank deposits as disclosed in Note 21.

##### *Non-derivative financial liabilities*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

#### The Group

	Weighted average effective interest %	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	1 to 5 years S\$	Over 5 years S\$	Total undiscounted cash flow S\$	Carrying amount S\$
<b>As at 30 June 2018</b>								
<i>Non-interest bearing</i>								
Trade and other payables	—	860,785	—	—	—	—	860,785	860,785
<i>Interest bearing</i>								
Borrowings	6.00	71,769	71,769	143,538	1,435,983	4,020,752	5,743,811	3,339,179
<b>Total</b>		<b>932,554</b>	<b>71,769</b>	<b>143,538</b>	<b>1,435,983</b>	<b>4,020,752</b>	<b>6,604,596</b>	<b>4,199,964</b>
<b>As at 30 June 2019</b>								
<i>Non-interest bearing</i>								
Trade and other payables	—	729,460	—	—	—	—	729,460	729,460
<i>Interest bearing</i>								
Borrowings	2.47	48,117	48,117	96,234	880,243	882,592	1,955,303	1,557,811
<b>Total</b>		<b>777,577</b>	<b>48,117</b>	<b>96,234</b>	<b>880,243</b>	<b>882,592</b>	<b>2,684,763</b>	<b>2,287,271</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

### *Financial risk management objectives and policies* (continued)

#### (e) Fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 35 EFFECTS OF ADOPTION OF IFRS 9 AND IFRS 15

The effects of adopting IFRS 9 and IFRS 15 under the modified retrospective approach are presented and explained below:

### *(A) Impact on the consolidated statement of financial position as at 1 July 2018 (date of initial application)*

	Previously reported as at 30 June 2018 S\$	Adoption of IFRS 9 S\$	Note	Adoption of IFRS 15 S\$	Note	Adjusted as at 1 July 2018 S\$
<b>Current assets</b>						
Trade receivables	2,115,645	(81,157)	(a)	(279,495)	(b)	1,754,993
Amounts due from customers for contract works	72,905	—		(72,905)	(d)	—
Contract assets	—	—		279,495	(b)	279,495
<b>Current Liabilities</b>						
Trade and other payable	1,034,158	—		(48,156)	(c)	986,002
Contract liabilities	—	—		48,156	(c)	48,156
<b>Capital and reserves</b>						
Accumulated profits	4,183,552	(81,157)	(a)	(72,905)	(d)	4,029,490

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 35 EFFECTS OF ADOPTION OF IFRS 9 AND IFRS 15 (continued)

### *(B) Impact on the consolidated statement of financial position as at 30 June 2019 (current reporting period)*

	Under previous IFRS S\$	Adoption of IFRS 9 S\$	Note	Adoption of IFRS 15 S\$	Note	Under new IFRS S\$
<b>Current assets</b>						
Trade receivables	1,906,796	(36,094)	(a)	(126,040)	(b)	1,744,662
Amounts due from customers for contract works	345,024	—		(345,024)	(b), (d)	—
Inventories	—	—		174,294	(d)	174,294
Contract assets	—	—		126,040	(b)	126,040
Contract cost	—	—		36,000	(d)	36,000
<b>Current liabilities</b>						
Trade and other payable	851,751	—		(57,723)	(c)	794,028
Contract liabilities	—	—		57,723	(c)	57,723
<b>Capital and reserves</b>						
Accumulated profits	4,383,023	(36,094)	(a)	(134,730)	(d)	4,212,199

### *(C) Impact on the consolidated statement of profit and loss and other comprehensive income for the year ended 30 June 2019 (current reporting period)*

	Under previous IFRS S\$	Adoption of IFRS 9 S\$	Note	Adoption of IFRS 15 S\$	Note	Under new IFRS S\$
Cost of sales/services	5,943,297	—	—	(61,825)	(d)	(5,881,472)
Other gains and losses	251,294	45,063	(a)	(61,825)	(d)	234,532
Profit before taxation	362,792	45,063	(a)	(61,825)	(d)	346,030
Total comprehensive income for the year	118,411	45,063	(a)	(61,825)	(d)	101,649

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

## 35 EFFECTS OF ADOPTION OF IFRS 9 AND IFRS 15 (continued)

### *(D) Impact on the consolidated statement of cash flows for the year ended 30 June 2019 (current reporting period)*

The adoption of IFRS 9 and IFRS 15 did not have a material impact on the Group's operating, investing and financing cash flows.

#### **Notes to the reconciliations:**

##### IFRS 9

- (a) The adoption of IFRS 9 impairment requirements has resulted in additional loss allowance to be recognised.

##### IFRS 15

- (b) Under IFRS 15, retention receivables are recognised as contract assets. The amount was previously recognised as part of trade receivables and so has been reclassified. There was no impact to the statement of profit or loss as a result of these reclassifications.
- (c) Under IFRS 15, invoices billed to customers in advance of the satisfaction of the performance obligations under the contract with customer are recognised as contract liabilities. The amount was previously recognised as part of trade and other payables and so has been reclassified. There was no impact to the statement of profit or loss as a result of these reclassifications.
- (d) Under IFRS 15, costs incurred in relation to satisfied or partially satisfied performance obligation must be expensed off as they are incurred. The cost used in satisfying performance obligation in the future are reclassified to contract cost.

The Group has applied IFRS 15 using the modified retrospective method while applying the practical expedients for completed contracts in IFRS 15:C5(a), C5(b) and C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 July 2018.

## SUMMARY FINANCIAL INFORMATION

	2019	2018	2017	2016
	S\$	S\$	S\$	S\$
<b>Revenue</b>	<b>8,616,802</b>	9,081,860	8,632,027	7,997,834
Costs of sales/services	<b>(5,881,472)</b>	(5,843,773)	(5,457,763)	(5,210,411)
<b>Gross profit</b>	<b>2,735,330</b>	3,238,087	3,174,264	2,787,423
Other income	<b>120,391</b>	48,463	10,248	26,328
Administrative expenses	<b>(2,705,452)</b>	(1,894,603)	(1,246,788)	(1,161,762)
Other gains and losses	<b>234,532</b>	121,907	(33,251)	(58,828)
Listing expenses	<b>–</b>	(2,665,816)	(209,598)	–
Finance costs	<b>(38,771)</b>	(77,660)	(60,089)	(97,937)
<b>Profit (Loss) before taxation</b>	<b>346,030</b>	(1,229,622)	1,634,786	1,495,224
Income tax expense	<b>(244,478)</b>	(411,931)	(284,190)	(202,896)
<b>Profit (Loss) for the year</b>	<b>101,552</b>	(1,641,553)	1,350,596	1,292,328
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations	<b>97</b>	–	–	–
<b>Other comprehensive income for the year, net of tax</b>	<b>97</b>	–	–	–
<b>Profit (Loss) and total comprehensive income (loss) for the year</b>	<b>101,649</b>	(1,641,553)	1,350,596	1,292,328
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	<b>5,316,804</b>	5,818,811	6,331,112	6,903,982
Pledged bank deposits	<b>206,947</b>	206,947	206,947	206,947
Total non-current assets	<b>5,523,751</b>	6,025,758	6,538,059	7,110,929
<b>Current assets</b>				
Inventories	<b>174,294</b>	5,130	19,735	–
Trade receivables	<b>1,744,662</b>	2,115,645	1,708,213	1,864,851
Other receivables, deposits and prepayments	<b>122,513</b>	163,704	281,473	129,216
Amounts due from customers for contract works	<b>–</b>	72,905	416	55,781
Contract Assets	<b>126,040</b>	–	–	–
Contract Costs	<b>36,000</b>	–	–	–
Bank balances and cash	<b>9,675,472</b>	11,187,116	3,709,286	1,157,585
Total current assets	<b>11,878,981</b>	13,544,500	5,719,123	3,207,433
<b>Total assets</b>	<b>17,402,732</b>	19,570,258	12,257,182	10,318,362

## SUMMARY FINANCIAL INFORMATION

	2019	2018	2017	2016
	S\$	S\$	S\$	S\$
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade and other payables	794,028	1,034,158	1,736,950	636,682
Amount due to a director	–	–	–	4,300
Obligations under finance leases	–	–	–	12,432
Borrowings	156,999	89,137	126,833	138,478
Income tax payable	237,905	331,207	435,945	168,204
Contract Liabilities	57,723	–	–	–
<b>Total current liabilities</b>	<b>1,246,655</b>	<b>1,454,502</b>	<b>2,299,728</b>	<b>960,096</b>
<b>Non-current liabilities</b>				
Obligations under finance leases	–	–	–	41,024
Borrowings	1,400,812	3,250,042	3,346,444	3,473,277
Deferred tax liabilities	133,435	191,471	260,905	244,456
<b>Total non-current liabilities</b>	<b>1,534,247</b>	<b>3,441,513</b>	<b>3,607,349</b>	<b>3,758,757</b>
<b>Capital and reserves</b>				
Share capital	1,372,630	1,372,630	525,000	525,000
Accumulated profits	13,249,200	13,301,613	5,825,105	5,074,509
<b>Total equity</b>	<b>14,621,830</b>	<b>14,674,243</b>	<b>6,350,105</b>	<b>5,599,509</b>
<b>Total liabilities and equity</b>	<b>17,402,732</b>	<b>19,570,258</b>	<b>12,257,182</b>	<b>10,318,362</b>