HKE Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1726

Annual Report

2018

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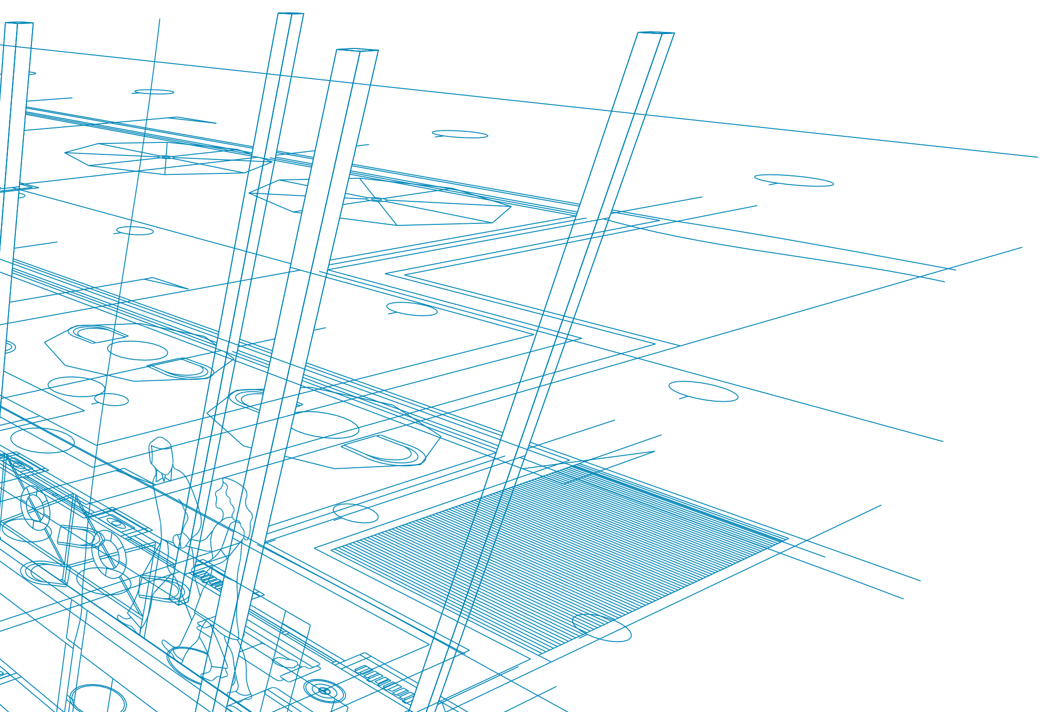

Corporate Information

BOARD OF DIRECTORS

Non-Executive Director

Mr. Ang Kong Meng *(Chairman)*

Executive Directors

Mr. Koh Lee Huat *(Chief Executive Officer)*
Mr. Ryan Ong Wei Liang

Independent Non-Executive Directors

Mr. Siu Man Ho Simon
Mr. Cheung Kwok Yan Wilfred
Prof. Pong Kam Keung

AUDIT COMMITTEE

Mr. Cheung Kwok Yan Wilfred *(Chairman)*
Mr. Siu Man Ho Simon
Mr. Ang Kong Meng

REMUNERATION COMMITTEE

Mr. Siu Man Ho Simon *(Chairman)*
Prof. Pong Kam Keung
Mr. Koh Lee Huat

NOMINATION COMMITTEE

Prof. Pong Kam Keung *(Chairman)*
Mr. Cheung Kwok Yan Wilfred
Mr. Ryan Ong Wei Liang

COMPANY SECRETARY

Ms. Cheng Florence Ga Sui

AUTHORISED REPRESENTATIVES

Mr. Koh Lee Huat
Ms. Cheng Florence Ga Sui

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

10 Admiralty Street
#02–47 North Link Building
Singapore 757695

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1604–6, 16th Floor
ICBC Tower
3 Garden Road
Central
Hong Kong

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

COMPLIANCE ADVISER

Grande Capital Limited
Room 1204B, 12/F, Tower 2
Lippo Centre
89 Queensway
Hong Kong

LEGAL ADVISERS

AS TO HONG KONG LAW
Guantao & Chow Solicitors and Notaries
Suites 1604–6, 16/F
ICBC Tower
3 Garden Road
Central
Hong Kong

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
CIMB Bank Berhad
Industrial and Commercial Bank of China (Asia) Limited

AUDITOR

Deloitte & Touche LLP
Public Accountants and Chartered Accountant Singapore
6 Shenton Way
OUE Downtown 2
#33-00
Singapore 068809

COMPANY'S WEBSITE

www.hwakoon.com

STOCK CODE

1726

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of HKE Holdings Limited (the "Company", together with its subsidiaries, the "Group", "we" or "us"), I am delighted to present our first annual report of the Group for the year ended 30 June 2018 ("Review Year").

The ordinary shares of the Company (the "Shares") were successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 April 2018 (the "Listing Date") by way of Share Offer which marked a significant milestone for our Group. 200,000,000 Shares were issued at a price of HK$0.55 per Share under the share offer, raising net proceeds of approximately HK$84.0 million (after deducting the underwriting fees and other related listing expenses). The additional capital raised and a broader capital base as a result of the Listing allow us to expand our business. It also provided our Group an opportunity to strengthen our corporate governance and further promote our Group as a well-organised establishment to the public.

For the Review Year, the revenue of the Group was approximately S$13.9 million, gross profit was approximately S$5.8 million and profit before taxation was approximately S$1.7 million.

Looking ahead, the Group is positive about the prospects of Singapore's medical construction market. During the recent speech by Mr. Gan Kim Yong, Minister for Health, at the Ministry of Health Committee of Supply Debate 2018, the minister reiterated the vision of the Ministry of Health in increasing healthcare facilities to improve accessibility, quality and affordability of healthcare in Singapore. The upcoming projects by the minister included Woodlands Health Campus, Outram Community Hospital, the new National Cancer Centre, Sengkang Hospitals, CGH Medical Centre, and the new Centre for Oral Health at NUH, which are currently in our Group's pipeline of upcoming projects.

I am optimistic that the Group will achieve stable growth given our solid track record and experienced project management teams. At the same time, the Group will actively explore emerging building technologies to improve our productivity and to prepare ourselves for future opportunities. The Group continues to focus on strengthening its market position for the building construction works in the medical and healthcare sectors in Singapore.

I would like to take this opportunity to express my gratitude to all our shareholders, fellow members of the Board, the senior management and staff of all levels for their dedication and effort over the years. In addition, on behalf of the Board, I would also like to express our most sincere thanks to all our customers, suppliers and business partners for their continuous support.

Ang Kong Meng
Chairman and Non-Executive Director

Hong Kong, 21 September 2018

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group is a Singapore-based contractor specialised in the medical and healthcare sectors with expertise in performing radiation shielding works. The Group mainly provides integrated design and building services for hospitals and clinics in Singapore. To a lesser extent, the Group is also engaged in providing maintenance and other services, as well as sales of tools and materials.

During the year ended 30 June 2018, the revenue of the Group decreased by 6.8% to approximately S$13.9 million as compared to approximately S$14.9 million for the year ended 30 June 2017. The drop in revenue was contributed by (i) delay in tendering processing of several sizable tendered projects which the Group originally expected to be awarded during the year ended 30 June 2018; (ii) certain downward adjustment on contract sum on one of the major projects on hand upon final negotiation with customer; and (iii) delay or cancellation of work order for a few projects.

Over the years, the Singapore Government has progressively planned its healthcare facilities and infrastructure developments to meet growing demand for healthcare needs and at the same time strengthening its position as a regional medical hub. These developments include new building construction, refurbishment, addition and alteration works, demolition, repair and maintenance work on medical-related facilities. Example of recent new healthcare facilities construction projects include, the new national cancer centre that has commenced work in May 2017 and is expected to be completed in May 2020 and an extensive redevelopment and expansion master plan for the Singapore General Hospital Campus which will span across the next two decades. New clean rooms and radiology-related facilities are generally required in the new healthcare facilities. The Directors are therefore of the opinion that the Singapore Government's initiative to increase the medical-related facilities will, therefore, drive the demand for medical-related radiation shielding works.

FINANCIAL REVIEW

Revenue

The Group's principal operating activities are as follows: (i) integrated design and building services; (ii) maintenance and other services; and (iii) sales of tools and materials.

An analysis of the Group's revenue for the financial year ended 30 June 2018 compared to the year ended 30 June 2017 is as follows:

	2018 **S$**	2017 S$
Revenue from:		
Integrated design and building services	**13,358,328**	14,571,194
Maintenance and other services	**474,386**	330,370
Sales of tools and materials	**95,906**	35,854
	13,928,620	14,937,418

Management Discussion and Analysis

The Group's revenue decreased from approximately S$14.9 million for the year ended 30 June 2017 to approximately S$13.9 million for the year ended 30 June 2018, representing a decrease of approximately S$1.0 million or 6.8%.

Revenue deriving from integrated design and building services decreased by approximately S$1.2 million or 8.3% from approximately S$14.6 million for the year ended 30 June 2017 to approximately S$13.4 million for the year ended 30 June 2018. Such decrease was mainly contributed by i) the downward adjustment on of contract sum of one of the major projects upon final negotiation with customer and delay or cancellation of work orders for a few projects; and ii) delay in tendering processing of several sizable tendered projects which the Group originally expected to be awarded during the year ended 30 June 2018.

Revenue deriving from maintenance and other services increased by approximately S$0.2 million or 43.6% from approximately S$0.3 million for the year ended 30 June 2017 to approximately S$0.5 million for the year ended 30 June 2018. This was mainly contributed by increased recurring maintenance services procured by our customer due to good relationship built with them during prior projects.

The increase in sales of tools and materials by approximately $0.1 million or 167.5% was due to an increase in export sales of lead materials in the year ended 30 June 2018.

Cost of Services/Sales

The Group's cost of services/sales decreased from approximately S$8.4 million for the year ended 30 June 2017 to approximately S$8.2 million for the year ended 30 June 2018, representing a decrease of approximately S$0.2 million or 3.2%.

Such decrease was mainly attributable to the decrease in materials used by the Group along with the decrease in revenue derived from the integrated design and building services during the year ended 30 June 2018. The direct material cost of the Group was approximately S$1.5 million in the year ended 30 June 2018, representing a decrease of approximately S$1.0 million or 39.9% from approximately S$2.5 million in the year ended 30 June 2017.

The decrease in material cost was offset by the increased use of sub-contractors by the Group during the year ended 30 June 2018 by approximately S$0.6 million or 19.2% as compared to the year ended 30 June 2017. The increased use of sub-contractors for the year ended 30 June 2018 was mainly due to the increased work scope of projects involved by the Group requiring specialized skills such as M&E works relating to ACMV and fitting-out works involving carpentry works.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 30 June 2018 amounted to approximately S$5.8 million, representing a decrease of approximately 11.4% as compared with approximately S$6.5 million for the year ended 30 June 2017, which was due to decrease in revenue for the same period. The Group's gross profit margin for the year ended 30 June 2018 was approximately 41.4%, as compared with approximately 43.6% for the year ended 30 June 2017. The slight decrease in the gross profit margin over the year ended 30 June 2017 was mainly attributable to the more competitive pricing provided to customer to secure new projects during the financial year ended 30 June 2018.

Other Gains

The Group's other gains significantly increased by approximately S$0.4 million or 290.7% from approximately S$0.1 million for the year ended 30 June 2017 to approximately S$0.5 million for the year ended 30 June 2018. Such significant increase in other gains was mainly due to the recognition of unrealised foreign exchange gain of approximately S$0.5 million for the cash and cash equivalents, arising from the Net Proceeds (as defined herein), denominated in Hong Kong dollars and United States dollars.

Administrative Expenses

The Group's administrative expenses increased by S$0.7 million or 109.4% from approximately S$0.6 million for the year ended 30 June 2017 to approximately S$1.3 million for the year ended 30 June 2018. The following is a discussion on the material changes in the components of administrative expense:

Total staff cost arising from administrative expenses (including directors' remuneration) increased by S$0.2 million or 34.9% from approximately S$0.4 million for the year ended 30 June 2017 to approximately S$0.6 million for the year ended 30 June 2018. The increase was mainly contributed by the increase in head count for the finance and procurement department.

The professional fees of the Group increased by S$0.3 million or 1,084.0% during the financial year ended 30 June 2018. Such increase was mainly due to the additional administrative and compliance cost as a listed company in connection with the listing of the Company's shares (the "Listing").

The entertainment and travelling expenses for the Group increased by S$0.2 million or 943.0% during the year ended 30 June 2018. The increase was mainly due to the corporate events organized by the Group to promote brand awareness of the Group to potential clients and suppliers.

Income Tax Expense

Income tax expense decreased from approximately S$0.9 million for the year ended 30 June 2017 to approximately S$0.8 million for the year ended 30 June 2018. Such decrease was due to the decrease in our profit before income tax, partially offset by the recognition of deferred tax liabilities which arose mainly from the excess of tax over book depreciation of plant and equipment.

Profit for the Year

As a result of the above factors, the Group recorded a profit for the year of approximately S$0.9 million for the year ended 30 June 2018 (2017: approximately S$5.2 million). If the non-recurring Listing expenses incurred in the year ended 30 June 2018 of approximately S$3.4 million were excluded, the Group would have recorded a profit for the year of approximately S$4.3 million in the year ended 30 June 2018, representing a decrease of approximately S$0.9 million as compared to the year ended 30 June 2017. The decrease was mainly due to the combined effect of lower gross profit and higher administrative expenses.

Management Discussion and Analysis

Final Dividend

The Board did not recommend a payment of a final dividend in the financial year ended 30 June 2018.

Liquidity, Financial Resources and Capital Structure

The Shares were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 April 2018 and there has been no change in capital structure of the Group since then.

As at 30 June 2018, the Group had total cash and bank balances of approximately S$21.0 million (2017: approximately S$4.0 million). The increase was mainly due to the net proceeds received from the Listing.

Treasury Policy

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

Gearing ratio

Gearing ratio is calculated by dividing all borrowings by total equity at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 30 June 2018 was 0% (as at 30 June 2017: 0%).

Pledge of Assets

As at 30 June 2018, the Group had approximately S$0.2 million (2017: S$Nil) of pledged bank deposit for corresponding amount of performance guarantee issued in favour of a customer.

Foreign Exchange Risk

The Group transacts mainly in Singapore dollars, which is the functional currency of all the Group's operating subsidiaries. However, the Group retains some proceeds from the Listing in Hong Kong dollars and United States dollars amounting to approximately S$1.3 million and S$14.8 million, respectively, as at 30 June 2018 (2017: S$Nil) that are exposed to foreign exchange rate risks. The Group recorded an unrealised foreign exchange gain of approximately S$0.5 million in the financial year ended 30 June 2018 (2017: S$Nil).

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

Apart from the reorganisation in relation to the Listing (as set out under the section headed "History, Development and Reorganisation" of the prospectus of the Company dated 28 March 2018 (the "Prospectus")), there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 30 June 2018. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 30 June 2018.

Management Discussion and Analysis

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets as at 30 June 2018.

Employees and Remuneration Policy

As at 30 June 2018, the Group employed a total of 43 full-time employees (including two executive Directors), as compared to the 40 full-time employees as at 30 June 2017. Total staff costs including directors' emoluments in the year ended 30 June 2018 amounted to approximately S$2.6 million (2017: approximately S$2.3 million), salaries, wages and other staff benefits, contributions and retirement schemes. In order to attract and retain valuable employees, the performance of the Group's employees are annually reviewed. The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from central provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Environmental Policies and Performance

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

Capital Commitments and Contingent Liabilities

As at 30 June 2018, the Group has provided guarantee to two customers in respect of performance bonds in favour of the customers amounting to approximately S$200,000, in which approximately S$174,000 was pledged with a restricted bank deposit amounting to $175,000.

As at 30 June 2018, the Group had no material capital commitments.

Use of Net Proceeds from the Listing

The net proceeds from the Listing, after deducting listing expenses (including underwriting fee), and other expenses arising from the Listing ("Net Proceeds") were approximately HK$84.0 million. The Group intends to apply the Net Proceeds in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" to the Prospectus. As stated in the Prospectus, our Company intended to apply the Net Proceeds for: (i) acquisition of additional property for workshop and office use; (ii) strengthening our manpower by recruiting additional staff; (iii) increasing our reserve for financing the issue of performance guarantees in favour of our customers; (iv) financing the acquisition of additional motor vehicles and additional machinery; (v) increasing our marketing efforts; and (vi) use as general working capital.

Management Discussion and Analysis

The Net Proceeds received applied by the Group during the period from the Listing Date up to 30 June 2018 as follows:

Use of Net Proceeds:	Planned use of Net Proceeds HK$'000	Actual use of Net Proceeds from the Listing Date to 30 June 2018 HK$'000	Unused amount HK$'000
Acquisition of additional property for workshop and office use (Note 1)	34,000	—	34,000
Recruiting additional staff	21,500	989	20,511
Issue of performance guarantees	4,800	143	4,657
Acquisition of additional motor vehicles and machinery (Note 2)	5,100	—	5,100
Increasing our marketing efforts	2,300	1,083	1,217
Use as general working capital	6,300	6,300	—

Note 1: As at 30 June 2018, the Directors were currently considering quotations from a few property agents in deciding the best location and price for the acquisition of the new property.

Note 2: As at 30 June 2018, the Group has yet to acquire any motor vehicles and machineries using the Net Proceeds, as the Group is still in discussion with potential vendors in securing the most competitive pricing.

Biography of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Ang Kong Meng, aged 67, is the chairman of the Board and a non-executive Director. He was appointed as a Director on 18 August 2017, and was redesignated as a non-executive Director and appointed as chairman of the Board on 17 September 2017. He is also a member of the audit committee of the Company with effect from 18 April 2018. Mr. Ang has been a director and a shareholder of Hwa Koon Engineering Pte Ltd ("**Hwa Koon**") since 16 February 2015. Mr. Ang is a director of Skylight Illumination Limited, being one of the controlling shareholders of the Company, and is also a director of Philosophy Global Limited. Mr. Ang is the brother of the founder of the Group, Mr. Ang Hwa Koon, and is the husband of the sister of Mr. Ryan Ong Wei Liang's father. Mr. Ang Hwa Koon's wife is the sister of Mr. Koh Lee Huat's father.

Mr. Ang obtained a Bachelor of Accountancy from The University of Singapore in July 1976. Mr. Ang has over 40 years of experience in accounting. Mr. Ang had worked at an accounting firm in Singapore for three years before establishing his accounting and business advisory firm, Ang & Co, in December 1979. In March 1992, Mr. Ang became a partner of Lee Boon Song & Co, a local public accounting firm in Singapore. In January 2013, in anticipation of carrying on the business of the two accounting firms in the form of public accounting corporation, Mr. Ang and other partners established Ang & Co PAC and Lee Boon Song & Co PAC, and subsequently Ang & Co and Lee Boon Song & Co were both voluntarily removed from the register in December 2013. Mr. Ang has been a fellow of Institute of Certified Public Accountants of Singapore since July 2004, a fellow of the Association of Chartered Certified Accountants since March 2006, and an Accredited Tax Advisor of the Singapore Institute of Accredited Tax Professionals since September 2010.

Mr. Ang had been a non-executive director of Asian American Medical Group Limited, a company whose shares are listed on the Australian Securities Exchange Limited (stock code: AJJ), from February 2016 to February 2018.

EXECUTIVE DIRECTORS

Mr. Koh Lee Huat, aged 48, is the chief executive officer of the Company and an executive Director. He was appointed as a Director on 18 August 2017, and was redesignated as an executive Director on 17 September 2017. He is also a member of the remuneration committee of the Company with effect from 18 April 2018. Mr. Koh has been a director and a shareholder of Hwa Koon since 25 January 2007. Mr. Koh is responsible for the day to day operations and overall project management, formulating corporate and business strategies and making major operation decisions of the Group. Mr. Koh is a director of Skylight Illumination Limited, being one of the controlling shareholders of the Company, and is also a director of Philosophy Global Limited. Mr. Koh is the nephew of Mr. Ang Hwa Koon by virtue of being the son of the brother of Mr. Ang Hwa Koon's wife. Mr. Ang Kong Meng is the brother of Mr. Ang Hwa Koon.

Mr. Koh has over 21 years of experience in the construction industry specialising in radiation shielding works. Mr. Koh gained technical work experience by starting as a technical officer at the Singapore Institute of Standards and Industrial Research (SISIR) in January 1995, eventually leading a team of technicians on laboratory tools calibration and field testing. Mr. Koh joined the Group in January 1996 as a site supervisor and was promoted to project manager in January 2002.

Biography of Directors and Senior Management

Mr. Koh obtained a Diploma in Mechanical Engineering from Ngee Ann Polytechnic of Singapore in August 1992. In addition, Mr. Koh obtained certificates of completion of the following courses: Introduction to Radiation Safety, conducted by The National University of Singapore in March 1996; Risk Management Course, conducted by Absolute Kinetics Consultancy Pte Ltd in November 2006; Building Construction Supervisors Safety Course, conducted by The Singapore Contractors Association Ltd (SCAL) SCAL Academy in April 2008; and Work-at-Height Course for Supervisors, conducted by Greensafe International Pte Ltd in November 2013.

Mr. Ryan Ong Wei Liang, aged 34, is an executive Director. He was appointed as a Director on 18 August 2017, and was re-designated as an executive Director on 17 September 2017. He is also a member of the nomination committee of the Company with effect from 18 April 2018. Mr. Ong joined Hwa Koon in December 2011 and has taken up a senior management position since February 2013, and has been a director of Hwa Koon since 16 July 2015. Mr. Ong is responsible for business development of the Group and risk management of the Group's projects. Mr. Ong is a director of Skylight Illumination Limited, being one of the controlling shareholders of the Company, and is also a director of Philosophy Global Limited. Mr. Ong is the son of the brother of Mr. Ang Kong Meng's wife.

Mr. Ong has over 5 years of experience in the construction industry specialising in radiation shielding works. Prior to joining Hwa Koon, Mr. Ong was a relationship manager in consumer banking at Standard Chartered Bank (Singapore) Limited from July 2009 to November 2011. He joined Hwa Koon in December 2011 as a business development manager and was promoted to senior business manager on 1 February 2013. Mr. Ong became a director and a shareholder of Hwa Koon on 16 July 2015.

Mr. Ong obtained a Bachelor of Business (Management) from Royal Melbourne Institute of Technology of Australia in conjunction with Singapore Institute of Management in August 2009. In addition, Mr. Ong received certificates for completing the following courses: Building Construction Supervisors Safety Course, conducted by Tat Hong Training Centre in December 2011; Risk Management Course, conducted by NTUC LearningHub Pte Ltd in January 2012; Workplace Safety and Health, conducted by Singapore Workforce Development Agency in November 2012; Basic Ionising Radiation Safety (General) Course, conducted by Singapore Environment Institute, National Environment Agency Singapore in March 2015; Best Practices for Green and Gracious Builder in May 2016 conducted by Building and Construction Authority of Singapore.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Siu Man Ho Simon, aged 44, was appointed as an independent non-executive Director on 15 March 2018. He is also a member of the audit committee of the Company and the chairman of the remuneration committee of the Company with effect from 18 April 2018. He is primarily responsible for providing independent judgment on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

Mr. Siu is a practicing solicitor of the High Court of Hong Kong and a China Appointed Attesting Officer appointed by the Ministry of Justice of the PRC. Mr. Siu is currently a partner of the law firm, Sit, Fung, Kwong & Shum, Solicitors, which he first joined as a solicitor in January 2000 and has been continuously serving there since then. His areas of practice include corporate finance, capital markets, securities, mergers and acquisitions, joint ventures and general commercial matters. Mr. Siu also actively participates in charitable and social services in Hong Kong. He is currently acting as a legal advisor for United Hearts Youth Foundation and a honorable legal advisor of the Hong Kong Taekwondo Association as well as the school manager of The Association of Directors & Former Directors of Pok Oi Hospital Leung Sing Tak College. Mr. Siu obtained his Bachelor of Laws degree from the University of Hong Kong in November 1996.

Mr. Siu has been an independent non-executive director of each of Wai Yuen Tong Medicine Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 897), Brilliant Circle Holdings International Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1008), Weiye Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1570) and Shuang Yun Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1706) since August 2001, March 2009, March 2016, and October 2017, respectively. He was an independent non-executive director of Jiashili Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1285) from June 2015 until December 2015.

Prof. Pong Kam Keung, aged 56, was appointed as an independent non-executive Director on 15 March 2018. He is also a member of the remuneration committee and the chairman of the nomination committee of the Company with effect from 18 April 2018. He is primarily responsible for providing independent judgment to bear on issuers of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

Prof. Pong was a member of the Disciplinary Tribunal of the Hong Kong Institute of Chartered Secretaries for 2015. Prof. Pong was the chief prosecution officer of the Environment Protection Department of the Government from July 2004 to July 2013. He served as advisor to the Hong Kong Architecture Centre from 2011 to 2013. He was also a member of the Appeal Tribunal Panel of the Planning and Lands Branch of the Development Bureau of the Government from February 2007 to November 2012 and a member of the Advisory Committee on Barrier Free Access of the Buildings Department which expired in July 2003.

Prof. Pong obtained a degree of Bachelor of Science in Building Surveying from the Thames Polytechnic, United Kingdom in June 1989, a degree of Master of Science in Property Investment from the City University of London, United Kingdom in December 1993, a degree of Bachelor of Laws through a distance learning program from the University of Wolverhampton, United Kingdom in September 1995, a Postgraduate Certificate in Laws from the University of Hong Kong in June 1997, a degree of Master of Science in Urban Planning from the University of Hong Kong in December 2005 and a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in October 2008.

Prof. Pong is an authorised person (list of surveyors) registered with the Building Authority from September 2015. Prof. Pong is currently a certified tax adviser of the Taxation Institute of Hong Kong. Prof. Pong has been a fellow of the Hong Kong Institute of Construction Managers since August 2016, the Hong Kong Institute of Facility Management since July 2000, the Hong Kong Institute of Surveyors since November 2000, the Chartered Institute of Arbitrators since January 2001, the Royal Institution of Chartered Surveyor since January 2006 and the Hong Kong Institute of Chartered Secretaries since October 2012.

Prof. Pong was appointed as a non-executive director of Star Properties Group (Cayman Islands) Limited (stock code: 1560) from March 2016 and subsequently re-designated as an executive director from September 2018, a company listed on the Main Board of the Stock Exchange; and an independent non-executive director of Shuang Yun Holdings Limited (stock code: 1706) from October 2017, Wang Yang Holdings Limited (stock code: 1735) from March 2018 and FSM Holdings Limited (stock code: 1721) from June 2018, companies listed on the Main Board of the Stock Exchange. He was an executive director of Sundart Holdings Limited (stock code: 1568) from July 2015 to February 2018, a company listed on the Main Board of the Stock Exchange. Prof. Pong is also an adjunct professor in the Division of Environment of The Hong Kong University of Science and Technology from December 2013.

Biography of Directors and Senior Management

Mr. Cheung Kwok Yan Wilfred, aged 38, was appointed as an independent non-executive Director on 15 March 2018. He is also the chairman of the audit committee and a member of the nomination committee of the Company with effect from 18 April 2018. He is primarily responsible for providing independent judgement on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

Mr. Cheung graduated from the University of Buckingham in the United Kingdom with a Bachelor of Science (Economics) in February 2005. Mr. Cheung is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors, a member of the Institute of Chartered Accountants in England and Wales. Mr. Cheung joined Moores Rowland Mazars in September 2005 as associate and was later transferred to Mazars CPA Limited after its reorganisation in June 2007. Mr. Cheung left Mazars CPA Limited in October 2007 as an associate and joined Grant Thornton as senior accountant in its China practice division until December 2008. Mr. Cheung then worked for the Royal Bank of Canada Europe Limited as accounts preparer in its CEES UK Department from March 2009 to January 2010. Mr. Cheung was employed by Asia Investment Finance Group Limited (formerly known as "Harmonic Strait Financial Holdings Limited" and "Rainbow Brothers Limited") (stock code: 33), the issued shares of which are listed on the Main Board of the Stock Exchange, from February 2010 to August 2010 as senior associate in corporate finance. Mr. Cheung later joined Mega International Food Limited as its financial controller in September 2010 and was appointed as general manager of its fellow subsidiary, Poly Shining Limited, and Mr. Cheung left the group in March 2013. From August 2013 to May 2018, Mr. Cheung worked at The Gate Worldwide Limited, an international advertising and marketing agency, with his initial position as a senior finance manager and was promoted to a finance director in July 2015. Mr. Cheung joined Publicis Media, a French multinational advertising and public relations company, as finance director since July 2018.

Mr. Cheung has been an independent non-executive director of Affluent Foundation Holdings Limited (stock code: 1757), the issued shares of which are listed on the Main Board of the Stock Exchange, since May 2018. He had been an independent non-executive director of Chun Sing Engineering Holdings Limited (stock code: 2277) (currently known as Huarong Investment Stock Corporation Limited), the issued shares of which are listed on the Main Board of the Stock Exchange, from December 2014 to June 2016 and he was an independent non-executive director of LEAP Holdings Group Limited (stock code: 1499), the issued shares of which are listed on the Main Board of the Stock Exchange, from August 2015 to November 2017.

SENIOR MANAGEMENT

Ms. Ho Poh Ling, aged 46, joined Hwa Koon as site supervisor on 19 June 2009 and was promoted to senior project manager on 1 December 2012. She is primarily responsible for ensuring that the projects are delivered on-time and within scope and budget. She has 16 years of experience in the construction industry. Prior to joining the Group, Ms. Ho worked at A-Track Constructor Pte Ltd from June 2001 to March 2008 as a human resources and administrative officer. Ms. Ho holds a certificate in building construction safety supervisors course issued in October 2001 by the Ministry of Manpower of the Singapore Government.

Ms. Ramirez Winnie Dainne Barit, aged 35, joined Hwa Koon as design draftsperson on 18 October 2010 and was promoted to head of architectural design and medical planner on 14 January 2014. She is primarily responsible for the planning of space workflow within medical facilities designed by the Group. She has 12 years of experience in architectural design, having started as an AutoCAD operator for City Planning and Development Office in Philippines in May 2005 and continued working there until October 2008. She then worked as a CAD designer at Re:Source Partners in Philippines before serving as a junior architect at Metroconcepts Inc. in Philippines from September 2009 to December 2009. Ms. Ramirez holds a Bachelor of Science in Architecture issued by Rizal Technological University in Philippines in April 2007. She was entered into the registry book of professionals as an architect by the board of architecture of the Philippines on 2 July 2010. She holds two certificates both issued by BCA Academy, one for Code of Practice on Buildable Design issued in March 2016 and one for having attended BIM Planning Course in January 2016.

Ms. Lee Shu Hsien, aged 28, is the chief financial officer of the Company. Ms. Lee was appointed on 31 July 2017. Ms. Lee is responsible for the management of financial reporting, investor relations, tax and treasury matters of the Group. Ms. Lee worked at Ernst & Young in Kuala Lumpur, Malaysia, from October 2011 to July 2014 with her last position as a senior audit associate. Then she joined Ernst & Young LLP in Singapore, in October 2014 until July 2017 with her last position as an audit assistant manager. In December 2008, she was awarded a certificate of completion by Sunway University College for having completed the introductory, intermediate and advanced levels of the Certified Accounting Technicians Examinations. Ms. Lee was awarded a certificate of completion by Sunway College in October 2011 for having successfully completed all levels of the Association of Chartered Certified Accountants June 2011 Examinations. She holds a fundamental level certificate awarded in August 2010 and a professional level certificate awarded in August 2011 by the Association of Chartered Certified Accountants.

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and enhance its corporate value. The Company adopted all the code provisions in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code on corporate governance practices.

Throughout the period from the date of listing of the Shares of the Company on the Stock Exchange on 18 April 2018 (the "Listing Date") to 30 June 2018, the Company complied with the code provisions set out in the CG Code.

BOARD OF DIRECTORS

The Company is governed by the Board which is responsible for the day to day operations, overseeing the overall business development and project management, formulating corporate and business strategies and making major operation decisions of the Group as well as monitoring the internal control policies and the risk management of the Group's projects and evaluating the financial performance of the Group. The Board sets the overall policies, strategy and directions for the Group with a view to developing its business and enhancing the shareholders value. The Board meets regularly throughout the year to formulate overall strategy, monitor business development as well as the financial performance of the Group. The Board has delegated certain duties and authorities to the management for ensuring the Group's projects delivered on-time and within scope and budget, planning of space workflow within medical facilities designated by the Group and managing of financial reporting, investor relations, tax and treasury matters of the Group. The Board may discharge its corporate governance duties by establishment of board committees and delegation of certain management and administration functions to the management. During the year, the Board reviewed the effectiveness of the risk management and internal controls systems of the Group.

The Board currently comprises one non-executive Director, namely Mr. Ang Kong Meng (chairman), two executive Directors, namely Mr. Koh Lee Huat (chief executive officer) and Mr. Ryan Ong Wei Liang and three independent non-executive Directors (the "INED"), namely Mr. Siu Man Ho Simon, Mr. Cheung Kwok Yan Wilfred and Prof. Pong Kam Keung.

Mr. Ang Kong Meng is the brother of the founder of the Group, Mr. Ang Hwa Koon, and is the husband of the sister of Mr. Ryan Ong Wei Liang's father. Mr. Ang Hwa Koon's wife is the sister of Mr. Koh Lee Huat's father.

No regular board meeting and general meeting was held during the year ended 30 June 2018 due to the short span of time after the Listing Date. A board meeting was held on 21 September 2018 to consider and approve the final results of the Company for the year ended 30 June 2018 and to convene the annual general meeting of the Company. The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

During the year ended 30 June 2018, trainings have been attended by all Directors, Mr. Ang Kong Meng, Mr. Koh Lee Huat, Mr. Ryan Ong Wei Liang, Mr. Siu Man Ho Simon, Mr. Cheung Kwok Yan Wilfred and Prof. Pong Kam Keung, covering a wide range of topics including laws and regulations applicable to listed companies and their directors, general rules on directors' duties, corporate governance code, disclosure of interests, notifiable transactions, connected transactions, disclosure of inside information, continuing disclosure obligations, market misconduct and codes on takeovers and mergers and share buy-backs.

In compliance with the Listing Rules, the Company appointed INEDs with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The INEDs, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence from each of the INEDs and believes that their independence is in compliance with the Listing Rules.

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The term of appointment pursuant to the letter of appointment of Mr. Ang Kong Meng is for a period of three years till April 2021 and the term of appointment pursuant to the letters of appointment of Mr. Siu Man Ho Simon, Mr. Cheung Kwok Yan Wilfred and Prof. Pong Kam Keung is for a period of one year till April 2019. The non-executive directors of the Company are subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting pursuant to the amended and restated articles of association ("Articles of Association") of the Company.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by Directors and by relevant employees of the Company. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and its code of conduct regarding directors' securities transactions throughout the period from the Listing Date to the date of this report.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with the CG Code of the Listing Rules. The remuneration committee comprises one executive Director, namely Mr. Koh Lee Huat, and two INEDs, namely Mr. Siu Man Ho Simon and Prof. Pong Kam Keung. The remuneration committee is chaired by Mr. Siu Man Ho Simon.

The primary duties of the remuneration committee are to make recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy; and on the Company's policy and structure for all Directors' and senior management's remuneration and on the remuneration of non-executive Directors. The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance, other companies in the industry in which the Group operates and current market practice. The remuneration committee adopted the model under the CG Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

No remuneration committee meeting was held during the year ended 30 June 2018 due to the short span of time after the Listing Date.

Details of emoluments of the Directors for the year are disclosed in note 10 to the financial statements and the retirement benefit schemes are disclosed in note 23 to the financial statements.

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with the CG Code of the Listing Rules. The nomination committee comprises one executive Director, namely Mr. Ryan Ong Wei Liang, and two INEDs, namely Prof. Pong Kam Keung and Mr. Cheung Kwok Yan Wilfred. The nomination committee is chaired by Prof. Pong Kam Keung.

The primary duties of the nomination committee are reviewing the structure, size and composition of the Board, considering inter alia the skills, knowledge and experience of the Board as a whole, identifying qualified individuals to become members of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

No nomination committee meeting was held during the year ended 30 June 2018 due to the short span of time after the Listing Date.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG Code of the Listing Rules. The audit committee comprises one non-executive Director, namely Mr. Ang Kong Meng and two INEDs, namely Mr. Cheung Kwok Yan Wilfred and Mr. Siu Man Ho Simon. The audit committee is chaired by Mr. Cheung Kwok Yan Wilfred.

The primary duties of the audit committee are to review the risk management and internal control systems, the Group's financial and accounting policies and practices and the financial statements and reports of the Company; approve the terms of engagement of the auditor; and discuss the scope of audit work with the auditor.

The audit committee is also responsible for developing and reviewing the Company's policies and practices on corporate governance; reviewing the Company's compliance with the CG code and disclosure in the corporate governance report; and reviewing and monitoring the training and continuous professional development of directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements; and etc.

During the year ended 30 June 2018, one audit committee meeting was held to review and discuss the audit plan of the Company including the nature, timing, fee and scope of audit, significant risks and areas of audit focus, internal control plan and etc. The attendance record of the members of the audit committee is as follows:

Name of Director	No. of Audit Committee Meeting attended
Mr. Cheung Kwok Yan Wilfred	1
Mr. Siu Man Ho Simon	1
Mr. Ang Kong Meng	1

An audit committee meeting of the Company was held on 21 September 2018 to review the annual results of the Company for the year ended 30 June 2018, the compliance with the CG Code and the disclosure in the corporate governance report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for overseeing the preparation of the financial statements which give a true and fair view of the financial position of the Group on a going concern basis and which are in compliance with the relevant accounting standard and principles, applicable laws and disclosure provisions of the Listing Rules. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITOR AND THEIR REMUNERATION

The statement of the auditor of the Company about their reporting responsibilities on the Group's financial statements for the year ended 30 June 2018 is set out in the section "Independent Auditor's Report" of this report. During the year, remuneration paid and payable to the auditor of the Group are approximately S$100,000 for annual audit fee, S$540,000 for audit fee in connection with the listing of the Company and S$nil for non-audit services.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "Policy") which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Board will review such objectives from time to time to ensure their appropriateness and the progress made towards achieving those objectives. The Company will also take into consideration its own specific needs from time to time in determining the optimum composition of the Board.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company is aiming to develop a good risk management and internal control system for managing operational and financial risks. The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems in order to safeguard the interests of the shareholders and the assets of the Company against unauthorized use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

Internal control is reviewed on an annual basis by an engaged external internal control reviewer that works closely with management team of the Company in improving any material deficiency in control. The management of the Company reviews and assesses the risk management and internal control of the Company on a regular basis by meeting regularly to discuss possible improvements to any internal control process, whenever it is necessary, and to identify, evaluate and manage significant risks and resolve internal control defects. Any material non-compliance or failures in internal controls and recommendation for its improvements will be reported to the audit committee of the Company. The management of the Company also considers the findings and recommendations from the external auditors and the internal control reviewer to ensure continuous improvements in the internal control processes. The Directors, senior management and staff of the Company work very closely together. Directors and senior management will be able to monitor closely on the effectiveness of the internal controls. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The procedures and internal controls of the Company for handling and dissemination of inside information include conducting the affairs of the Company with close regard to the Guidelines on Disclosure of Inside Information published by Securities and Futures Commission and the Listing Rules and reminding the Directors and employees of the Group regularly about due compliance with all polices regarding inside information.

During the year, the Board reviewed the effectiveness of the Group's risk management and internal control systems and considered the Group's risk management and internal control systems are effective and adequate.

The Company does not have an internal audit function. The Company is currently of the view that there is no immediate need to set up an internal audit function in light of the Group's simple corporate and operation structure and being active in only one geographical location. Review on the need for an internal audit function will be performed from time to time.

COMPANY SECRETARY

The Company engages Ms. Cheng Florence Ga Sui, who has been working with BPO Global Services Limited, as its company secretary. Its primary corporate contact person at the Company is Ms. Lee Shu Hsien, the chief financial officer of the Company.

SHAREHOLDERS' RIGHTS

Pursuant to the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders of the Company (the "Shareholder(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

The Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph. The written requisition should be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong, specifying the Shareholders' contact details and the resolution intended to be put forward at general meeting.

For including a resolution to propose a person for election as a Director at general meeting, the Shareholders are requested to follow the Articles of Association. A notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong or at the Hong Kong branch share registrar and transfer office of the Company. The period for lodgment of the notices required under the Article of Association will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for the Shareholders to propose a person for election as a Director are posted on the Company's website.

The Shareholders should direct their questions about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong. The Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. The Shareholders and the investment community may also make enquiries to the Board by writing to the company secretary of the Company at the Company's principal place of business in Hong Kong at Suites 1604–6, 16th Floor, ICBC Tower, 3 Garden Road Central, Hong Kong.

INVESTOR RELATIONS

This objective of the Shareholders' communication is to ensure that the Shareholders, both individual and institutional, and the investment community at large, are provided with ready, equal and timely access to transparent, accurate, balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company.

Information shall be communicated to the Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened as well as by making available all the disclosures submitted to the Stock Exchange and all its corporate communications and other corporate publications on the Company website and the Stock Exchange website. All press releases, newsletters and etc. issued by the Group will be made available on the Company website (www.hwakoon.com) which provides an effective communication platform to the public and the shareholders of the Company.

The amended and restated memorandum and articles of association of the Company was adopted on 15 March 2018 (the "Adoption Date"). There had been no significant change in the Company's constitutional documents since the Adoption Date.

Report of The Directors

The Directors are pleased to present their first report together with the consolidated financial statements of the Group for year ended 30 June 2018 ("Financial Statements").

The Company was incorporated in the Cayman Islands with limited liability on 18 August 2017. The Company completed the corporate reorganisation (the "Reorganisation") on 2 March 2018 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the Prospectus. The Shares were listed on the Stock Exchange on 18 April 2018 by way of share offer.

PRINCIPAL PLACE OF BUSINESS

The headquarters and principal place of business of the Company is located at 10 Admiralty Street, #02–47 North Link Building, Singapore 757695.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its operating subsidiary, Hwa Koon Engineering Pte Ltd, are provision of integrated design and building services in the medical and healthcare sectors with expertise in performing radiation shielding works. The principal activities of the subsidiaries of the Group are set out in note 28 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year ended 30 June 2018.

RESULTS/BUSINESS REVIEW

The results of the Group for the year ended 30 June 2018 are set out in the section headed "Independent Auditor's Report" on page 55 in this annual report.

A review of the business of the Group for the year ended 30 June 2018, which includes a description of the principal risks and uncertainties facing the Group, an analysis using financial key performance indicators of the Group's business, particulars of important events affecting the Group, an indication of likely future developments in the Group's business, and discussion on the Company's environmental policies and performance and the relationships with its stakeholders, can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report", "Environmental, Social and Governance Report" and "Independent Auditor's Report" of this annual report. The review forms part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 30 June 2018, as far as the Directors are aware, the Company did not have any non-compliance with relevant laws and regulations that is material or systemic in nature.

CLOSURE OF REGISTER OF SHAREHOLDERS FOR THE ENTITLEMENT OF ATTENDING AND VOTING AT THE ANNUAL GENERAL MEETING OF THE COMPANY (THE "AGM")

For the purpose of determining the rights to attend and vote at the AGM, the register of shareholders of the Company will be closed from Friday, 16 November 2018 to Wednesday, 21 November 2018 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the AGM, unregistered holders of the shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 15 November 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 30 June 2018 are set out in note 13 to the Financial Statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries during the year ended 30 June 2018 are set out in note 28 to the Financial Statements.

KEY RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are set out in the section headed "Management Discussion and Analysis" of this annual report.

SHARE CAPITAL

The Company's total issued share capital as at 30 June 2018 was 800,000,000 ordinary shares with par value of HK$0.01 per share.

Details of movements during the year ended 30 June 2018 in the share capital of the Company are set out in note 20 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 30 June 2018 are set out in the "Consolidated Statement of Changes in Equity" on page 64 of this annual report.

As at 30 June 2018, the Group has reserves amounting to approximately S$8.0 million available for distribution (2017: approximately S$7.1 million).

Report of The Directors

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Non-executive director:

Mr. Ang Kong Meng (appointed on 18 August 2017)

Executive directors:

Mr. Koh Lee Huat (appointed on 18 August 2017)
Mr. Ryan Ong Wei Liang (appointed on 18 August 2017)

Independent Non-executive directors:

Mr. Cheung Kwok Yan Wilfred (appointed on 15 March 2018)
Mr. Siu Man Ho Simon (appointed on 15 March 2018)
Prof. Pong Kam Keung (appointed on 15 March 2018)

In accordance with articles 108 (a)-(b) and 112 of the Articles of Association, all the Directors will retire by rotation and, being eligible, will offer themselves for election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considered all independent non-executive Directors to be independent.

Biographical information of the directors of the Company and the senior management of the Group are set out on pages 11 to 15 of this annual report.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the Listing Date, unless terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into an letter of appointment with the Company for a term of one year commencing from the Listing Date, unless terminated by not less than one month's notice in writing served by either party on the other.

Mr. Ang Kong Meng, being the non-executive Director, has entered into an letter of appointment with the Company for a term of three years commencing from the Listing Date, unless terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors, including those to be re-elected at the AGM, has a service agreement or letter of appointment with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

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 ended 30 June 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 ("Model Code") of the Listing Rules were as follows:

Report of The Directors

(a) Long positions in the shares of HK$0.01 each of the Company ("Shares")

Name of director	Nature of interest	Number of Shares held	Percentage of issued share capital
Mr. Ang Kong Meng ("Mr. Ang") (Note 1)	Interest in a controlled corporation and interest held jointly with another person	600,000,000	75%
Mr. Ryan Ong Wei Liang ("Mr. Ong") (Note 1)	Interest in a controlled corporation and interest held jointly with another person	600,000,000	75%
Mr. Koh Lee Huat ("Mr. Koh") (Note 1)	Interest held jointly with another person	600,000,000	75%

Note:

1. 600,000,000 Shares are held by Skylight Illumination Limited ("Skylight Illumination") which is owned as to 51% by Mr. Ang, as to 34% by Mr. Ong and as to 15% by Mr. Koh. On 7 September 2017, Mr. Ang, Mr. Ong and Mr. Koh entered into the acting in concert confirmation to confirm, among other things, that they had been acting in concert with one another since the date on which they were contemporaneously the beneficial owners of shares and to continue to act in the same manner in the Company. Therefore, Mr. Ang, Mr. Ong and Mr. Koh are deemed to be interested in all the Shares held by Skylight Illumination under the SFO.

(b) Long position in the shares of associated corporations

Name of director	Name of associated corporation	Nature of interest	No. of shares held	Percentage of interest in associated corporation
Mr. Ang (Note 1)	Skylight Illumination	Beneficial owner	51	51%
Mr. Ong (Note 1)	Skylight Illumination	Beneficial owner	34	34%
Mr. Koh (Note 1)	Skylight Illumination	Beneficial owner	15	15%

Note:

1. The Company is owned as to 75% by Skylight Illumination. Skylight Illumination is owned as to 51% by Mr. Ang, as to 34% by Mr. Ong and as to 15% by Mr. Koh.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, the following persons had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares

Name of shareholder	Nature of interest	Number of Shares held	Percentage of issued share capital
Skylight Illumination	Beneficial owner	600,000,000	75%
Mr. Ang (Note 1)	Interest in controlled corporation and interest held jointly with another person	600,000,000	75%
Mr. Ong (Note 1)	Interest in controlled corporation and interest held jointly with another person	600,000,000	75%
Mr. Koh (Note 1)	Interest held jointly with another person	600,000,000	75%
Ms. Ong Bee Eng (Note 2)	Interest of spouse	600,000,000	75%
Ms. Wang Weling, Joan (Note 3)	Interest of spouse	600,000,000	75%
Ms. Tan Peck Yen (Note 4)	Interest of spouse	600,000,000	75%

Notes:

1. Skylight Illumination is owned as to 51% by Mr. Ang, as to 34% by Mr. Ong and as to 15% by Mr. Koh. On 7 September 2017, Mr. Ang, Mr. Ong and Mr. Koh entered into the acting in concert confirmation to confirm, among other things, that they had been acting in concert with one another since the date on which they were contemporaneously the beneficial owners of shares and to continue to act in the same manner in the Company. Mr. Ang, Mr. Ong and Mr. Koh are deemed to be interested in all the Shares held by Skylight Illumination under the SFO.

2. Ms. Ong Bee Eng is the spouse of Mr. Ang. Ms. Ong is deemed to be interested in the Shares under the SFO.

3. Ms. Wang Weling, Joan is the spouse of Mr. Ong. Ms. Wang is deemed to be interested in the Shares under the SFO.

4. Ms. Tan Peck Yen is the spouse of Mr. Koh. Ms. Tan is deemed to be interested in the Shares under the SFO.

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period from the Listing Date and up to the date of this annual report was the Company or any of its subsidiaries or a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or anybody corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Apart from the contracts relating to the Reorganisation of the Group in relation to the Listing and save for the related party transactions disclosed in note 24 to the Financial Statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, or its holding company was a party and in which a Director or an entity connected with a Director had a material interests directly or indirectly subsisted at the end of the year or at any time during the year ended 30 June 2018.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders' of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 30 June 2018.

CONNECTED/RELATED PARTY TRANSACTIONS

During the year ended 30 June 2018, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

Details of the significant related party transactions undertaken in the normal course of business are set out in the note 24 to the Financial Statements.

NON-COMPETITION UNDERTAKING

Mr. Ang Kong Meng, Mr. Ryan Ong Wei Liang, Mr. Koh Lee Huat and Skylight Illumination Limited (collectively, the "Covenantors") entered into a deed of non-competition dated 15 March 2018 in favour of the Company (for itself and as trustee for other members of our Group) under the "Deed of Non-Competition". Pursuant to the Deed of Non-Competition, each of the Covenantors irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and as trustee for other members of our Group), among others, that, during the period which (i) the Shares remain listed on the Stock Exchange and (ii) the Covenantors, individually or collectively with their close associates (other than members of the Group) are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Covenantors, each of the Covenantors shall not, and shall procure each of his/its close associates (other than our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved 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.

Each of the Covenantors further undertakes that if any business investment or other commercial opportunity which may compete with the business of the Group is identified by or offered to him/it, he/it shall procure that his/its close associates to promptly notify the Group in writing not later than seven days from the date of offer and the Group shall have a right of first refusal of such opportunity. The Group shall within 30 business days after the receipt of the written notice (or such longer period, a maximum of 60 business days if the Group is required further time to assess and complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantors whether the Group will exercise the right of refusal.

The Company has received a written confirmation from the Covenantors in respect of the compliance with and the enforcement of the terms of the Deed of Non-Competition by the Covenantors during the year ended 30 June 2018.

All independent non-executive Directors have reviewed the compliance of the Deed of Non-Competition entered into by the controlling shareholders of the Company as to whether the Covenantors had abided by the Deed of Non-Competition. All independent non-executive Directors also confirmed that the Covenantors had not been in breach of the Deed of Non-Competition during the year ended 30 June 2018.

COMPETING INTEREST

The controlling shareholders, the Directors and their respective close associates confirm that each of them does not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules during the year ended 30 June 2018.

Report of The Directors

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Grande Capital Limited ("Grande"), as at 30 June 2018, except for the compliance adviser agreement entered into between the Company and Grande dated 26 February 2018, none of Grande, its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 15 March 2018 (the "Scheme") and shall be valid until 15 March 2028. Pursuant to the Scheme, certain eligible participants including, among others, the Directors and employees of the Group may be granted options to subscribe for Shares. The purpose of the Scheme is to provide incentives or rewards to employees for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources. A summary of the principal terms of the share option scheme is set out in the paragraph headed "Other Information — 1. Share Option Scheme" in Appendix IV to the Prospectus. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2018.

The maximum number of shares which can be awarded under the Share Option Scheme is 10% (i.e. 80,000,000 Shares) of the Shares in issue as at the Listing Date. Upon acceptance of an offer for grant of option(s) under the Share Option Scheme, the participant shall pay HK$1.00 to our Company by way of consideration for the grant, which option(s) will be offered for acceptance for a period of 21 days from the date of grant.

Unless approved by Shareholders in a general meeting, the amount of Shares which can be awarded to a substantial Shareholder or an independent non-executive Director or their respective associates in the Scheme in the 12-month period up to and including the date of such grant for any particular aforementioned person in aggregate, is at maximum 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, of a maximum of HK$5.0 million.

The subscription price for the Shares subject to any particular option under the Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the relevant option; and (iii) the nominal value of a Share.

EQUITY-LINKED AGREEMENTS

Except for the Scheme disclosed above, no equity-linked agreement was entered into during the year ended 30 June 2018.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2018, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 7.4% and 30.2% (2017: approximately 14.4% and 40.4%) respectively of the Group's total purchases. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 21.7% and 75.5% (2017: approximately 24.2% and 68.2%) respectively of the Group's total revenue for the year ended 30 June 2018.

To the best of the Directors' knowledge, none of the Directors and none of the Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) and none of their respective close associates had any material beneficial interest in the Group's five largest customers or suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

Employees

The Group has maintained good relationship with our employees. The Group offers to our employees salary, bonuses and other allowances. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

Customers

The Group has established stable business relationships with our major customers. Directors consider that our long-term business relationships with our major customers and suppliers would further enhance our market recognition and enable us to attract more potential business opportunities.

A majority of the Group's five largest customers have long-standing business relationship with the Group for a period ranging from approximately 2 to 12 years and the Group will therefore endeavor to accommodate their demands for the Group's services to the extent its resources allow in order to capture more opportunities for larger scale projects in the future.

Suppliers and subcontractors

The Group maintains an internal list of approved suppliers. We carefully evaluate the performance of our suppliers and select them based on a number of factors such as pricing, quality of material or equipment provided, timeliness of delivery and ability to comply with our requirements and specifications. The Group will review and update our internal list of approved suppliers according to our assessment of their performance on an ongoing basis.

The Group maintains an internal list of approved subcontractors. We carefully evaluate the performance of our subcontractors and select subcontractors based on their experience relevant to the particular project as well as their availability and fee quotations. The Group will review and update our internal approved list of subcontractors according to our assessment of their performance on an ongoing basis

Subject to the Group's capacity, resource level, cost effectiveness, complexity of the projects and customers' requirements, the Group may subcontract certain building works such as (i) mechanical and electrical works relating to air conditioning and mechanical ventilation systems, chiller systems, and plumbing and sanitary systems; and (ii) fitting-out works involving carpentry works and other finishing works relating to ceilings, floors and walls to other subcontractors in a project. The Group is accountable to customers for the works performed in a project, including those carried out by our subcontractors.

RETIREMENT SCHEME

The Group participates in the central provident fund, which is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement. Save as the aforesaid, the Group did not participate in any other pension schemes during the year ended 30 June 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient minimum public float under the Listing Rules since the Listing Date up to the date of this annual report.

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

During the year ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of our Group during the year ended 30 June 2018 are set out in note 10 to the Financial Statements.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 16 to 21 in this annual report.

FINAL DIVIDEND

The Board has not declared or paid dividends during the year ended 30 June 2018.

AUDIT COMMITTEE

The Audit Committee has reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the Financial Statements.

AUDITORS

The Financial Statements have been audited by Deloitte & Touche LLP, who will retire and, being eligible, offer itself for re-appointment at the AGM. There has been no change in auditors since the Listing Date.

EVENT AFTER REPORTING PERIOD

The Directors confirm that there are no major event that affects the business or financial performance of the Group after 30 June 2018 and up to the date of this annual report.

On behalf of the Board
Mr. Koh Lee Huat
Executive Director and Chief Executive Officer

21 September 2018

Environmental, Social and Governance Report

INTRODUCTION AND APPROACH TO ESG AND REPORTING

This Environmental, Social and Governance Report (the "ESG Report") summarises the initiatives, programmes and performance of HKE Holdings Limited ("the Company", together with its subsidiaries, the "Group" or "we") as well as demonstrates its commitment to sustainability.

The core businesses of the Group are principally engaged in the provision of design and building services for hospitals and clinics. The Group provides contract-based services for the medical and healthcare sectors. The Group is specialised in performing facilitation services for radiation equipment installation and radiation shielding works. The Group also provides subcontracting services to other construction contractors in medical-related construction projects.

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating environmental, social and governance ("ESG") aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

REPORTING SCOPE

Unless stated otherwise, this report mainly covers the Group's major operating activities under direct management control which represents the Group's major source of revenue, including its provision of design and building services for hospitals and clinics.

The Group will continue to assess the major ESG aspects of different businesses to determine whether it needs to be included in the ESG reporting.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 27 of the Rules Governing the Listing of Securities on Main Board of the Stock Exchange of Hong Kong Limited (the "ESG Reporting Guide").

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 16 to 21 of this annual report.

REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures being taken during the year ended 30 June 2018 (the "Reporting Period").

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views relating to its businesses and ESG issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, investors, customers, suppliers, government bodies and communities via through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and ESG measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

Materiality Assessment

The management and employees who are responsible for the key functions of the Group have participated in preparing this report, assisted the Group in reviewing its operation, identifying key ESG issues and assessing the importance of these issues to our businesses and stakeholders. We have compiled a questionnaire in reference to the identified material environmental, social and governance issues to collect the information from relevant departments and business units of the Group.

The following table summarises the Group's significant environmental, social and governance issues as set out in the ESG Report:

The ESG Reporting Guide	Material environmental, social and governance aspects of the Group	
A. Environment		
A1. Emissions	Exhaust Gas Emission	P.36
	Greenhouse Gas Emission	P.38
	Waste Management	P.39
A2. Use of Resources	Energy Consumption	P.41
	Water Consumption and Use of Packaging Materials	P.43
A3. The Environment and Natural Resources	Noise Management	P.44
	Environmental Impact of Projects	P.44
B. Society		
B1. Employment	Recruitment, Promotion and Remuneration	P.44
	Diversity, Equal-Opportunity and Anti-Discrimination	P.45
B2. Health and Safety	Safety Risks of Projects	P.45
	Safety Measures and Training	P.46
	Emergency Preparedness and Response	P.46
B3. Development and Training	Staff Development and Training	P.46
B4. Labor Standards	Prevention of Child Labor or Forced Labor	P.47
B5. Supply Chain Management	Control Over Subcontractors	P.47
	Fair and Open Procurement	P.48
B6. Product Responsibility	Quality Management	P.48
	Customer Service	P.49
	Privacy Protection	P.49
B7. Anti-Corruption	Anti-Corruption	P.50
B8. Community Investment	Community Investment	P.51

During the Reporting Period, the Group confirmed that appropriate and effective management policies and internal control systems for environmental, social and governance issues are in place and confirmed the information disclosed in the Report meets the ESG Reporting Guide.

Contact us

Comments and suggestions are welcome from our stakeholders. You may provide comments on ESG report or towards our performance in respect of sustainable development via e-mail to admin@hwakoon.com or phone at (+65) 65551612.

Environmental, Social and Governance Report

A. ENVIRONMENT

A1. Emissions

General Disclosure and Key Performance Indicators ("KPIs")

In order to govern the environmental management and minimise the impact caused by our operations, the Group has formulated relevant policies relating to environmental management and established an environmental management system in accordance with ISO14001, which has been integrated into our daily operations. The Group is strictly committed to complying with requirements stipulated in the relevant local environmental laws and regulations.

The Group has a dedicated department to coordinate and implement environmental protection measures and objectives, and to address environmental issues. We carry out a series of environmental management measures at the project sites. The Group has also adopted measures concerning noise, air pollutants, waste, energy and carbon emissions to ensure that all business activities are strictly in compliance with laws and regulations in Singapore.

We strive to constantly improve our environmental management system, in order to minimise negative impacts on the environment.

The Group has not identified any material non-compliance of relevant environmental laws and regulations during the Reporting Period. The relevant environmental laws and regulations include, but are not limited to the Environmental Public Health Act (Chapter 95 of Singapore) and the Environmental Protection and Management Act (Chapter 94A of Singapore).

Exhaust Gas Emission

During the process of provision of building service, air pollutants including nitrogen oxides ("NOx"), sulphur oxides ("SOx") and Particulate Matter ("PM") are generated by vehicles, which consume diesel and other fossil fuels.

Exhaust gas emission performance summary

Type of exhaust gas	Unit	Quantity
NOx	KG	115.46
SOx	KG	0.32
PM	KG	10.75

Air pollution is one of our key concerns on environment protection. Related operational procedure is established to control indirect air pollution emission caused by our client projects of dust, volatile organic compounds ("VOCs"), smokes, obnoxious gases and other air-borne particulates within the legal limits and tolerable limits of the affected persons. We adopt the following measures to mitigate the air pollution caused by the client projects:

- Substitute Materials:
  - Use alternative adhesive or formulations such as hot melts, hot seal, aqueous-based, or polyvinyl acetate;
  - Switch to less toxic coating types such as high-solids nitrocellulose, aqueous-based, ultraviolet ("UV") cured, or polyester/polyurethane;
  - Use aqueous-based cleaners which have lower toxic air pollutant and VOCs content; and
  - Use alternative stripping materials that contain N-methyl pyrrolidone or gamma-butyrolactone. These are water-soluble, biodegradable solvents.
- Increase Application Efficiency:
  - Use more efficient paint application equipment to reduce overspray such as switching to a high-volume, low-pressure spray ("HVLP"), airless spray, air-assisted airless spray, or electrostatic spray guns;
  - Train painters in proper spray application techniques. Proper training, which includes information on gun position, motion, triggering, and overlap, can reduce air pollutant emissions and enhance the quality of the paint finish; and
  - Use a coating method that does not require spraying such as vacuum coating, dip coating, roll coating, flow coating, dry coating, and curtain coating.
- Lower Emissions at the Source:
  - Cover all containers securely to reduce the chance of spills when transferring materials;
  - Use funnels or pumps to avoid spills when dispensing materials;
  - Keep glue containers covered to reduce toxic vapors;
  - Minimise evaporative emissions by using enclosed or mechanical parts washing and gun washing; and
  - Store rags and towels in a closed container.

- Change Cleaning Procedures:
  - o Use mechanical cleaning such as scraping or wiping before using solvents;
  - o Minimise solvent use by cleaning spray guns in a gun washer;
  - o Use water-based detergents or acetone in place of more toxic cleaning solutions;
  - o Reduce the frequency of cleaning equipment, arrange light-color to dark-color batch sequencing; and
  - o Schedule production runs to minimise the number of color changes.
- Recycle Materials:
  - o Reuse cleaning solution or solvent. Use dirty solvent for initial cleaning, then follow with clean solvent;
  - o Recover solvents for reuse; and
  - o Collect and reuse any staining operations overspray.
- Upgrade Our Operation's Equipment

Greenhouse Gas ("GHG") Emission

The consumption of electricity at the office diesel consumption for the vehicles and the construction waste to landfill are the largest sources of greenhouse gas emissions of the Group. During the Reporting Period, the Group's total GHG emissions amounted to approximately 130.35 tonnes and the total GHG emission per employee was 3.03 tonnes. The detailed summary of the GHG emission is shown as below:

GHG Performance Summary

GHG Scope[1]	Tonnes	Intensity — Tonnes per employee[2]
Direct GHG emission (Scope 1)		
— Diesel consumption	55.22	1.28
Indirect GHG emission (Scope 2)		
— Electricity consumption	12.73	0.30
Indirect GHG emission (Scope 3)		
— Construction waste to landfill	62.40	1.45
Total GHG emission	130.35	3.03

Note:

1. GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, HKEX — KPIs: Reporting Guidance on Environmental KPIs and the latest published Electricity Grid Emissions Factors and Upstream Fugitive Methane Emission Factor of Energy Market Authority of Singapore.

2. As at 30 June 2018, the number of full-time employees of the Group was 43. This number would also be used for calculating other intensity data.

We have adopted the following measures to mitigate the direct GHG emission from diesel consumption in our operations:

- Optimise operational procedure to increase the loading rate and reduce the idling rate of vehicles;
- Perform vehicle and equipment maintenance on a regular basis to prevent inefficient fuel consumption or abnormal operations; and
- Phase out substandard vehicles, purchase regular diesel oil for vehicles, and conduct inspection every year to ensure that relevant emission standards are met.

Consumption of electricity is accounted as the major source indirect GHG emission. The Group has implemented measures as stated in "Energy Efficiency" of Aspect A2 below in order to reduce energy consumption, and thereby minimizing carbon footprint.

Through these GHG emissions mitigating measures, the employees' awareness on GHG emissions mitigation has been enhanced.

Discharges into water

We do not consume significant amounts of water through our business activities, and therefore our business activities did not generate material portion of discharges into water. The majority of the water supply and discharge facilities are provided and managed by property management company.

Waste Management

The Group adheres to the waste management principle and strives to properly manage and dispose wastes produced by our business activities. The Management Representative ("MR") shall be responsible to monitor and ensure all handling of waste is carried out in accordance with the legal requirements.

The Group maintains high standard in waste reduction, educates our employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development.

During our operation, all waste are segregated by type and classification. All waste generated in the company are classified as:

- Non-hazardous waste;
- Hazardous waste; and
- Recyclable/Reusable wastage.

During the Reporting Period, the non-hazardous waste discharge volume generated by the Group is shown as below:

Non-hazardous waste category	Quantity	Unit	Intensity – Unit per employee
Paper	73,423.00	Pages (printed out)	1,707.51
Construction waste	172.84	Tonnes	4.02

We usually engage third party waste handling companies, which possess general waste collector's licence, to dispose of construction wastes. We also engage third party licensed toxic industrial waste collector to dispose of building debris containing lead materials. In relation to dismantled medical equipment and accessories, if so requested by our customers, we would arrange to dispose of the used medical equipment and provide disposal certificate to our customer as evidence of disposal.

During the Reporting Period, we did not assist any client to dispose building debris containing lead materials or used medical equipment. Therefore, we did not generate significant hazardous waste discharge and the discharge of used medical equipment during the Reporting Period.

Moreover, we regularly monitor the consumption volume of paper and have implemented a number of reduction measures. The Group has implemented various programs and activities to encourage employees to participate in paper consumption reduction, including:

- Prints only when necessary;
- Uses double-sided printing of paper where possible;
- Encourages the use of electronic mails and documentation to cut down the usage of paper;
- Ensures all documents are right before printing;
- Uses obsolete documents to print or perform draft document (where possible); and
- Uses the computer as a mean of presentation instead of using paper or transparencies.

Through these waste management measures, the employees' awareness on waste management has been enhanced.

A2. Use of Resources

General Disclosure and KPI

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of our business operations.

During our operation, fuel, electricity and office consumables are consumed, and the Group has established relevant policies and procedures in governing the efficient use of resources, in reference to the objective of achieving higher energy efficiency and reducing the unnecessary use of materials.

Energy Consumption

As mentioned in the Aspect A1, the Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and diesel consumption account for a substantial part of the carbon emission for the Group.

During the Reporting Period, the Group's consumption in diesel and electricity were:

Energy Type	Quantity	Unit	Intensity – Unit per employee
Diesel	19,915.97	litres	463.16
Electricity	30,374.00	kWh	706.37

On top of the diesel saving measures disclosed in the Aspect A1, the Group has also conducted the following to improve the energy efficiency performance, including but not limited to:

- Maintains all equipment periodically to ensure optimal performance to reduce the consumption of electricity;

- Let the equipment be in "Power Save" mode when not in used and where "power save" function is available (e.g. computer, photocopying machine);

- Uses the most energy efficient light sources and consider replacing incandescent lamp with higher efficiency lamp such as the fluorescent lamps;

- Cleans all luminaries lamps regularly and replace burnt-out lamps promptly as they consume energy and they do not provide the required light;

- Ensures that all office equipment (excluding fax machine) and lights are switched off when the last person leave the office at the end of the day;

- Switches off all electrical utilities when not required (where applicable); and

- Carries out periodic maintenance schedule of all electrical utilities.

Throughout adopting different energy conservation measures, the Group believes it has set a role model for corporate social responsibility. More importantly, the Group strives in cost reduction in terms of less electricity consumption in workplace in long run.

Through these energy conservation measures, the employees' awareness on energy conservation has been enhanced.

Water Consumption and Use of Packaging Materials

The water consumption of the Group mainly contains of office water consumption for basic cleaning and sanitation. During the Reporting Period, only 658 m^3 of water were consumed by the Group and the water consumption per employee was 15.30 m^3. We adopt the following measures for water conservation:

- Use dual flushing system for toilet cubicle and use half flush for liquid waste;
- Check for leaks in flushing cisterns, pipes, taps, etc. and repair them immediately to prevent water wastage;
- Install thimbles or water saving devices at taps with high flow rate;
- Use water efficient label fittings;
- Turn off taps tightly to ensure they do not drip; and
- Do not leave the tap running when not in use.

Through these water conservation measures, the employees' awareness on water conservation has been enhanced.

Due to the Group's business nature and operation mainly based in Singapore, the issue in sourcing water that is fit for purpose is not relevant to the Group.

In addition, the Group has no industrial production or any factory facilities. Therefore, we do not consume significant amounts of package materials for product packaging.

A3. Environment and Natural Resources

General Disclosure and KPI

The Group pursues the best practices in the environment protection and focuses on the impact of the Group's businesses to the environment and natural resources. In addition to complying with relevant environmental laws and regulations as well as properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

Noise Management

We are also aware of the noise generated during our operation process. We have formulate relevant procedures to ensure compliance with relevant laws and regulations. The MR is responsible to plan and engage an accredited laboratory to conduct an in-house noise level measurement and boundary noise level measurement if necessary. For construction sites, the MR is responsible to consider plans to ensure that noise levels are within the acceptable limit as per stated in the regulations. Where applicable, the Group takes all practicable measure to reduce or control noise from any machinery, equipment or process such that no employee is exposed to excessive noise or affect the public.

Environmental Impact of Projects

In order to control and mitigate the environmental impacts of the projects in our operations, we have formulated a series of procedures to assess the environmental risks of the projects in accordance with the standard of ISO14001 environmental management system. Moreover, regular internal audit on the effectiveness and level of compliance of management system are carried out on a regular basis. Relevant measures to mitigate the corresponding environment risks of the projects have been carried out in accordance to the relevant assessment procedures.

B. SOCIETY

B1. Employment

General disclosure

Human resources are the foundation in supporting the development of the Group. Hence, we established relevant policies to fulfil our vision on people-oriented management and realising the full potential of employees. These policies covering recruitment, compensation, promotion, working hours and rest periods, diversity and equal opportunity, etc.

During the Reporting Period, the Group was not aware of any material non-compliance with employment related laws and regulations in that would have a significant impact on the Group. The employment related laws and regulations include, but are not limited to the Employment Act (Chapter 91 of Singapore) and Employment of Foreign Manpower Act (Chapter 91A of Singapore).

Recruitment, Promotion and Remuneration

We apply robust and transparent recruitment processes based on merit selection against the job criteria, and recruit individuals based on their suitability for the position and potential to fulfill the Group's current and future needs.

Our basis for compensation and promotion are job-related skills, qualifications and performances, ensuring that we treat and evaluate employees and applicants in a fair way and compensate employees relative to the industry and local labour markets in which we operate, which consists of competitive level of fixed and variable compensation. Remuneration packages include holidays, annual leave, medical scheme, group insurance, year-end double pay and discretionary bonus.

The promotion of the Group's employees are subject to review regularly. The Group has established objective performance indicators for annual performance evaluation. Based on the evaluation result, we offer rewards to employees in encouraging continuous improvement.

Diversity, Equal-Opportunity and Anti-Discrimination

We are committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive.

We are dedicated to providing equal opportunity in all aspects of employment and maintaining workplace that are free from discrimination against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, sexual orientation.

With the aim of ensuring fair and equal protection for all employees, we have zero tolerance on sexual harassment in the workplace.

B2. Health and Safety

General disclosure

The Group prides itself on providing a safe, effective and congenial work environment as we believe that employees are the valuable assets of an enterprise and regard human resources as its corporate wealth. To maintain a safe working environment, the Group has established safety policies and relevant procedures on the prevention and remediation of safety accidents in the projects. Our occupational health and safety management system has been implemented in compliance with the requirements of OHSAS 18001 international standards. Moreover, the Group has obtained a bizSAFE Level Star certification in 2014, which is the highest accreditation (above bizSAFE Level 3) in the bizSAFE programme (a five-step programme to assist companies to build up their workplace safety and health capabilities in order to achieve quantum improvements in safety and health standards at the workplace) offered by the Workplace Safety and Health Council in Singapore.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to Workplace Safety and Health Act (Chapter 354A of Singapore) and the Work Injury Compensation Act (Chapter 354 of Singapore).

Safety Risks of Projects

In order to control and mitigate the safety risks of the projects in our operations, we have formulated a series of procedures to assess the safety risks of the projects in accordance with the standard of OHSAS 18001 occupational health and safety management system. The Group ensures that procedures are in place for the identification of hazards and the assessment of risks associated with these identified areas. Having identified the hazards and risk from occupational safety, the organization will then apply and implement controls to ensure that safe systems of work are implemented to minimise risks to employees, sub-contractors, clients and/or visitors to the Group's areas of work. These controls are applied to both routine and non-routine activities. Moreover, regular internal audit on the effectiveness and level of compliance of occupational health and safety management system are carried out on a regular basis.

Safety Measures and Training

The Group has put in place an internal safety manual which is reviewed from time to time to incorporate the best practices and to address and improve specific areas of our safety management system. We require our employees and our subcontractors' employees to follow our workplace safety rules as set out in the safety manual. Our workplace safety rules identify common safety and health hazards and recommendations on prevention of workplace accidents.

Moreover, the Group provides suitable personal protective equipment such as safety helmet and safety boots to our employees based on the type of works undertaken by them.

We also arrange relevant external trainings (such as scissor lift operator courses and supervisors safety courses) for our employees with reference to their expertise, work experience and work requirements. Emergency and evacuation procedures were established to response timely and orderly in any major safety accidents. Employees are also free to provide feedbacks on improving the workplace safety.

Emergency Preparedness and Response

The Group has established and maintained plans and procedures to identify how it deals with the responses to incidents and emergency situations such as fire, building structure instability and chemical spillage to prevent and deal with any likely consequent illness and injury that may be associated with them.

The Group reviews its emergency preparedness and response plans and procedures, in particular after the occurrence of incidents or emergency situations. Testing of such procedures where practicable is carried out.

B3. Development and Training

General disclosure

Staff Development and Training

The Group regards our staff as the most important asset and resource as they help to sustain its core values and culture. The Group provides its staff with training courses for upgrading skills and development as needed.

We provide on-the-job trainings for all employees to equip them with the skills and knowledge pertinent to each type of work. We also offer opportunities for our employees to attend external courses in relation to work safety, quality assurance and risk management conducted by organisations such as the Building and Construction Authority of Singapore.

The Group encourages and supports employees to participate in personal and professional training to fulfill the needs of emerging technologies and new equipment. The Group also encourages the culture of sharing of knowledge and experience. On the other hand, we provide on-the job training for the engineers and new employees in the Group.

B4. Labour Standards

General disclosure

Prevention of Child Labor or Forced Labor

Child and forced labour is strictly prohibited during the recruitment process as defined by laws and regulations. Personal data are collected during the process to assist in the selection of suitable candidates and to verify candidates' of personal data. The Human Resources Department also ensures identity documents are carefully checked. If violation is involved, it will be dealt with in the light of the circumstances.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations in Singapore that would have a significant impact on the Group. The child and forced labour-related laws and regulations include, but are not limited to the Employment Act (Chapter 91 of Singapore).

B5. Supply Chain Management

General disclosure

We understand the importance of supply chain management in mitigating the indirect environmental and social risks. We are aware of the environmental and social practices of the suppliers, and try to engage suppliers with responsible acts to the society in view of green supply chain management.

Control Over Subcontractors

We remain accountable to our customers for the performance and quality of work rendered by our subcontractors. In general, works performed by our subcontractors are inspected and monitored by our project management team based on our quality management system, environmental management and occupational health and safety management system which are in conformity with the requirements of ISO 9001, ISO 14001 and OHSAS 18001 standards respectively.

We have implemented the following measures to monitor the quality and progress of works outsourced to our subcontractors so as to ensure the compliance with our contract specifications:

- All of our subcontractors are classified into different categories depending on their expertise to ensure that they are capable of undertaking works of corresponding quality and risk environments;
- Our project management team conducts regular meetings with subcontractors' responsible personnel at the work sites to review their performance and resolve any issues encountered in the course of their works; and
- Our subcontractors are required to follow our guidelines and instructions on workplace safety. Our project management team will inspect the site conditions and closely monitor the on-site safety performance of our subcontractors.

Fair and Open Procurement

We have also formulated procedures to ensure that the suppliers and the sub-contractor could participate in competitions in an open and fair way. The Group should not have differentiated or discriminated treatment on certain suppliers and sub-contractors. It would strictly monitor and prevent all kinds of business bribery. Employees or personnel having any interest relationship with the supplier should not be involved in the related business activity.

B6. Product Responsibility

General disclosure

Achieving and maintaining high quality standard for projects are utmost important for sustainable growth of the Group. We believe completing works that meet or exceed our customer's requirements is crucial not only for safety, but also for job reference and future business opportunities. In order to ensure that we deliver high quality services and sustainable projects to our customers, the process of the projects is controlled and monitored regularly. The Group obtained certification in 2008 certifying its quality management to be in conformance with the requirements of ISO 9001:2008 standard.

During the Reporting Period, we were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group, concerning health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. The relevant laws and regulations include, but are not limited to the Building Control Act (Chapter 29 of Singapore) and the Personal Data Protection Act 2012.

Quality Management

We have established a formal quality management system in accordance with the requirements of ISO 9001, OHSAS 18001 and ISO 14001 to develop a sustainable performance oriented culture to pursue continuous improvement on quality rather than adopting a short-term and project based approach.

Operation control procedures has also been established to ensure that the works meet the contractual specification and the environmental, health and safety ("EHS") requirements. The Group identifies those operations and activities that are associated with identified risks where control measures need to be applied without undermining the objectives of ISO 9001. The Group plans these activities, including maintenance, in order to ensure that they are carried out under specified conditions by:

- Establishes and maintains documented procedures to cover situations where their absence could lead to deviations from the Group's policies and the objectives;

- Stipulates operating criteria in the procedures;

- Establishes and maintains procedures related to the identified EHS risks of goods, equipment and services purchased and/or used by the organization and communicating relevant procedures and requirements to supplier and contractor;

- Establishes and maintains procedures for the design of workplace, process, installations, machinery, operating procedures and work organization, including their adaptation to human capabilities, in order to eliminate or reduce EHS risks at their source.

To pursue further improvement, our quality management system is reviewed on a regular basis by the management.

Customer Service

Our senior management team regularly communicates with our customers and conducts site visits to collect feedbacks from our customers. We would follow up and respond to their feedbacks in a timely manner with a view to maintain our service standard. Throughout the project implementation, we may from time to time be invited to attend inspection sessions and progress meetings held by our customers and/or the project employers.

Privacy Protection

All information of customers and suppliers are considered highly sensitive and are kept in a safe and confidential manner. The Group has taken proper measures to safeguard data integrity by avoiding and restricting any unauthorised access and data leakage. All employees also have to comply with the internal guidelines and employment contracts containing relevant clauses to ensure the confidentiality of such information. It avoids the possible leakage of any personal or private information.

B7. Anti-Corruption

General disclosure

The Group does not tolerate any corruptions, frauds and all other behaviours violating work ethics. The Group values and upholds integrity, honesty and fairness in how we conduct business.

We have established relevant policies to help to define appropriate methods in handling conflict of interests, accepting advantages, leakage of confidential information, embezzlement of the Group's assets in one's position, fraudulent financial statements, etc. to comply with the relevant laws and regulations.

To further mitigate business frauds, Audit Committee is also responsible for continuous evaluation of the Group's internal control effectiveness, detecting potential deficiency, and identifying areas of improvement. Audit report is distributed to the responsible departments for the timely remediation. The Board of Directors and the Audit Committee will supervise and review the implementation and effectiveness of the on Whistleblowing Policy on a regular basis.

The Group adopts a whistleblowing policy and procedures for all levels and operations. Staff can raise concerns, in confidence, about possible improprieties such as misconduct and malpractice in any matter related to the Group. These policies and procedures can be found in the staff handbook. Reports and complaints received will be handled in a prompt and fair manner. Such policy also aims at protecting whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions.

During the Reporting Period, the Group did not notify any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering. The related laws and regulations include, but are not limited to the Prevention of Corruption Act (Chapter 241 of Singapore).

B8. Community Investment

General disclosure

The Group is committed to support the public by the means of social participation and contribution as part of its strategic development, and to nurture the corporate culture and practices of corporate citizen in the daily work life throughout the Group. We would embrace the human capital into the social management strategies to sustain our corporate social responsibility as a part of the strategic development of the Group. Our employees are encouraged to donate to recognised charitable institutions in order to help grass-roots community or those in need, so that they can gain education and care.

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect A1: Emissions		
General Disclosure	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.	Emissions
KPI A1.1 ("Comply or explain")	The types of emissions and respective emissions data.	Emissions — Exhaust Gas Emission, Greenhouse Gas Emission
KPI A1.2 ("Comply or explain")	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Emissions — Greenhouse Gas Emission
KPI A1.3 ("Comply or explain")	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Waste Management
KPI A1.4 ("Comply or explain")	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Waste Management
KPI A1.5 ("Comply or explain")	Description of measures to mitigate emissions and results achieved.	Emissions — Exhaust Gas Emission, Greenhouse Gas Emission
KPI A1.6 ("Comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("Comply or explain")	Direct and/or indirect consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	Use of Resources — Energy Consumption
KPI A2.2 ("Comply or explain")	Water consumption in total and intensity.	Use of Resources — Water Consumption and Use of Packaging Materials (not applicable)
KPI A2.3 ("Comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Consumption
KPI A2.4 ("Comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Consumption and Use of Packaging Materials (not applicable)
KPI A2.5 ("Comply or explain")	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Water Consumption and Use of Packaging Materials (not applicable)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("Comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Noise Management, Environmental Impact of Projects

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B1: Employment		
General Disclosure	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
Aspect B2: Health and Safety		
General Disclosure	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
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	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

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	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.	Community Investment

Independent Auditor's Report

Deloitte. 德勤

To the Shareholders of HKE Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of HKE Holdings Limited (the "Company") and its subsidiaries (herein referred to as the "Group") set out on pages 61 to 111, which comprise the consolidated statement of financial position as at 30 June 2018, 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 accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, 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 ("IFRS") 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"). 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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 matter	How the matter was addressed in the audit
Contract Revenue Recognition and Accounting for Construction Contract The Group is involved in construction projects for which it applies the percentage-of-completion ("POC") to its contract revenue and cost in accordance with IAS 11 *Construction Contracts*. During the financial year ended 30 June 2018, the Group has recorded $13,358,328 of contract revenue as disclosed in Note 6 and $1,006,029 of contracts work-in-progress as disclosed in Note 16. The revenue and profit recognised during the year is dependent, amongst others, on the assessment of the POC as measured by the proportion that contract cost incurred for work performed to date relative to the total budgeted contract cost to complete for the projects. The uncertainty and subjectivity involved in determining the total budgeted contract cost to complete may have a significant impact on the revenue of the Group. Contract revenue recognition and accounting for construction contract is disclosed in Note 5 and Note 16 respectively.	We have performed the following audit procedures: • We obtained an understanding and evaluated the design and implementation of relevant controls over construction revenue recognition. • We assessed the Group's revenue recognition practices to determine that they are in compliance with IAS 11 *Construction Contracts*. • We have obtained from management a list of construction contracts effective during the financial year and on sample basis, checked if the contracts included any specific or special performance obligations and conditions. • In relation to total contract revenue, we agreed selected projects' total contracted sum to contracts entered by the Group; for projects in progress we recomputed the POC to check accuracy of the POC to determine the revenue; for projects completed during the year we obtained the certificate of substantial completion and checked that remaining revenue has been recorded.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in the audit
	• In relation to total budgeted contract costs, we performed the following audit procedure on selected construction projects: i. Obtained an understanding and evaluated the design and implementation of relevant controls over the budgeting process in estimating the total contract costs; and ii. assessed and traced the estimated cost to complete for selected projects by substantiating costs that have been committed to quotations and contracts entered. • In relation to total contract costs incurred we performed the following audit procedure on selected construction projects: i. traced the actual cost incurred during the year to details of supplier invoices and subcontractors to check the validity and accuracy of the costs; and ii. performed cut-off testing to check that contract costs incurred are taken up in the appropriate financial year. • Discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns which may result in liquidated damages. • Compared total contract revenue to actual cost incurred plus estimated cost to complete and assessed for foreseeable losses. Based on the audit procedures performed above, we found that the management's judgement in relation to the estimation of construction contracts to be reasonable.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Information other than the consolidated financial statements and auditor's report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 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 IFRS issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determines 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, the directors are 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 the directors 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 for overseeing the Group's financial reporting process.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

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

- 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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.

- 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.

Independent Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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.

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 period 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 Ms. Tay Hwee Ling.

Deloitte & Touche LLP
Public Accountants and Chartered Accountants

Singapore
21 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Financial year ended 30 June 2018

	Note	2018 S$	2017 S$
Revenue	6	**13,928,620**	14,937,418
Cost of services/sales		**(8,162,246)**	(8,432,129)
Gross profit		**5,766,374**	6,505,289
Other income	7a	**70,585**	48,468
Other gains	7b	**518,999**	132,825
Administrative expenses		**(1,294,339)**	(618,196)
Listing expenses		**(3,391,288)**	—
Profit before taxation	8	**1,670,331**	6,068,386
Income tax expense	9	**(792,275)**	(917,764)
Profit for the year		**878,056**	5,150,622
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale financial assets, net of tax		**–**	223,323
Reclassified upon disposal of available-for-sale financial assets		**–**	(127,511)
Total comprehensive income for the year		**878,056**	5,246,434
Earnings per share			
Basic and diluted	12	**0.14 cents**	0.87 cents

See accompanying notes to financial statements.

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 S$	2017 S$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	664,937	746,796
Total non-current assets		664,937	746,796
Current assets			
Trade receivables	14	4,643,184	3,477,865
Other receivables, deposits and prepayments	15	153,293	76,985
Amounts due from customers for construction work	16	1,030,282	2,193,064
Restricted bank deposit	17	175,000	—
Bank balances and cash	17	21,042,512	4,011,269
Total current assets		27,044,271	9,759,183
Current liabilities			
Trade and other payables	18	895,249	1,415,017
Amounts due to customers for construction work	16	24,253	—
Income tax payable		1,083,066	950,215
Total current liabilities		2,002,568	2,365,232
Net current assets		25,041,703	7,393,951
Non-current liability			
Deferred tax liabilities	19	25,270	25,652
Total non-current liability		25,270	25,652
Net assets		25,681,370	8,115,095

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 S$	2017 S$
EQUITY			
Capital and reserves			
Share capital	20	**1,335,760**	1,000,000
Share premium	21	**15,352,340**	—
Merger reserves		**1,000,119**	—
Accumulated profits		**7,993,151**	7,115,095
Equity attributable to owners of the Company		**25,681,370**	8,115,095

The consolidated financial statements on pages 61 to 111 were approved and authorised for issue by the Board of Directors on 21 September 2018 and are signed on its behalf by:

Koh Lee Huat
Executive Director and Chief Executive Officer

Ryan Ong Wei Liang
Executive Director

See accompanying notes to financial statements.

Consolidated Statement of Changes in Equity

30 June 2018

	Share capital (Note 20) S$	Share premium (Note 21) S$	Available-for sale financial assets reserve S$	Merger reserve S$	Accumulated profits S$	Total S$
Balance at 1 July 2016	1,000,000	–	(95,812)	–	3,964,473	4,868,661
Profit for the year	–	–	–	–	5,150,622	5,150,622
Fair value change on available-for-sale financial assets, net of tax	–	–	223,323	–	–	223,323
Reclassified upon disposal of available-for-sale financial assets	–	–	(127,511)	–	–	(127,511)
Total comprehensive income for the year	–	–	95,812	–	5,150,622	5,246,434
Transactions with owners, recognised directly in equity						
Dividend (Note 11)	–	–	–	–	(2,000,000)	(2,000,000)
Balance at 30 June 2017	1,000,000	–	–	–	7,115,095	8,115,095
Profit for the year, representing total comprehensive income for the year	–	–	–	–	878,056	878,056
Transactions with owners, recognised directly in equity						
Issue of shares pursuant to the reorganisation (Note A)	17	–	–	119	–	136
Reorganisation	(1,000,000)	–	–	1,000,000	–	–
Issue of shares under capitalisation issue (Note 20)	1,001,803	(1,001,803)	–	–	–	–
Issue of shares under the share offer	333,940	18,212,080	–	–	–	18,546,020
Share issue expenses	–	(1,857,937)	–	–	–	(1,857,937)
Balance at 30 June 2018	1,335,760	15,352,340	–	1,000,119	7,993,151	25,681,370

Note A: The reserve arose from the share swap pursuant to agreement entered between Mr. Ang Kong Meng, Mr. Ryan Ong Wei Liang and Mr. Koh Lee Huat (all defined in Note 2) and the Company dated 2 March 2018 to which the Company acquired 200 shares in Philosophy Global Limited representing its entire issued share capital and in consideration thereof, 9,999 shares were issued and allotted by the Company, credited as fully paid to Skylight Illumination. Since then, the Company became the holding company of the Group, details of which are set out in Note 2.

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Financial year ended 30 June 2018

	2018 S$	2017 S$
Operating activities		
Profit before taxation	**1,670,331**	6,068,386
Adjustments for:		
Depreciation of property, plant and equipment	**90,868**	98,582
Gain on disposal of available-for-sale financial assets	**–**	(127,511)
Gain on disposal of property, plant and equipment	**–**	(5,314)
Dividend income	**–**	(27,000)
Interest income	**(47,996)**	(118)
Unrealised foreign exchange gain	**(524,491)**	–
Operating cash flows before working capital changes	**1,188,712**	6,007,025
Movements in working capital:		
Increase in trade receivables	**(1,165,319)**	(1,155,706)
(Increase) Decrease in other receivables, deposits and prepayments	**(76,308)**	8,085
Decrease (Increase) in amounts due from customers for construction work	**1,162,782**	(698,884)
(Decrease) Increase in trade and other payables	**(519,768)**	212,245
Increase (Decrease) in amounts due to customers for construction work	**24,253**	(304,847)
Cash generated from operations	**614,352**	4,067,918
Income tax paid	**(659,806)**	(383,995)
Net cash (used in) from operating activities	**(45,454)**	3,683,923
Investing activities		
Purchase of property, plant and equipment	**(9,009)**	(159,855)
Proceeds from disposal of available-for-sale investments	**–**	1,733,323
Proceeds from disposal of property, plant and equipment	**–**	5,314
Dividends received	**–**	27,000
Increase in fixed deposit (pledged)	**(175,000)**	–
Interests received	**47,996**	118
Repayment of advances from related parties	**–**	346,982
Net cash (used in) from investing activities	**(136,013)**	1,952,882

Consolidated Statement of Cash Flows

Financial year ended 30 June 2018

	2018 S$	2017 S$
Financing activities		
Proceeds from issue of equity shares	**18,546,156**	—
Share issues expenses paid	**(1,857,937)**	—
Repayment of advances from directors	**–**	(850,000)
Advance from directors	**–**	801,690
Repayment of advances from related parties	**–**	(1,926,110)
Advance from related parties	**–**	1,926,110
Dividends paid (Note 11)	**–**	(2,672,660)
Net cash from (used in) financing activities	**16,688,219**	(2,720,970)
Net increase in cash and cash equivalents	**16,506,752**	2,915,835
Cash and cash equivalents at beginning of the year	**4,011,269**	1,095,434
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**524,491**	—
Cash and cash equivalents at end of the year, represented by bank balances and cash (Note 17)	**21,042,512**	4,011,269

See accompanying notes to financial statements.

1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 18 August 2017. The registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The principal place of business is at 10 Admiralty Street, #02–47 North Link Building, Singapore 757695. The Company is an investment holding company and the principal activities of its operating subsidiary, Hwa Koon Engineering Pte. Ltd., are provision of integrated design and building services in the medical and healthcare sectors with expertise in performing radiation shielding works.

The Company is a subsidiary of Skylight Illumination Limited, incorporated in the British Virgin Islands ("BVI"), which is also the Company's ultimate holding company.

The functional currency of the Company is Singapore dollars ("S$"), which is also the presentation currency of the Company and its principal subsidiaries (Note 28).

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on the accounting policies set out in Note 4 which conform with International Financial Reporting Standards ("IFRSs") and conventions applicable for group reorganisation (details are set out below).

In preparing for the initial listing of the shares of HKE Holdings Limited on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the companies comprising the Group underwent a group reorganisation (the "Reorganisation") as described below. Prior to the Reorganisation, Mr. Ang Kong Meng ("Mr. Ang"), Mr. Ryan Ong Wei Liang ("Mr. Ong") and Mr. Koh Lee Huat ("Mr. Koh") (collectively referred to as the "Controlling Shareholders", who owned 51%, 34% and 15% equity interest in Hwa Koon Engineering Pte Ltd respectively) has been controlling Hwa Koon Engineering Pte Ltd on a collective basis on decisions relating relevant activities, including but not limited to, financial, management and operational matters, of Hwa Koon Engineering Pte Ltd. Each of the Controlling Shareholders have reiterated their agreement in writing that, in respect of the aforesaid matters in relation to Hwa Koon Engineering Pte Ltd, they have always been acting in concert.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Reorganisation comprised of the following steps:

- On 29 May 2017, Skylight Illumination Limited ("Skylight Illumination", a company not forming part of the Group) was incorporated in the BVI with limited liability. On 28 July 2017, 51 ordinary shares, 34 ordinary shares and 15 ordinary shares of Skylight Illumination were issued and allotted to Mr. Ang, Mr. Ong and Mr. Koh respectively.

- On 29 May 2017, Philosophy Global Limited was incorporated in the BVI with limited liability. On 28 July 2017, 51 ordinary shares, 34 ordinary shares and 15 ordinary shares of Philosophy Global Limited were issued and allotted to Mr. Ang, Mr. Ong and Mr. Koh at cash consideration of US$51, US$34 and US$15, respectively.

- On 18 August 2017, the Company was incorporated in the Cayman Islands with limited liability with an initial authorised share capital of HK$100,000 divided into 10,000,000 ordinary shares with par value of HK$0.01 each. On 18 August 2017, one nil-paid subscriber share, was allotted and issued to the initial subscriber and was transferred to Skylight Illumination on the same day.

- On 14 September 2017, Mr. Ang, Mr. Ong and Mr. Koh, as vendors and Philosophy Global Limited, as purchaser, entered into a sale and purchase agreement, pursuant to which Philosophy Global Limited acquired 510,000 shares, 340,000 shares and 150,000 shares of Hwa Koon Engineering Pte Ltd, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh, respectively, for exchange of 51 ordinary shares, 34 ordinary shares and 15 ordinary shares issued and allotted by Philosophy Global Limited, credited as fully paid, to Mr. Ang, Mr. Ong and Mr. Koh, respectively.

- On 2 March 2018, Mr. Ang, Mr. Ong and Mr. Koh, as vendors and the Company, as purchaser, entered into a sale and purchase agreement, pursuant to which the Company acquired by 102 ordinary shares, 68 ordinary shares and 30 ordinary shares of Philosophy Global, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh, respectively, for exchange of 9,999 shares issued and allotted by the Company, credited as fully paid, to Skylight Illumination. Upon the completion of the above acquisition on 2 March 2018, Philosophy Global became a wholly-owned subsidiary of the Company.

The Group resulting from the above mentioned Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the group structure under the Reorganisation have been in existence throughout the Period or their respective dates of incorporation whichever is the shorter period.

The shares of the Company have been listed on the Stock Exchange since 18 April 2018.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 July 2017, the Group has adopted all the new and revised IFRSs and Interpretations of IFRS ("INT IFRS") that are effective and relevant to its operations. The adoption of these new/revised IFRSs and INT IFRSs does not result in significant changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods.

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

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers* and the related amendments[1]
IFRS 16	*Leases*[2]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2018, with early application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with early application permitted.

Except as described below, the directors of the Company considers that the application of the other new and revised standards and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in the future.

IFRS 9 *Financial Instruments*

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement by introducing a fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IFRS 9 *Financial Instruments (Continued)*

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IFRS 9 *Financial Instruments (Continued)*

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the directors of the Company anticipates that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 30 June 2018.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity 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 the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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. 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.

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. For the classification of cashflows, the Group currently presents operating lease payments as operating cash flows. 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 and operating cash flows respectively.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, 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.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2018, the Group had non-cancellable operating lease commitments of S$51,440 (2017: S$90,800) as disclosed in Note 22. A preliminary assessment indicates that approximately S$Nil (2017: S$51,200) out of these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company anticipate that the application of IFRS 16 would not have significant impact on the net financial position and performance of the Group comparing with IAS 17 currently adopted by the Group. Nevertheless, the application of new requirements may result changes in presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements have been prepared in accordance with IFRS issued by the IASB. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period as explained in the accounting policies set out below.

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 financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved when a 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 Group 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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.

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

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

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination, to the extent of the continuation of the controlling party's interest.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Merger accounting for business combination involving entities under common control (Continued)

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where it is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is earlier.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or 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 instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income or expense is recognised on an effective interest basis.

Financial assets

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Financial assets (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, deposits, bank balances and cash) 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.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each 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 re-organisation.

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 assets, such as trade 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 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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) 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 after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Derecognition of financial assets and liabilities

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. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred financial asset, the Group continues to recognise to the extent of its continuing involvement and recognises an associated liability. 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 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 expired. 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 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.

Construction contracts

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 each reporting period.

The stage of completion is measured by contract costs incurred to date as compared to the estimated total contract costs.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Construction contracts (Continued)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probable to be 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.

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 construction work. 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 construction work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under trade receivables.

Cash and cash equivalents

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

Property, plant and equipment

Property, plant and equipment 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 charged 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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.

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. 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 periods. A reversal of an impairment loss is recognised in profit or loss immediately.

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 each 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Leases

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Revenue recognition

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 Integrated design and building services (as defined in Note 6)

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

(ii) Revenue from Maintenance and other services (as defined in Note 6)

Revenue from services on installations of mechanical and electrical systems is recognised upon the certification and acceptance of the customers when the outcome of such work can be reliably estimated.

Revenue from maintenance services is recognised when the services are provided according to the terms of the agreements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Revenue recognition (Continued)

(iii) Revenue from Sales of tools and materials (as defined in Note 6)

Revenue from sales of tools and materials is recognised when all the following conditions are satisfied:

a. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold;

c. The amount of revenue can be measured reliably;

d. It is probable that the economic benefits associated with the transaction will flow to the Group; and

e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (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.

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 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 of any amount already paid.

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 period. 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 periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not be reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 each 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 each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised as an expense or income 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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 statement of financial position of the Company 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.

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.

Critical judgements in applying accounting policies

The directors are of the opinion that there was no critical judgement involved that have a significant effect on the amounts recognised in the Consolidated Financial statement.

Key sources of estimation uncertainty

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Construction contracts (Note 16) and provision for foreseeable losses

The Group recognises contract revenue and contract costs using the percentage of completion method. The stage of completion is measured by reference to the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

The estimated total contract cost is based on contracted amounts, and in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred and adjusted for any price fluctuations during the period, where applicable. Significant assumptions are required in estimating the total budgeted contract cost to complete which affect the contract cost recognised to-date based on the percentage of completion.

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

Management reviews the construction 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.

Estimated impairment of receivables (Note 14)

Management assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. If there is objective evidence that an impairment loss on trade receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, an impairment loss may arise. The carrying amounts of the trade receivables are disclosed in Note 14.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from (i) provision of services including preparation and consultation on building design and specifications, performance of building works (mainly including radiation shielding works, M&E works and fitting-out works) and assisting to obtain statutory approvals and certifications for the building works ("Integrated design and building services") to external customers, (ii) provision of maintenance services generally comprise conducting examinations, replacement of parts and repair works (if necessary) in relation to the radiation shielding works and mechanical & electronical works, and provision of other ancillary services generally include minor renovation and installation works, dismantling and disposal of used medical equipment, removal of construction waste materials, and cleaning of the work sites upon completion of building works, etc. ("Maintenance and other services") and (iii) sales of tools and materials (such as fabricated radiation shielding products, signage boards, lead sheet and lead glass) ("Sales of tools and materials").

Information is reported to the shareholder, 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 services, i.e. "Integrated design and building services", "Maintenance and other services" and "Sales of tools and materials". No other analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial performance of the Group as a whole. Accordingly, the CODM has identified one operating segment. Only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

An analysis of the Group's revenue for the year ended 30 June 2018 is as follows:

	2018	2017
	S$	S$
Revenue from:		
Integrated design and building services	**13,358,328**	14,571,194
Maintenance and other services	**474,386**	330,370
Sales of tools and materials	**95,906**	35,854
	13,928,620	14,937,418

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the reporting period.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Major customers

The revenue from customers individually contributed over 10% of total revenue of the Group during the year ended 30 June 2018 are as follows:

	2018 S$	2017 S$
Customer A	**2,510,207**	N/A*
Customer B	**2,601,973**	3,618,049
Customer C	**3,019,533**	N/A*
Customer D	**1,675,945**	N/A*
Customer H	**N/A***	2,487,259
Customer I	**N/A***	1,725,000

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

Geographical information

The Group principally operates in Singapore, which is also the place of domicile. Revenue derived from Singapore represents 99.2% of total revenue for the year ended 30 June 2018 (2017: 97.5%) based on the location of products, services delivered and the Group's property, plant and equipment which are all located in Singapore.

7A. OTHER INCOME

	2018 S$	2017 S$
Dividend income from available-for-sale financial assets	**–**	27,000
Government grants (Note)	**17,569**	13,430
Interest income	**47,996**	118
Others	**5,020**	7,920
	70,585	48,468

Note:

Government grants mainly include the Wage Credit Scheme, the Productivity and the Temporary Employment Credit, all of them are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.

7A. OTHER INCOME (CONTINUED)

Included in the amounts are S$5,401 (2017: S$3,517) representing grants received under the Wage Credit Scheme for the year ended 30 June 2018. Under this credit scheme, the government provides assistance to Singapore-registered businesses by way of co-funding 20% of wage increases given to Singapore Citizen employees earning a gross monthly wage of S$4,000 and below in 2017 and 2018, respectively.

During the year ended 30 June 2018, the Group received S$4,606 (2017: S$8,332) grants under the Temporary Employment Credit. Under the Temporary Employment Credit scheme, the government provides assistance to alleviate business costs due to increases in contribution rates of employee's national saving schemes.

During the year ended 30 June 2018, the Group received S$2,394 (2017: S$1,581) under the Special Employment Credit. Under the Special Employment Credit scheme, the government aims to encourage and facilitate Singapore-registered business to hire Singaporean workers more than 50 years old and persons with disabilities.

7B. OTHER GAINS

	2018 **S$**	2017 S$
Gain arising on disposal of property, plant and equipment	**–**	5,314
Gain arising on disposal of available-for-sale financial assets	**–**	127,511
Unrealised exchange gain, net	**518,999**	–
	518,999	132,825

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2018 S$	2017 S$
Depreciation of property, plant and equipment		
Recognised as cost of services/sales	56,172	72,958
Recognised as administrative expenses	34,696	25,624
	90,868	98,582
Annual audit fees paid to auditors of the Company	100,000	—
Listing expenses *(Note a)*	3,391,288	—
Directors' and chief executive's remuneration	326,799	326,111
Other staff costs		
— Salaries and other benefits	2,141,557	1,879,868
— Contributions to CPF	145,256	124,069
Total staff costs	2,613,612	2,330,048
Cost of materials recognised as cost of services/sales	1,507,013	2,505,649
Subcontractor costs recognised as cost of services/sales	3,839,627	3,221,925

Note:

a. Included in listing expenses are audit fees S$390,000 paid to auditors of the Group, and non-audit fees of S$103,095 paid to other auditors of the Group.

9. INCOME TAX EXPENSE

	2018 S$	2017 S$
Tax expense comprises:		
Current tax		
— Singapore corporate income tax ("CIT")	**792,657**	908,740
Deferred tax (credit) expense (Note 19)	**(382)**	9,024
	792,275	917,764

Singapore CIT is calculated at 17% of the estimated assessable profit and a further CIT rebate of 20%, capped at $10,000 for Year of Assessment 2019 and 40%, capped at $15,000 for Year of Assessment 2018, determined based on financial year end date of the Company. Singapore incorporated companies can also enjoy 75% tax exemption on the first S$10,000 of chargeable income and a further 50% tax exemption on the next S$290,000 of chargeable income.

The taxation for the year ended 30 June 2018 can be reconciled to the profit before taxation per the statements of profit or loss and other comprehensive income as follows:

	2018 S$	2017 S$
Profit before taxation	**1,670,331**	6,068,386
Tax at applicable tax rate of 17%	**283,956**	1,031,626
Tax effect of expenses not deductible for tax purpose	**2,296**	1,987
Tax effect of income not taxable for tax purpose	**—**	(26,267)
Effect of tax concessions and partial tax exemptions (Note)	**(35,925)**	(89,582)
Effect of tax rates of subsidiaries operating in other jurisdiction	**553,693**	—
Others	**(11,745)**	—
Taxation for the year	**792,275**	917,764

Note: Tax concessions pertain to incentive schemes given by the Singapore tax authority. One of the major tax concession is Productivity and Innovation Credit ("PIC") Scheme. Under the PIC Scheme, the subsidiary enjoys 400% tax deductions for qualifying expenditure incurred for the Year of Assessment 2018. The PIC scheme will lapse after Year of Assessment 2018.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' and chief executive's emoluments

Mr. Ang Kong Meng, Mr. Koh Lee Huat and Mr. Ryan Ong Wei Liang were appointed as directors of the Company on 18 August 2017.

The emoluments paid or payable to the directors and chief-executive of the Company (including emoluments for services as employee/directors of the Group prior to becoming the directors of the Company) by entities comprising the Group during the year ended 30 June 2018 are as follows:

Year ended 30 June 2018

	Fees S$	Discretionary bonus S$	Salaries and allowances S$	Contributions to CPF S$	Total S$
Executive Directors (iii)					
Koh Lee Huat (i)	–	–	97,800	12,375	110,175
Ryan Ong Wei Liang	–	–	72,000	12,375	84,375
Non-Executive Directors (iv)					
Ang Kong Meng	114,000	–	–	–	114,000
Independent Non-Executive Directors (iv)					
Cheung Kwok Yan Wilfred	6,083	–	–	–	6,083
Siu Man Ho Simon	6,083	–	–	–	6,083
Pong Kam Keung	6,083	–	–	–	6,083
	132,249	–	169,800	24,750	326,799

Year ended June 30, 2017

	Fees S$	Discretionary bonus S$	Salaries and allowances S$	Contributions to CPF S$	Total S$
Executive Directors (iii)					
Ang Kong Meng	104,500	–	9,500	461	114,461
Koh Lee Huat (i)	–	–	97,350	12,375	109,725
Ryan Ong Wei Liang	–	–	87,000	14,925	101,925
	104,500	–	193,850	27,761	326,111

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION (CONTINUED)

Directors' and chief executive's emoluments (Continued)

(i) Koh Lee Huat acts as chief executive of the Group with effect from 18 August 2017 and his emoluments disclosed above included those for services rendered by him as the chief executive.

(ii) No other retirement benefits were paid to the above directors in respect of their respective other services in connection with the management of the affairs of the Group.

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

(iv) The independent non-executive directors and non-executive director's emoluments shown above were for their services as directors of the Company.

(v) None of the directors has waived any remuneration in 2017 and 2018.

For the year ended 30 June 2018, no remuneration was paid by the Group to the director of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

Employees' remuneration

The remunerations of the five highest paid individuals included one director (2017: three directors) during the year ended 30 June 2018. During the year ended 30 June 2018, no remuneration was paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Details of the remuneration for the remaining highest paid employees who are not directors of the Group are as follows:

	2018 **S$**	2017 S$
Salaries and allowances	**345,076**	192,000
Discretionary bonus*	**103,233**	56,500
Contributions to CPF	**32,333**	15,930
	480,642	264,430

* The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION (CONTINUED)

Employees' remuneration (Continued)

The number of the highest paid employees who are not the directors of the Group whose remuneration fell within the followings band presented in Hong Kong Dollars ("HK$") is as follow:

	Number of employees	
	2018	2017
Emolument band		
Nil to HK$1,000,000	**4**	2

11. DIVIDENDS

No dividend was paid or declared by the group companies for the year ended 30 June 2018.

For the year ended 30 June 2017, an aggregate amount of dividends of S$2,000,000 (S$0.33 cents per share) was declared by Hwa Koon Engineering Pte Ltd, a subsidiary of the Company, to its then equity owner. A total of $2,672,660 was paid during the year ended 30 June 2017, being payment of S$2,000,000 for dividends declared in 2017 and S$672,660 for remaining unpaid dividends declared in 2016.

12. EARNINGS PER SHARE

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

	2018	2017
Profit attributable to the owners of the Company (S$)	**878,056**	5,246,434
Weighted average number of ordinary shares in issue	**640,000,000**	600,000,000
Basic and diluted earnings per share	**0.14 cents**	0.87 cents

The calculation of basic earnings per share is based on the profit 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 basic earnings per share for the year ended 30 June 2017 is based on 600,000,000 shares, which were issued pursuant to the assumption that the Reorganisation and the capitalisation issue as detailed in Note 20, and deemed to have been issued since 1 July 2016.

Diluted earnings per share is the same as the basic earnings per share because the Group has no dilutive securities that are convertible into shares during the years ended 30 June 2018 and 2017.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and Machinery S$	Leasehold properties S$	Computers and office equipment S$	Motor vehicles S$	Furniture and fittings S$	Total S$
Cost						
At 1 July 2016	48,661	631,290	63,135	343,607	30,352	1,117,045
Additions	308	–	53,667	90,800	15,080	159,855
Disposals	–	–	–	(39,200)	–	(39,200)
At 30 June 2017	48,969	631,290	116,802	395,207	45,432	1,237,700
Additions	2,044	–	6,521	–	444	9,009
Disposals	–	–	(6,082)	–	(3,589)	(9,671)
At 30 June 2018	51,013	631,290	117,241	395,207	42,287	1,237,038
Accumulated depreciation						
At 1 July 2016	37,396	126,649	39,941	197,388	30,148	431,522
Charge for the year	3,680	11,691	13,095	69,276	840	98,582
Elimination on disposals	–	–	–	(39,200)	–	(39,200)
At 30 June 2017	41,076	138,340	53,036	227,464	30,988	490,904
Charge for the year	3,995	11,689	19,860	52,177	3,147	90,868
Elimination on disposals	–	–	(6,082)	–	(3,589)	(9,671)
At 30 June 2018	45,071	150,029	66,814	279,641	30,546	572,101
Carrying values						
At 30 June 2017	7,893	492,950	63,766	167,743	14,444	746,796
At 30 June 2018	5,942	481,261	50,427	115,566	11,741	664,937

13. 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:

Plant and machinery	5 years
Leasehold properties	54 years
Computers and office equipment	5 years
Motor vehicles	5 years
Furniture and fittings	5 years

14. TRADE RECEIVABLES

	2018 S$	2017 S$
Trade receivables	4,482,202	3,332,464
Retention receivables (Note)	160,982	145,401
	4,643,184	3,477,865

Note: Retention monies withheld by customers of construction works are released after the completion of warranty period of the relevant contracts, which is usually 12 months from the completion date, and are classified as current as they are expected to be received within the Group's normal operating cycle.

The Group grants credit terms to customers typically for 30, 60 or 90 days from the invoice date for trade receivables.

The table below is an analysis of trade receivables by age presented based on the invoice date at the end of each reporting period:

Analysis of trade receivables:

	2018 S$	2017 S$
Within 30 days	1,463,093	1,180,156
31 days to 60 days	780,394	600,421
61 days to 90 days	257,707	749,595
91 days to 180 days	1,959,864	475,557
181 days to 1 year	21,144	326,735
	4,482,202	3,332,464

14. TRADE RECEIVABLES (CONTINUED)

Analysis of trade receivables: (Continued)

The carrying values of trade receivables approximate their fair values.

Included in the Group's trade receivables are carrying amounts of approximately S$2,387,075 which are past due at 30 June 2018 (2017: S$1,306,678), for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable based on repayment history of respective customers.

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$	2017 S$
Less than 30 days	1,009,404	—
31 days to 60 days	307,645	28,516
61 days to 90 days	515,763	475,870
91 days to 180 days	533,119	475,557
181 days to 365 days	21,144	326,735
	2,387,075	1,306,678

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 trade receivables, the Group considers if there is any change in the credit quality of the trade receivables from the initial recognition date to the end of each reporting period. Considering the high credibility of these customers, good track record with the Group and subsequent settlement, management believes the trade receivables at the end of each reporting period are of good credit quality and that no impairment allowance is necessary in respect of the remaining unsettled balances.

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

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 S$	2017 S$
Deposits	**99,285**	55,230
Prepayments	**28,518**	6,995
Advances to staff	**14,670**	14,670
Sundry receivables	**10,820**	—
	153,293	76,985

16. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION WORK

	2018 S$	2017 S$
Contract costs incurred plus recognised profits (less recognised losses) to date	**7,496,999**	5,791,440
Less: Progress billings	**(6,490,970)**	(3,598,376)
	1,006,029	2,193,064
Analysed for reporting purposes as:		
Amounts due from customers for construction work	**1,030,282**	2,193,064
Amounts due to customers for construction work	**(24,253)**	—
	1,006,029	2,193,064

17. BANK BALANCES AND CASH

	2018 S$	2017 S$
Cash at Bank	**3,073,399**	4,011,269
Cash on hand	**7,136**	—
Fixed Deposit	**18,136,977**	—
	21,217,512	4,011,269
Less: Fixed Deposit (pledged)	**(175,000)**	—
Cash and cash equivalents in the statement of cash flows	**21,042,512**	4,011,269

17. BANK BALANCES AND CASH (CONTINUED)

As at 30 June 2018, approximately S$683,798 (2017: S$59,660) included in bank balances carry interest rate of 0.78% (2017: 0.78%) per annum.

Included in bank balances is a fixed deposit amounting to S$175,000 (2017: S$Nil) which is placed for 12 months and carries interest rate of 0.25% per annum. The fixed deposit is pledged to bank for performance bonds issued in favour of a customer amounting to approximately S$174,000.

Other than a S$ time deposit with a maturity of one month amounting to S$3,200,000 (2017: S$Nil) which carries interest at 1.30% per annum as at 30 June 2018, and another United States Dollar ("US$") time deposit with a maturity of three months amounting to S$14,761,977 (2017: S$Nil) which carries interest at 2.62% per annum as at 30 June 2018, the remaining balances do not carry interest.

18. TRADE AND OTHER PAYABLES

	2018 S$	2017 S$
Trade payables	300,474	1,093,110
Trade accruals	24,207	39,306
	324,681	1,132,416
Accrued operating expenses	178,809	65,677
Other payables		
GST payable	153,988	93,615
Payroll and CPF payable	235,958	115,435
Others	1,813	7,874
	570,568	282,601
	895,249	1,415,017

The credit period on purchases from suppliers and subcontractors is between 14 and 90 days or payable upon delivery and rendering of services.

18. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2018 **S$**	2017 S$
Within 90 days	**300,400**	1,093,110
91 days to 180 days	**74**	—
	300,474	1,093,110

19. DEFERRED TAX LIABILITIES

	2018 **S$**	2017 S$
As at 1 July	**25,652**	16,628
(Credit) charged to profit or loss for the period (Note 9)	**(382)**	9,024
As at 30 June	**25,270**	25,652

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 law in Singapore.

20. SHARE CAPITAL

The issued share capital as at 30 June 2017 represented the share capital of Hwa Koon Engineering Pte Ltd comprising of 1,000,000 shares at S$1 each.

On 29 May 2017, Philosophy Global was incorporated in the BVI with limited liability. On 28 July 2017, 51 ordinary shares, 34 ordinary shares and 15 ordinary shares, all with no par value, of Philosophy Global were issued and allotted to Mr. Ang, Mr. Ong and Mr. Koh at cash consideration of US$51, US$34 and US$15, respectively. On 14 September 2017, Philosophy Global further issued 100 shares to Mr. Ang, Mr. Ong and Mr. Koh for exchange of their respective equity interest in Hwa Koon Engineering Pte Ltd (details of which are set out in Note 2). On 18 August 2017, the Company was incorporated with an authorised share capital of HK$100,000 divided into 10,000,000 shares with par value of HK$0.01 each. On 18 August 2017, the Company allotted and issued one share.

20. SHARE CAPITAL (CONTINUED)

On 2 March 2018, Mr. Ang, Mr. Ong and Mr. Koh, as vendors and the Company, as purchaser, entered into a sale and purchase agreement, pursuant to which the Company acquired by 102 ordinary shares, 68 ordinary shares and 30 ordinary shares of Philosophy Global, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh, respectively, for exchange of 9,999 shares issued and allotted by the Company, credited as fully paid, to Skylight Illumination. Upon the completion of the above acquisition on 2 March 2018, Philosophy Global became a wholly-owned subsidiary of the Company.

On 15 March 2018, the authorised share capital of the Company was increased from HK$100,000 to HK$15,000,000 by the creation of an additional of 1,490,000,000 shares of HK$0.10 each, each ranking pari passu with the shares.

As part of the Share Offer, the Company allotted and issued a total of 599,990,000 shares to the shareholder(s) whose name(s) appear on the register of members or the principal share register of the Company at the close of business on 15 March 2018 (credited as fully paid at par, by way of capitalisation of the sum of HK$5,999,900 standing to the credit of the share premium account of the Company (the "Capitalisation Issue").

The Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 18 April 2018 by way of share offer of 200,000,000 shares at the price of HK$0.55 per share (the "Share Offer").

Movements of the issued share capital of the Company from its date of incorporation to 30 June 2018 are as follows:

	No. of shares	S$
Issued and fully paid ordinary shares:		
At date of incorporation	1	—
Shares issued pursuant to the reorganisation	9,999	17
Shares issued under the Capitalisation Issue	599,990,000	1,001,803
Shares issued under the Share Offer	200,000,000	333,940
At 30 June 2018	800,000,000	1,335,760

21. SHARE PREMIUM

The amounts of the Group's share premium and the movements therein during the financial year ended 30 June 2018 are presented in the consolidated statement of changes in equity.

Share premium represents the excess of consideration for the shares issued over the aggregate par value.

22. OPERATING LEASE COMMITMENTS

The Group as lessee

	2018 S$	2017 S$
Payment recognised as an expense during the year:		
Minimum lease payments paid during the period under operating leases in respect of staff dormitories	**77,120**	72,120

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

	2018 S$	2017 S$
Within 1 year	**51,440**	78,000
After 1 year but within 2 years	**–**	12,800
	51,440	90,800

Operating lease payments represent rentals payable by the Group for accommodation for foreign workers. The leases have tenures ranging from one to two years. The lease payments are fixed over the lease term and no contingent rent provision is included in the contracts.

23. RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund 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 year ended 30 June 2018, 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$165,871 for the year ended 30 June 2018 (2017: S$151,830), represent contributions paid to the retirement benefits scheme by the Group.

As at 30 June 2018, contributions of S$25,523 (2017: S$23,879) were due respectively but had not been paid to CPF. The amounts were paid subsequent to the end of the year.

24. 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 financials statements. Related parties refer to entities in which directors of the Group have a beneficial interest in it.

Other than those disclosed in the financial statements, the Group entered into the following transactions with related parties:

	2018 S$	2017 S$
Provision of construction services		
Shieldtech Engineering & Construction Sdn. Bhd.	–	85,500
BRC Global Pte. Ltd. ("BRC Global")	–	9,350
Purchase of subcontracting work		
BRC Global Pte. Ltd. (Note)	–	743,421

Note: Mr. Ong was formerly a director of and held 33.33% equity interest in BRC Global. In March 2017, Mr. Ong resigned from his directorship and disposed of all his equity interest in BRC Global and BRC Global is no longer regarded as a related party to the Group since then.

Funding arrangement

During the years ended 30 June 2017 and 30 June 2018, the Group received funds from directors amounting to S$801,690 and nil, respectively, all of which are non-interest bearing, unsecured and repayable on demand.

Compensation of key management personnel

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

	2018 S$	2017 S$
Short term benefits	584,058	447,470
Post-employment benefits	41,288	42,481
Total compensation	625,346	489,951

25. CAPITAL RISKS MANAGEMENT

The Group manages its capital to maintain a balance between continuity of funding of cash flows from operating activities.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital and reserves. The Group is not subject to any externally imposed capital requirements.

The management of the Group review the capital structure on a regular basis. As part of this review, the management consider the cost of capital and the associated risk with each class of items in the context of capital structure, and takes appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged from prior year.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	2018 S$	2017 S$
Financial assets		
— *Loans and receivables*		
Trade receivables	4,643,184	3,477,865
Other receivables and deposits*	124,775	69,990
Bank balances and cash	21,217,512	4,011,269
Total	25,985,471	7,559,124

* Prepayments are excluded

	2018 S$	2017 S$
Financial liabilities		
— Amortised cost		
Trade and other payables**	741,261	1,321,402
Total	741,261	1,321,402

** GST payable is excluded

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, deposits, bank balances and cash, and trade and other payables. 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.

(a) Market risk management

Interest rate risk management

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. It is the Group's policy to raise borrowings at fixed-rate or variable-rate according to business needs and as to minimise the fair value and cash flow interest rate risk.

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. No sensitivity of interest rate risk is prepared as the Group has no material variable interest bearing financial instruments.

Currency risk management

The Group has certain bank and cash balance, other receivables, deposits and prepayments and trade and other payables denominated in HK$, US Dollar ("US$") and Malaysia Ringgit ("MYR") other than the functional currency of the respective group companies, which exposes the Group to foreign currency risk.

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (Continued)

(a) Market risk management (Continued)

Currency risk management (Continued)

The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies at the end of each reporting period is as below:

	2018 S$	2017 S$
Monetary assets		
— denominated in HK$	1,296,860	—
— denominated in US$	14,764,828	253,289
Monetary liabilities		
— denominated in HK$	45,509	—
— denominated in US$	103,845	—
— denominated in MYR	—	15,981

Sensitivity analysis

If the HK$ strengthens/weakens by 10% against the functional currency of the respective group companies, the Group's profit for the year ended 30 June 2018 would increase/decrease by S$103,862 (2017: S$Nil).

If the US$ strengthens/weakens by 10% against the functional currency of the respective group companies, the Group's profit for the year ended 30 June 2018 would increase/decrease by S$1,216,862 (2017: S$21,023).

If the MYR strengthens/weakens by 10% against the functional currency of the respective group companies, the Group's profit for the year ended 30 June 2018 would decrease/increase by S$Nil (2017: S$1,326).

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (Continued)

(b) Credit risk management

The Group's concentration of credit risk by geographical location is mainly in Singapore, which accounted for 100% of the total financial assets as at 30 June 2018 (2017: 97%).

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

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. 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, including trade receivable of trade nature, at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Company considers that the Group's credit risk is significantly reduced.

Approximately 64% and 73% of total trade receivables outstanding at 30 June 2018 and 30 June 2017 respectively were due from top five customers 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.

Other than concentration of credit risk on bank deposits and balances placed in four (2017: three) banks in which the counterparties are financially sound and on trade receivables from top five customers, the Group has no other significant concentration of credit risk on its loans and receivables, with exposure spread over a number of counterparties.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (Continued)

(c) Liquidity risk management

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.

Non-derivative financial liabilities

All financial liabilities of the Group as at 30 June 2018 and 30 June 2017 are non-interest bearing and repayable on demand or due within one year.

Non-derivative financial assets

All financial assets of the Group as at 30 June 2018 and 30 June 2017 are non-interest bearing and repayable on demand or due within one year, except for bank balances and cash as disclosed in Note 17.

(d) Fair value

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis.

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

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

27. CONTINGENT LIABILITIES

As at 30 June 2018, the Group has provided guarantee to two customers in respect of performance bonds in favour of the customer amounting to approximately S$200,000 (2017: S$Nil), in which approximately S$174,000 was pledged with a restricted bank deposit amounting to S$175,000.

28. PARTICULARS OF SUBSIDIARIES

As at the date of this consolidated financial statements, the Company has direct equity interest in the following subsidiaries:

Name of subsidiary	Place of incorporation/ operation and date of incorporation	Issued and fully paid capital	Equity interest attributable to the Company as at 30 June 2017	30 June 2018	Principal activities	Notes
Directly held:						
Philosophy Global Limited	BVI, 29 May 2017	$4,600,136	N/A	**100%**	Investment holding	(a)
Indirectly held:						
Hwa Koon Engineering Pte. Ltd.	Singapore, 5 April 1994	S$1,000,000	100%	**100%**	Provision of integrated design and building services	(b)

The subsidiaries now comprising the Group is limited liability company and has adopted 30 June as their financial year end date.

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

Notes:

(a) No audited financial statements of Philosophy Global has been prepared since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirements.

(b) The statutory financial statement of this company for the year ended 30 June 2017 and 2018 was prepared in accordance with Financial Reporting Standards in Singapore ("FRSs") issued by Accounting Standards Council in Singapore and were audited by Deloitte & Touche LLP, Public Accountants and Chartered Accountants registered in Singapore.

29. 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:

	As at 30 June 2018 S$
ASSETS AND LIABILITIES	
Non-current asset	
Investment in subsidiaries	17
Current assets	
Other receivables, deposits and prepayments	14,420
Amount due from subsidiaries	12,235,043
Bank balances and cash	1,287,111
	13,536,574
Current liabilities	
Other payables	105,510
	105,510
Net current assets	13,431,064
Total assets less current liabilities, representing net assets	13,431,081
EQUITY	
Capital and reserves	
Share capital	(1,335,760)
Share premium	(15,352,340)
Accumulated losses	3,257,019
Equity attributable to owners of the Company	(13,431,081)

29. 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$
At 18 August 2017 (date of incorporation)	—	—	—
Total comprehensive loss for the period:			
Loss for the period	—	(3,257,019)	(3,257,019)
Transactions with owners, recognised directly in equity			
Issue of shares under capitalisation issue	(1,001,803)	—	(1,001,803)
Issue of shares under the share offer	18,212,080	—	18,212,080
Share issue expenses	(1,857,937)	—	(1,857,937)
	15,352,340	(3,257,019)	12,095,321
At 30 June 2018	15,352,340	(3,257,019)	12,095,321

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the published financial statements, is set out as below:

	2018 S$	2017 S$	2016 S$	2015 S$
RESULTS				
Revenue	**13,928,620**	14,937,418	9,793,083	13,244,503
Cost of services/sales	**(8,162,246)**	(8,432,129)	(6,187,490)	(7,971,327)
Gross profit	**5,766,374**	6,505,289	3,605,593	5,273,176
Other income	**70,585**	48,468	50,639	23,160
Other gains	**518,999**	132,825	—	—
Administrative expenses	**(1,294,339)**	(618,196)	(634,716)	(1,173,671)
Finance costs	**—**	—	(225)	(2,327)
Listing expenses	**(3,391,288)**	—	—	—
Profit before taxation	**1,670,331**	6,068,386	3,021,291	4,120,338
Income tax expense	**(792,275)**	(917,764)	(340,367)	(653,575)
Profit for the year	**878,056**	5,150,622	2,680,924	3,466,763
Other comprehensive (expense) income:				
Items that may be reclassified subsequently to profit or loss:				
Fair value changes on available-for-sale financial assets, net of tax	**—**	223,323	(95,812)	—
Reclassified upon disposal of available-for-sale financial assets	**—**	(127,511)	—	—
Total comprehensive income for the year	**878,056**	5,246,434	2,585,112	3,466,763
ASSETS AND LIABILITIES				
Non-current assets	**664,937**	746,796	685,523	662,379
Current assets	**27,044,271**	9,759,183	6,853,825	6,129,262
Total assets	**27,709,208**	10,505,979	7,539,348	6,791,641
Non-current liabilities	**25,270**	25,652	16,628	14,419
Current liabilities	**2,002,568**	2,365,232	2,654,059	3,193,673
Total liabilities	**2,027,838**	2,390,884	2,670,687	3,208,092
Total equity	**25,681,370**	8,115,095	4,868,661	3,583,549