HKE Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1726

2019 | ANNUAL REPORT

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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. Leung Hoi Yan

AUTHORISED REPRESENTATIVES

Mr. Koh Lee Huat
Ms. Leung Hoi Yan

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 1801–3, 18th Floor
One Taikoo Place, 979 King's Road
Quarry Bay
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 2701, 27/F, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

LEGAL ADVISERS

AS TO HONG KONG LAW
Guantao & Chow Solicitors and Notaries
Suites 1801–3, 18th Floor
One Taikoo Place, 979 King's Road
Quarry Bay
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 annual report of the Group for the year ended 30 June 2019 ("Review Year").

For the Review Year, the revenue of the Group was approximately S$10.4 million, gross profit was approximately S$3.7 million and profit before taxation was approximately S$2.7 million.

Despite having a challenging year, we remain optimistic and positive for the upcoming year. Minister of Health, Mr. Gan Kim Young, highlighted during the Ministry of Health Committee of Supply Debate 2018, that the development of more hospitals are underway such as 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. Following the update from the speech by Dr Lam Pin Min, Senior Minister of State for Health, at the Ministry of Health Committee of Supply Debate 2019, the government had plans to enlarge the polyclinic network from 20 currently to about 30 to 32 polyclinics by 2030. These are some examples of the plans and initiative put in place by the Singapore government that could lead to an increase in medical shielding construction work for the Group.

The Group continues to dedicate our effort to strive for excellence in quality service providing to our customers. We will continue to explore emerging building technologies in order to strengthen our 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, 30 September 2019

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 2019, the revenue of the Group decreased by 25.2% to approximately S$10.4 million as compared to approximately S$13.9 million for the year ended 30 June 2018. The drop in revenue was contributed by (i) decrease in gross profit margin by approximately 5.9% due to adoption of a more aggressive pricing strategy to secure new projects; and (ii) delay of tendering process for a few major 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. Examples 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.

Despite the decrease in revenue for the year ended 30 June 2019, the Directors remain positive on the outlook of the medical-related construction industry in the coming years. Minister of Health, Mr. Gan Kim Young, highlighted during the Ministry of Health Committee of Supply Debate 2018, that the development of more hospitals are underway such as 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. Following the update from the speech by Dr Lam Pin Min, Senior Minister of State for Health, at the Ministry of Health Committee of Supply Debate 2019, the government had plans to enlarge the polyclinic network from 20 currently to about 30 to 32 polyclinics by 2030. The directors are of the opinion that the above plans and initiatives put in place by the Singapore government will lead to an increase in medical shielding construction work for the Group.

Management Discussion and Analysis

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 2019 compared to the year ended 30 June 2018 is as follows:

	2019	2018
	S$	S$
Revenue from:		
Integrated design and building services, recognised over time	**9,972,641**	13,358,328
Maintenance and other services, recognised at a point in time	**377,751**	474,386
Sales of tools and materials, recognised at a point in time	**52,900**	95,906
	10,403,292	13,928,620

The Group's revenue decreased from approximately S$13.9 million for the year ended 30 June 2018 to approximately S$10.4 million for the year ended 30 June 2019, representing a decrease of approximately S$3.5 million or 25.2%.

Revenue deriving from integrated design and building services decreased by approximately S$3.4 million or 25.4% from approximately S$13.4 million for the year ended 30 June 2018 to approximately S$10.0 million for the year ended 30 June 2019. The drop in revenue was contributed by (i) decrease in gross profit margin by approximately 5.9% due to adoption of a more aggressive pricing strategy to secure new projects; and (ii) delay of tendering process for a few major projects.

Revenue deriving from maintenance and other services decreased by approximately S$0.1 million or 20.0% from approximately S$0.5 million for the year ended 30 June 2018 to approximately S$0.4 million for the year ended 30 June 2019. This was mainly contributed by the decreased in one-off minor work orders from the customer during the year ended 30 June 2019, as compared to the year ended 30 June 2018.

The decrease in sales of tools and materials by approximately 44.8% was due to the decrease in export sales of lead materials in the year ended 30 June 2019, as compared to year ended 30 June 2018.

Cost of Services/Sales

The Group's cost of services/sales decreased from approximately S$8.2 million for the year ended 30 June 2018 to approximately S$6.7 million for the year ended 30 June 2019, representing a decrease of approximately S$1.5 million or 18.3%.

Such decrease was mainly contributed by (i) decrease in endorsement fees by professional engineer incurred by the Group of approximately S$0.1 million or 25.0% from approximately S$0.4 million in the year ended 30 June 2018 to approximately S$0.3 million in the year ended 30 June 2019; and (ii) decreased use of sub-contractors by the Group during the year ended 30 June 2019 of approximately S$1.3 million or 32.7% as compared to the year ended 30 June 2018.

Such decrease in endorsement fees by professional engineer and use of sub-contractors by the Group is due to the decrease in revenue derived from the integrated design and building services during the year ended 30 June 2019.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 30 June 2019 amounted to approximately S$3.7 million, representing a decrease of approximately 36.2% as compared with approximately S$5.8 million for the year ended 30 June 2018, which was mainly due to decrease in revenue for the same period. The Group's gross profit margin for the year ended 30 June 2019 was approximately 35.5%, as compared with approximately 41.4% for the year ended 30 June 2018. The decrease in the gross profit margin of approximately 5.9% over the year ended 30 June 2019 was mainly attributable to the more competitive pricing provided to customer to secure new projects during the financial year ended 30 June 2019.

Other Income

The Group's other income significantly increased by approximately S$0.4 million from approximately S$0.1 million for the year ended 30 June 2018 to approximately S$0.5 million for the year ended 30 June 2019. Such significant increase in other income was mainly due to the interest income derived funds placed with financial institutions of approximately S$0.5 million for the year ended 30 June 2019, representing an increase of S$0.4 million from the year ended 30 June 2018.

Other Losses/Gains

The Group's recorded other losses of approximately S$0.1 million for the year ended 30 June 2019 and other gains of approximately S$0.5 million for the year ended 30 June 2018. Such significant change was mainly due to minimal movement of the Hong Kong dollars and United State dollars against Singapore dollars in the year ended 30 June 2019, as compared 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 in the year ended 30 June 2018.

Management Discussion and Analysis

Administrative Expenses

The Group's administrative expenses increased by S$0.1 million or 7.7% from approximately S$1.3 million for the year ended 30 June 2018 to approximately S$1.4 million for the year ended 30 June 2019. 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 approximately S$0.1 million from the year ended 30 June 2018 to the year ended 30 June 2019. The increase was mainly due to the Group paying independent non-executive Directors' fees for 12 months for the year ended 30 June 2019, as compared to the Directors' fees paid to independent non-executive Directors of 2.5 months (from the Group's listing date of 18 April 2018 to 30 June 2018) for the year ended 30 June 2018.

The professional fees of the Group increased by S$0.2 million from approximately S$0.3 million during the year ended 30 June 2018 to S$0.5 million during the year ended 30 June 2019. 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 decreased by S$0.2 million during the year ended 30 June 2019. The decrease was mainly due to the lesser corporate events organized by the Group during the financial year ended 30 June 2019 as a measure of cost savings initiative of the Group. The decrease in entertainment and travelling expenses has partly offset the increase in administrative expenses.

Income Tax Expense

Income tax expense decreased from approximately S$0.8 million for the year ended 30 June 2018 to approximately S$0.5 million for the year ended 30 June 2019. 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$2.3 million for the year ended 30 June 2019 (2018: approximately S$0.9 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$2.0 million or 46.5% as compared to the year ended 30 June 2018. The decrease was mainly due to the combined effect of decrease gross profit margin as discussed above.

Final Dividend

The Board did not recommend a payment of a final dividend in the financial year ended 30 June 2019 (2018: nil).

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 2019, the Group had total cash and bank balances of approximately S$22.5 million (2018: approximately S$21.0 million). The increase was mainly due to the profits earned by the Group during the financial year ended 30 June 2019.

Treasury Policy

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

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 2019 was 0% (as at 30 June 2018: 0%).

Pledge of Assets

As at 30 June 2019, the Group does not have any pledged bank deposit for corresponding amount of performance guarantee issued in favour of a customer (as at 30 June 2018: S$0.2 million).

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$12.9 million and S$1.4 million, respectively, as at 30 June 2019 (2018: approximately S$1.3 million and S$14.8 million) that are exposed to foreign exchange rate risks. The Group recorded an unrealised foreign exchange loss of approximately S$0.1 million in the financial year ended 30 June 2019 (2018: gain of S$0.5 million).

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 2019. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 30 June 2019.

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 2019.

Employees and Remuneration Policy

As at 30 June 2019, the Group employed a total of 41 full-time employees (including two executive Directors), as compared to the 43 full-time employees as at 30 June 2018. Total staff costs including Directors' emoluments for the year ended 30 June 2019 amounted to approximately S$2.7 million (2018: approximately S$2.6 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 (the "Remuneration Committee"), 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 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.

As at 30 June 2019, the Group did not provide any guarantee to any customers and did not have any 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.

The Net Proceeds received applied by the Group during the period from the Listing Date up to 30 June 2019 as follows:

Use of Net Proceeds:	**Planned use of Net Proceeds** HK$'000	**Actual use of Net Proceeds from the Listing Date to 30 June 2019** HK$'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	2,755	18,745
Issue of performance guarantees	4,800	144	4,656
Acquisition of additional motor vehicles and machinery	5,100	850	4,250
Increasing our marketing efforts	2,300	1,220	1,080
Use as general working capital	6,300	6,300	–

Note 1: As at 30 June 2019, 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.

Biography of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Ang Kong Meng, aged 68, 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 (the "Audit Committee") 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 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 41 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 49, 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 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 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 22 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.

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 35, 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 (the "Nomination Committee") 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 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 6 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 45, was appointed as an independent non-executive Director on 15 March 2018. He is also a member of the Audit Committee and the chairman of the Remuneration Committee 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.

Biography of Directors and Senior Management

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 57, 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 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 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 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 39, 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 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.

Biography of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Ho Poh Ling, aged 47, 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 17 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 36, 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 29, 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.

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 as its own code on corporate governance practices.

During the year ended 30 June 2019, the Company complied with the code provisions as 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 ended 30 June 2019, 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.

Corporate Governance Report

The attendance records of the Directors for the regular Board, committees and general meetings of the Company for the year ended 30 June 2019 are as follows:

	No. of meetings attended/No. of meetings held				
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Non-Executive Director					
Mr. Ang Kong Meng *(Chairman)*	4/4	3/3	N/A	N/A	1/1
Executive Directors					
Mr. Koh Lee Huat *(Chief Executive Officer)*	4/4	N/A	3/3	N/A	1/1
Mr. Ryan Ong Wei Liang	4/4	N/A	N/A	4/4	1/1
Independent Non-Executive Directors					
Mr. Siu Man Ho Simon	4/4	3/3	3/3	N/A	1/1
Mr. Cheung Kwok Yan Wilfred	4/4	3/3	N/A	4/4	1/1
Prof. Pong Kam Keung	4/4	N/A	3/3	4/4	1/1

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. 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 and thereafter shall continue year to year. The non-executive Directors 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.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

During the year ended 30 June 2019, according to the records provided by the Directors, the participation by each Director in the continuous professional development ("CPD") was recorded as follows:

The non-executive Director, Mr. Ang Kong Meng; the executive Directors, Mr. Koh Lee Huat and Mr. Ryan Ong Wei Liang; and the INED, Mr. Cheung Kwok Yan Wilfred participated in CPD activities by ways of reading materials covering topics including review of corporate governance code and related Listing Rules, new code provision on dividend policy and amended code provision of audit committee.

The INED, Mr. Siu Man Ho Simon, participated in CPD activities by ways of reading materials covering topics including review of corporate governance code and related Listing Rules, new code provision on dividend policy, amended code provision of audit committee, managing risk and Securities Future Commission enforcement action against listed companies and their officers.

The INED, Prof. Pong Kam Keung, participated in CPD activities by ways of attending training/seminars and/or reading articles/journals covering topics including review of corporate governance code and related Listing Rules, new code provision on dividend policy, amended code provision of audit committee and annual regulatory updates.

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 during the year ended 30 June 2019.

REMUNERATION COMMITTEE

The Company established the 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.

During the year ended 30 June 2019, the Remuneration Committee reviewed the Company's remuneration policy and structure; the remuneration packages of the Directors of the Company and the senior management of the Group; all disclosure statements in relation to the Remuneration Committee in the annual report and interim report of the Company; and the terms of reference of the Remuneration Committee.

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 22 to the financial statements.

NOMINATION COMMITTEE

The Company established the 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.

The Nomination Committee assists the Board in making recommendations to the Board on the appointment and re-appointment of Directors, and succession planning for Directors. When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including reputation for integrity; accomplishment, experience and reputation in the relevant industry and other relevant sectors; commitment in respect of sufficient time, interest and attention to the Company's business; diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge; the ability to assist and support management and make significant contributions to the Company's success; compliance with the criteria of independence as prescribed under rule 3.13 of the Listing Rules for the appointment of an INED.

The secretary of the Nomination Committee shall invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration. In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval. In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

Each of executive Director and non-executive Director entered into service agreement and letter of appointment respectively for their appointment with the Company for a term of three years commencing from April 2018. Each of INED entered into letter of appointment for his appointment with the Company for an initial term of one year commencing from April 2018 and thereafter shall continue year to year. All Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

According to Article 108(a)-(b), at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

According to Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

During the year ended 30 June 2019, the Nomination Committee reviewed the structure, size and composition of the Board, all disclosure statements in relation to the Nomination Committee in the annual report and interim report of the Company and the terms of reference of the Nomination Committee; assessed the independence of INEDs; and adoption of nomination policy.

AUDIT COMMITTEE

The Company established the 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 2019, the Audit Committee of the Company reviewed the accounting principles and practices adopted by the Group with the management and the Company's auditor; discussed auditing, internal control and financial reporting matters including the audited financial statements and unaudited interim financial statements; reviewed the compliance with the CG Code, the disclosure in the corporate governance report, the Company's policies and practices on corporate governance, internal control systems and procedures and the terms of reference of the Audit Committee; and reviewed and discussed the audit plan of the Company.

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 2019 is set out in the section "Independent Auditor's Report" of this report. During the year ended 30 June 2019, remuneration paid and payable to the auditor of the Group are approximately S$130,000 for annual audit fee and 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. 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 ended 30 June 2019, risk management and internal control systems have been reviewed by an engaged external professional adviser with the management of the Company and the Board had 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. Leung Hoi Yan, 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 1801–3, 18th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, 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.

During the year ended 30 June 2019, there had been no significant change in the Company's constitutional documents.

Report of The Directors

The Directors are pleased to present the report together with the consolidated financial statements of the Group for year ended 30 June 2019 ("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 27 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year ended 30 June 2019.

RESULTS/BUSINESS REVIEW

The results of the Group for the year ended 30 June 2019 are set out in the section headed "Independent Auditor's Report" on page 59 in this annual report.

A review of the business of the Group for the year ended 30 June 2019, 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 2019, 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 Tuesday, 19 November 2019 to Friday, 22 November 2019 (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 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Monday, 18 November 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 30 June 2019 are set out in Note 12 to the Financial Statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries during the year ended 30 June 2019 are set out in Note 27 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 2019 was 800,000,000 ordinary shares with par value of HK$0.01 per share.

Details of movements during the year ended 30 June 2019 in the share capital of the Company are set out in Note 19 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 30 June 2019 are set out in the "Consolidated Statement of Changes in Equity" on page 68 of this annual report.

As at 30 June 2019, the Group has reserves amounting to approximately S$10.3 million available for distribution (2018: approximately S$8.0 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

Executive directors:

Mr. Koh Lee Huat
Mr. Ryan Ong Wei Liang

Independent Non-executive directors:

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

In accordance with article 108 (a)-(b) of the Articles of Association, Mr. Ang Kong Meng and Mr. Koh Lee Huat will retire by rotation and, being eligible, will offer themselves for re-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 12 to 16 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 date of listing of shares of the Company on the Stock Exchange on 18 April 2018 (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 and thereafter shall continue year to year, 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).

DIVIDEND POLICY

The Company has adopted a dividend policy which sets forth the Company's approach when considering the payment of dividends and to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the future growth of the Company and its subsidiaries and provided that the Group records profits and that the declaration and payment of dividends does not affect the normal operations of the Group.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the general financial condition of the Group; the capital and debt level of the Group; future cash requirements and availability for business operations, business strategies and future development needs; any restrictions on payment of dividends that may be imposed by the Group's lenders; the general market conditions; and any other factors that the Board deems appropriate.

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

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 2019.

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 2019, 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:

(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 2019, 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 2019, 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 2019, 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 23 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 2019.

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 2019.

CONNECTED/RELATED PARTY TRANSACTIONS

During the year ended 30 June 2019, 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 23 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 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 2019.

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 2019.

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 2019.

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Grande Capital Limited ("Grande"), as at 30 June 2019, 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 2019.

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 2019.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2019, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 7.9% and 26.5% (2018: approximately 7.4% and 30.2%) 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 28.3% and 79.4% (2018: approximately 21.7% and 75.5%) respectively of the Group's total revenue for the year ended 30 June 2019.

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 1 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 2019.

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

During the year ended 30 June 2019, 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 2019 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 17 to 24 in this annual report.

FINAL DIVIDEND

The Board has not declared or paid dividends during the year ended 30 June 2019 (2018: nil).

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

On 15 July 2019, the Company's holding company, Skylight Illumination Limited, had entered into a sale and purchase agreement (the "SPA") with Eagle Fortitude Limited (the "Offeror"), a third party, to dispose its entire shareholdings of 600,000,000 ordinary shares ("Sale Shares") in HKE Holdings Limited, representing 75% of the total issued share capital of the Company, at the price of HK$0.48 per Sale Share. The SPA for this disposal was made effective on 22 July 2019. As a result of the disposal, the Offeror is the Company's holding company with effect from 22 July 2019.

In accordance with Rule 26.1 of The Codes on Takeovers and Mergers and Share Buy-backs (the "Takeovers Code") published by the Securities and Futures Commission, the Offeror was required to make a mandatory unconditional cash offer (the "Share Offer") to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and/or parties acting in concert with it) in accordance with the terms as set out in the composite offer document and the response document (the "Composite Document") jointly despatched by the Company and the Offeror on 7 August 2019 in accordance with the Takeovers Code.

As of the close of the Share Offer on 28 August 2019, the Offeror received valid acceptances in respect of the Share Offer for a total of 315,000 Shares, representing approximately 0.039% of the total issued share capital of the Company as at the said date. Further information regarding the Share Offer was published in the announcements of the Company dated 17 July 2019, 22 July 2019, 7 August 2019, 28 August 2019 and the Composite Document.

PUBLIC FLOAT

Immediately after the close of the Share Offer and as at the date of the joint announcement dated 28 August 2019, subject to completion of the transfer to the Offeror of those Shares acquired by it under the Offer (in respect of which valid acceptances were received), 199,685,000 Shares, representing approximately 24.961% of the total issued share capital of the Company, are held by the public (as defined in the Listing Rules). Accordingly, immediately after the close of the Offer and as at the date of the joint announcement dated 28 August 2019, the Company does not satisfy the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules.

The Company thus made an application to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for the period from 28 August 2019 (being the closing date of the Offer) to 27 November 2019. The Company has been informed by the Offeror that an aggregate of 315,000 Shares were placed to a placee at a placing price of HK$0.48 per Share (the "Placing Down") on 15 October 2019. Immediately after completion of the Placing Down, 200,000,000 Shares (representing 25.000% of the total issued share capital of the Company) are held by the public (within the meaning under the Listing Rules). Accordingly, the minimum public float of 25% of the total issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules has been restored.

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, save as disclosed above, the Company has maintained a sufficient minimum public float under the Listing Rules.

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

30 September 2019

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 17 to 24 of this annual report.

REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures being taken during the year ended 30 June 2019 (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.40
		Greenhouse Gas Emission	P.42
		Waste Management	P.43
A2.	Use of Resources	Energy Consumption	P.45
		Water Consumption and Use of Packaging Materials	P.47
A3.	The Environment and Natural Resources	Noise Management	P.48
		Environmental Impact of Projects	P.48
B.	**Society**		
B1.	Employment	Recruitment, Promotion and Remuneration	P.48
		Diversity, Equal-Opportunity and Anti-Discrimination	P.49
B2.	Health and Safety	Safety Risks of Projects	P.49
		Safety Measures and Training	P.50
		Emergency Preparedness and Response	P.50
B3.	Development and Training	Staff Development and Training	P.50
B4.	Labor Standards	Prevention of Child Labor or Forced Labor	P.51
B5.	Supply Chain Management	Control Over Subcontractors	P.51
		Fair and Open Procurement	P.52
B6.	Product Responsibility	Quality Management	P.52
		Customer Service	P.53
		Privacy Protection	P.53
B7.	Anti-Corruption	Anti-Corruption	P.53
B8.	Community Investment	Community Investment	P.54

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.

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.

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 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 closed containers.

- 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 117.03 tonnes (30 June 2018: 130.35 tonnes) and the total GHG emission per employee was 2.86 tonnes (30 June 2018: 3.03 tonnes). The detailed summary of the GHG emission is shown as below:

GHG Performance Summary

	2019		2018	
GHG Scope[1]	**Tonnes**	**Intensity — Tonnes per employee[2]**	Tonnes	Intensity — Tonnes per employee[2]
Direct GHG emission (Scope 1) — Diesel consumption	**46.22**	**1.13**	55.22	1.28
Indirect GHG emission (Scope 2) — Electricity consumption	**13.03**	**0.32**	12.73	0.30
Indirect GHG emission (Scope 3) — Construction waste to landfill	**57.78**	**1.41**	62.40	1.45
Total GHG emission	**117.03**	**2.86**	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 2019, the number of full-time employees of the Group was 41 (2018: 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 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.

The non-hazardous waste discharge volume generated by the Group is shown as below:

Non-hazardous waste category	Quantity 2019	Quantity 2018	Unit	Intensity — Unit per employee 2019	Intensity — Unit per employee 2018
Paper	**56,349.00**	73,423.00	Pages (printed out)	**1,374.4**	1,707.51
Construction waste	**160.05**	172.84	Tonnes	**3.90**	4.02

We usually engage third party waste handling companies, which possess general waste collector's license, 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.

The Group's consumption in diesel and electricity were:

Energy Type	Quantity		Unit	Intensity— Unit per employee	
	2019	2018		**2019**	2018
Diesel	**16,671.63**	19,915.97	litres	**406.63**	463.16
Electricity	**31,094.00**	30,374.00	kWh	**758.39**	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 2,028.2 m^3 (2018: 658 m^3) of water were consumed by the Group and the water consumption per employee was 49.47 m^3 (2018: 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, 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 2018, 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 2018 certifying its quality management to be in conformance with the requirements of ISO 9001:2015 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 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 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 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 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, Natural Resources — 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

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

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 65 to 123, which comprise the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("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") issued by International Auditing and Assurance Standards Board (the "IAASB"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 input method to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time in accordance with IFRS 15 Revenue from Contracts with Customers. The revenue and profit recognised in a year on these projects is dependent, amongst others, on the assessment of the Group's efforts or inputs to the construction projects (i.e. contract cost incurred for work performed) relative to the total expected inputs to the construction projects (i.e. estimated total budgeted contract cost committed for the projects). The uncertainty and subjectivity involved in determining the budgeted 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 6 and Note 15 respectively.	We obtained an understanding of the projects under construction, evaluated the design and implementation of relevant controls and tested controls put in place by the Group in respect of revenue recognition. We assessed the Group's revenue recognition practices to determine that they are in compliance with IFRS 15 *Revenue from Contracts with Customers* including the Group's efforts or inputs to the construction projects (i.e. contract cost incurred for work performed) relative to the expected inputs to the construction projects (i.e. estimated total budgeted contract cost committed for the projects) and conducted site visits for major construction sites in-progress. For selected projects, our audit procedures included the following: i. agreed projects contract sum to signed contracts and variation orders; ii. assessed the reasonableness of cost incurred against our understanding of the projects; iii. vouched the actual cost incurred during the year to details of supplier invoices and subcontractors invoices to ensure the validity and accuracy of the costs;

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
	iv. performed cut-off testing to verify contract costs were taken up in the appropriate financial year; v. assessed and vouched the estimated cost to complete by substantiating costs that have been committed to quotations and contracts entered; vi. performed retrospective review by comparing the total actual contract costs incurred at completion against the total budgeted contract costs to assess the reasonableness of the estimates used by the management; vii. for projects in progress, we further recomputed the percentage of the progress of the contract based on the input method to test the accuracy of the percentage of the progress to determine the revenue; and viii. for projects completed during the year, we obtained the certificate of substantial completion and verified that the remaining revenue has been captured. We then compared total contract revenue to actual cost incurred plus estimated cost to complete, and assessed for foreseeable losses. We also examined the project documentation (including contracts effective during the financial period, terms and conditions) and 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. Based on our procedures above, we have assessed the Group's revenue and actual costs recognised in profit or loss to be appropriate.

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 IFRSs 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.

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.

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

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

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.

- 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.

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)

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.

Public Accountants and Chartered Accountants

Singapore
30 September 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Financial year ended 30 June 2019

	Note	2019 S$	2018 S$
Revenue	6	**10,403,292**	13,928,620
Cost of services/sales		**(6,705,927)**	(8,162,246)
Gross profit		**3,697,365**	5,766,374
Other income	7a	**485,663**	70,585
Other (losses)/gains	7b	**(28,185)**	518,999
Administrative expenses		**(1,423,815)**	(1,294,339)
Listing expenses		**–**	(3,391,288)
Profit before taxation	8	**2,731,028**	1,670,331
Income tax expense	9	**(468,417)**	(792,275)
Profit for the year, representing total comprehensive income for the year		**2,262,611**	878,056
Earnings per share			
Basic and diluted (S$ cents)	11	**0.28 cents**	0.14 cents

See accompanying notes to financial statements.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 S$	2018 S$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	728,723	664,937
Total non-current assets		728,723	664,937
Current assets			
Trade receivables	13	3,399,887	4,643,184
Other receivables, deposits and prepayments	14	151,653	153,293
Amounts due from customers for construction work	15	–	1,030,282
Contract assets	15	2,498,815	–
Restricted bank deposit	16	–	175,000
Bank balances and cash	16	22,464,228	21,042,512
Total current assets		28,514,583	27,044,271
Current liabilities			
Trade and other payables	17	766,057	895,249
Amounts due to customers for construction work	15	–	24,253
Contract liabilities	15	43,850	–
Income tax payable		462,108	1,083,066
Total current liabilities		1,272,015	2,002,568
Net current assets		27,242,568	25,041,703
Non-current liability			
Deferred tax liabilities	18	27,310	25,270
Total non-current liability		27,310	25,270
Net assets		27,943,981	25,681,370

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 S$	2018 S$
EQUITY			
Capital and reserves			
Share capital	19	**1,335,760**	1,335,760
Share premium	20	**15,352,340**	15,352,340
Merger reserves		**1,000,119**	1,000,119
Accumulated profits		**10,255,762**	7,993,151
Equity attributable to owners of the Company		**27,943,981**	25,681,370

The consolidated financial statements on pages 65 to 123 were approved and authorised for issue by the Board of Directors on 30 September 2019 and are signed on its behalf by:

Koh Lee Huat
Chief Executive Officer and Executive Director

Ryan Ong Wei Liang
Executive Director

See accompanying notes to financial statements.

Consolidated Statement of Changes in Equity

Financial year ended 30 June 2019

	Share capital (Note 19) S$	Share premium (Note 20) S$	Merger reserve S$	Accumulated profits S$	Total S$
Balance at 1 July 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 19)	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
Profit for the year, representing total comprehensive income for the year	–	–	–	2,262,611	2,262,611
Balance at 30 June 2019	1,335,760	15,352,340	1,000,119	10,255,762	27,943,981

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 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.

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Financial year ended 30 June 2019

	2019 S$	2018 S$
Operating activities		
Profit before taxation	**2,731,028**	1,670,331
Adjustments for:		
Depreciation of property, plant and equipment	**101,589**	90,868
Gain on disposal of property, plant and equipment	**(29,952)**	–
Interest income	**(455,621)**	(47,996)
Unrealised foreign exchange gain	**(28,947)**	(524,491)
Operating cash flows before working capital changes	**2,318,097**	1,188,712
Movements in working capital:		
Trade receivables	**1,243,297**	(1,165,319)
Other receivables, deposits and prepayments	**1,640**	(76,308)
Amounts due from customers for construction work	**–**	1,162,782
Contract assets	**(1,468,533)**	–
Trade and other payables	**(129,192)**	(519,768)
Amounts due to customers for construction work	**–**	24,253
Contract liabilities	**19,597**	–
Cash generated from operations	**1,984,906**	614,352
Income tax paid	**(1,087,335)**	(659,806)
Net cash from (used in) operating activities	**897,571**	(45,454)
Investing activities		
Purchase of property, plant and equipment	**(165,375)**	(9,009)
Proceeds from disposal of property, plant and equipment	**29,952**	–
Decrease (Increase) in fixed deposit pledged	**175,000**	(175,000)
Interests received	**455,621**	47,996
Net cash from (used in) investing activities	**495,198**	(136,013)
Financing activities		
Proceeds from issue of equity shares	**–**	18,546,156
Share issues expenses paid	**–**	(1,857,937)
Net cash from financing activities	**–**	16,688,219

Consolidated Statement of Cash Flows

Financial year ended 30 June 2019

	2019 **S$**	2018 S$
Net increase in cash and cash equivalents	**1,392,769**	16,506,752
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**28,947**	524,491
Cash and cash equivalents at beginning of the year	**21,042,512**	4,011,269
Cash and cash equivalents at end of the year, represented by bank balances and cash (Note 16)	**22,464,228**	21,042,512

See accompanying notes to financial statements.

1 GENERAL

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

The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance") on 13 October 2017 and the principal place of business in Hong Kong is Suites 1801–3, 18th Floor, One Taikoo Place, Quarry Bay, 979 King's Road, Hong Kong.

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 shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong (the "Stock Exchange") since 18 April 2018 with Stock Code 1726.

The Company was a subsidiary of Skylight Illumination Limited, incorporated in the British Virgin Islands ("BVI"), which was also the Company's ultimate holding company. Subsequent to year end, on 15 July 2019, the Company's holding company, Skylight Illumination Limited, had entered into a sale and purchase agreement (the "SPA") with Eagle Fortitude Limited ("the Offeror"), a third party, to dispose its entire shareholdings of 600,000,000 ordinary shares ("Sale Shares") in HKE Holdings Limited, representing 75% of the total issued share capital of the Company, at the price of HK$0.48 per Sale Share. The SPA for this disposal was made effective on 22 July 2019. As a result of the disposal, Eagle Fortitude Limited is the Company's holding company with effect from 22 July 2019. On 28 August 2019, the Offeror had acquired an additional 315,000 shares in the Company at the price of HK$0.48 per Share from its public shareholders, effectively owning 600,315,000 shares in the Company in total, representing 75.039% of the total issued share capital of the 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 27).

The consolidated financial statements are approved by the board of directors of the Company on 30 September 2019.

2 GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In the previous financial year, for the purpose of the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent a group reorganisation.

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

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amended IFRSs that are effective for the current year

For the purpose of preparing and presenting the consolidated financial statements for the year ended 30 June 2019, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning 1 July 2018.

The adoption of these new and revised IFRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years, except as disclosed below.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

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

The Group has applied IFRS 15 using the modified retrospective method with the cumulative effect of initially applying the IFRSs recognised at the date of initial application (1 July 2018) as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11 and the related Interpretations. The Group has elected to apply this IFRSs retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group's significant accounting policies for its revenue streams are disclosed in Note 4. Except for the change in classification of retention sum from trade receivables under IAS 11 to contract assets under IFRS 15, the application of IFRS 15 on 1 July 2018 has no impact on the timings and amount of revenue recognised in the respective reporting periods.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

New and amended IFRSs that are effective for the current year (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

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

(A) Impact of IFRS 15 on the Consolidated Statement of Financial Position as at 1 July 2018 (date of initial application)

	30 June 2018 as previously reported S$	Adoption of IFRS 15 S$	Note	1 July 2018 as restated S$
Current assets				
Trade receivables	4,643,184	(160,982)	(a)	4,482,202
Amounts due from customers for construction work	1,030,282	(1,030,282)	(a) & (b)	–
Contract assets	–	1,191,264	(b)	1,191,264
Current liabilities				
Amounts due to customers for construction work	24,253	(24,253)	(b)	–
Contract liabilities	–	24,253	(b)	24,253

(B) Impact of IFRS 15 on the Consolidated Statement of Financial Position as at 30 June 2019 (current reporting period)

	Under previous IFRS $	Adoption of IFRS 15 $	Note	Under new IFRS S$
Current assets				
Trade receivables	3,582,584	(182,697)	(a)	3,399,887
Amounts due from customers for construction work	2,316,118	(2,316,118)	(a) & (b)	–
Contract assets	–	2,498,815	(b)	2,498,815
Current liabilities				
Amounts due to customers for construction work	43,850	(43,850)	(b)	–
Contract liabilities	–	43,850	(b)	43,850

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

New and amended IFRSs that are effective for the current year (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

Explanatory notes:

IFRS 15

(a) Under IFRS 15, revenue recognised prior to the date on which it is invoiced to the customer is recognised as retention receivables which was classified under trade receivables prior to 30 June 2018 and under contract assets subsequent to 1 July 2018. There was no impact on the statement of profit or loss as a result of these reclassifications.

(b) Under IFRS 15, with effect from 1 July 2018, amounts due/to from customers for construction work is reclassified to contract assets/liabilities. There was no impact on the statement of profit or loss as a result of these reclassifications.

The adoption of IFRS 15 did not have a material impact on the Group's operating, investing and financing cash flows, as well as profit or loss during the year ended 30 June 2019.

IFRS 9 Financial Instruments ("IFRS 9")

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

The Group applied IFRS 9 with an initial application date of 1 July 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). Effects arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

The significant accounting policies for financial instruments under IFRS 9 is as disclosed below.

(a) Classification and measurement of financial assets and financial liabilities

The Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The classification of financial assets is based on two criteria: the Group's business model for managing the assets and whether the instruments' contractual cash flows represent solely payments of principal and interest' on the principal amount outstanding. There are no changes in classification and measurement of the Group's financial assets and financial liabilities.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

New and amended IFRSs that are effective for the current year (Continued)

IFRS 9 Financial Instruments (Continued)

(b) 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 the Group 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 of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on (i) debt investments subsequently measured at amortised cost or at fair value through other comprehensive income ("FVTOCI") and (ii) contract assets to which the impairment requirements of IFRS 9 apply.

The Group applied IFRS 9 with an initial application date of 1 July 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39 as permitted under IFRS 9 transitional provision. The application of IFRS 9 on 1 July 2018 has no impact on the consolidated statement of financial position of the Group with regard to the classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected credit loss approach as at the same date. The accounting policies for financial instruments under IFRS 9 are set out in Note 4.

New and revised IFRS in issue but not yet effective

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 16	Leases[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014–2018 Cycle[1]

1 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.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

New and revised IFRS in issue but not yet effective (Continued)

IFRS 16 Leases ("IFRS 16")

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* ("IAS 17") and the related interpretations when it becomes effective.

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

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

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 IFRS 16 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.

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

As at 30 June 2019, the Group had non-cancellable operating lease commitments of S$147,915 (2018: S$51,440) as disclosed in Note 21. Management has performed an analysis of the requirements of the initial application of IFRS 16 and expects the adoption of IFRS 16 will not result in a material impact on the financial statements of the Group in the period of their initial adoption.

4 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements have been prepared in accordance with the applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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

Initial recognition under IAS 39 and IFRS 9

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.

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

Before the adoption of IFRS 9 on 1 July 2018

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.

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

For certain categories of financial 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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

After the application of IFRS 9 on 1 July 2018

Financial assets

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

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

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Amortised cost and effective interest method (Continued)

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

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

Impairment of financial assets

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

The Group applies the simplified approach permitted by IFRS 9 for trade receivables and contract assets. The ECL on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors as well as current and forecast general economic conditions at the reporting date.

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after reporting date.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

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

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default (i.e. no default history); (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

Default on financial asset

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

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Where receivables have been written off, the Group continues to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Measurement and recognition of expected credit losses

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses (Continued)

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

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

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

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

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

Derecognition of financial assets

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Derecognition of financial assets (Continued)

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 are recorded at the proceeds received, net of direct issue costs.

De-recognition 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 de-recognition 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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Construction contracts (Before 1 July 2018)

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Construction contracts (After 1 July 2018)

Revenue from projects works are recognised over time during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. Progress towards complete satisfaction is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred for work performed to date) relative to the total expected inputs to the satisfaction of that performance obligation (i.e. total estimated contract cost), that best depict the Group's performance in transferring control of goods or services.

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

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

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 (before 1 July 2018)

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

(i) Revenue from 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 (before 1 July 2018) (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.

Revenue recognition (after 1 July 2018)

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

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

Revenue from construction works is recognised over time upon completion of work.

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

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

Revenue from maintenance services is recognised at a point in time when the services are provided according to the terms of the agreements.

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

Revenue from sales of tools and materials is recognised upon the delivery of goods at a point in time.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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).

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the 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 Group and subsidiaries operate by the end of the reporting period.

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

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Taxation (Continued)

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.

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.

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

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.

Construction contracts (Note 15) and provision for foreseeable losses

Significant judgement is involved in the calculation of construction revenue and costs by reference to the progress towards complete satisfaction.

Construction revenue is determined with reference to the terms of the relevant contracts based on the progress towards complete satisfaction is measured based on the input method. Total contract costs which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major subcontractors or suppliers involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

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.

The carrying amounts of contract assets and current liabilities arising from construction contracts are disclosed in Note 15 to the financial statements.

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

Estimated impairment of receivables (Note 13)

Prior to 1 July 2018, 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.

Starting from 1 July 2018, the Group recognises lifetime ECL for trade receivables, using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

The carrying amounts of trade receivables are disclosed in Note 13 to the financial statements.

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 executive directors of the Company, 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*.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's revenue for the year ended 30 June 2019 is as follows:

	2019	2018
	S$	S$
Revenue from:		
Integrated design and building services, recognised over time	**9,972,641**	13,358,328
Maintenance and other services, recognised at a point in time	**377,751**	474,386
Sales of tools and materials, recognised at a point in time	**52,900**	95,906
	10,403,292	13,928,620

All the contracts with customers are agreed at fixed price and the expected duration of the contracts is one year or less.

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

Major customers

The revenue from customers individually contributed over 10% of total revenue of the Group during the year ended 30 June 2019 are as follows:

	2019	2018
	S$	S$
Customer A	**1,660,841**	2,510,207
Customer B	**2,944,076**	2,601,973
Customer C	**N/A***	3,019,533
Customer D	**N/A***	1,675,945
Customer E	**1,608,029**	N/A*
Customer F	**1,091,703**	N/A*

* 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 84.2% of total revenue for the year ended 30 June 2019 (2018: 99.2%) 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

	2019 S$	2018 S$
Government grants (Note)	**19,627**	17,569
Interest income	**455,621**	47,996
Others	**10,415**	5,020
	485,663	70,585

Note:

Government grants mainly include the Wage Credit Scheme, the Productivity and Innovation Credit Scheme and the Workforce Training Scheme, 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.

7B OTHER (LOSSES)/GAINS

	2019 S$	2018 S$
Gain arising on disposal of property, plant and equipment	**29,952**	—
Unrealised exchange (loss) gain, net	**(58,137)**	518,999
	(28,185)	518,999

8 PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2019 S$	2018 S$
Depreciation of property, plant and equipment		
Recognised as cost of services/sales	70,002	56,172
Recognised as administrative expenses	31,587	34,696
	101,589	90,868
Annual audit fees paid to auditors of the Company	130,000	100,000
Listing expenses (Note a)	—	3,391,288
Directors' and chief executive's remuneration (Note 10)	398,550	326,799
Other staff costs:		
— Salaries and other benefits	2,135,965	2,141,557
— Contributions to CPF	148,870	145,256
Total staff costs	2,683,385	2,613,612
Cost of materials recognised as cost of services/sales	1,425,501	1,507,013
Subcontractor costs recognised as cost of services/sales	2,583,739	3,839,627

Note:

a. Included in 2018 listing expenses were 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

	2019 S$	2018 S$
Tax expense comprises:		
Current tax:		
— Singapore corporate income tax ("CIT")	**466,377**	792,657
— Deferred tax expense (credit) (Note 18)	**2,040**	(382)
	468,417	792,275

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 2018, determined based on financial year end date of the Group. Singapore incorporated companies can also enjoy 75% tax exemption on the first S$10,000 of chargeable income for Year of Assessment 2019 and 2018 and a further 50% tax exemption on the next S$190,000 and S$290,000 of chargeable income for Year of Assessment 2019 and 2018 respectively.

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

	2019 S$	2018 S$
Profit before taxation	**2,731,028**	1,670,331
Tax at applicable tax rate of 17%	**464,275**	283,956
Tax effect of expenses not deductible for tax purpose	**1,987**	2,296
Tax effect of income not taxable for tax purpose	**(77,186)**	—
Effect of tax concessions and partial tax exemptions (Note)	**(27,425)**	(35,925)
Effect of tax rates of subsidiaries operating in other jurisdiction	**106,318**	553,693
Others	**448**	(11,745)
Taxation for the year	**468,417**	792,275

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 2019 are as follows:

Year ended 30 June 2019

	Fees S$	Discretionary bonus S$	Salaries and allowances S$	Contributions to CPF S$	Total S$
Executive Directors (ii)					
Koh Lee Huat (i)	–	–	97,800	12,375	110,175
Ryan Ong Wei Liang	–	–	72,000	12,375	84,375
Non-Executive Directors (iii)					
Ang Kong Meng	114,000	–	–	–	114,000
Independent Non-Executive Directors (iii)					
Cheung Kwok Yan Wilfred	30,000	–	–	–	30,000
Siu Man Ho Simon	30,000	–	–	–	30,000
Pong Kam Keung	30,000	–	–	–	30,000
	204,000	–	169,800	24,750	398,550

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

Directors' and chief executive's emoluments (Continued)

Year ended 30 June 2018

	Fees S$	Discretionary bonus S$	Salaries and allowances S$	Contributions to CPF S$	Total S$
Executive Directors (ii)					
Koh Lee Huat (i)	–	–	97,800	12,375	110,175
Ryan Ong Wei Liang	–	–	72,000	12,375	84,375
Non-Executive Directors (iii)					
Ang Kong Meng	114,000	–	–	–	114,000
Independent Non-Executive Directors (iii)					
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

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

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

None of the directors has waived any remuneration in 2018 and 2019.

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.

For the year ended 30 June 2019, 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.

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

Employees' remuneration

The remunerations of the five highest paid individuals included two directors (2018: one director) during the year ended 30 June 2019. During the year ended 30 June 2019, 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:

	2019	2018
	S$	S$
Salaries and allowances	**272,050**	345,076
Discretionary bonus*	**60,250**	103,233
Contributions to CPF	**29,074**	32,333
	361,374	480,642

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

The number of the highest paid employees of the Group whose remuneration fell within the followings band presented in Hong Kong Dollars ("HK$") is as follow:

	Number of employees	
	2019	2018
Emolument band		
Directors		
Nil to HK$1,000,000	**2**	1
Non-Directors		
Nil to HK$1,000,000	**3**	4

11 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:

	2019	2018
Profit attributable to the owners of the Company (S$)	2,262,611	878,056
Weighted average number of ordinary shares in issue	800,000,000	640,000,000
Basic and diluted earnings per share	0.28 cents	0.14 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.

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 2019 and 2018.

12 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 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
Additions	9,322	–	8,293	147,760	–	165,375
Disposals	–	–	–	(152,112)	–	(152,112)
At 30 June 2019	60,335	631,290	125,534	390,855	42,287	1,250,301
Accumulated depreciation						
At 1 July 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
Charge for the year	4,458	11,691	16,743	65,544	3,153	101,589
Elimination on disposals	–	–	–	(152,112)	–	(152,112)
At 30 June 2019	49,529	161,720	83,557	193,073	33,699	521,578
Carrying values						
At 30 June 2018	5,942	481,261	50,427	115,566	11,741	664,937
At 30 June 2019	10,806	469,570	41,977	197,782	8,588	728,723

12 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

13 TRADE RECEIVABLES

	2019 S$	2018 S$
Trade receivables	3,399,887	4,482,202
Retention receivables	–	160,982
	3,399,887	4,643,184

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

Current accounting policy for impairment of trade receivables

Starting from 1 July 2018, the Group applied simplified approach to provide the expected credit losses prescribed by IFRS 9. The impairment methodology is set out in Note 4.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Details of the credit risk assessment are included in Note 25(b).

Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.

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

During the year ended 30 June 2019, no impairment loss was recognised for the trade receivables.

13 TRADE RECEIVABLES (CONTINUED)

Current accounting policy for impairment of trade receivables (Continued)

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

	2019 **S$**	2018 S$
Analysis of trade receivables:		
Within 30 days	**2,293,628**	1,463,093
31 days to 60 days	**106,789**	780,394
61 days to 90 days	**393,679**	257,707
91 days to 180 days	**322,117**	1,959,864
181 days to 1 year	**283,674**	21,144
	3,399,887	4,482,202

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

	2019 **S$**	2018 S$
Receivables that are past due but not impaired		
Less than 30 days	**305,350**	1,009,404
31 days to 60 days	**7,225**	307,645
61 days to 90 days	**61,846**	515,763
91 days to 180 days	**131,967**	533,119
181 days to 365 days	**155,934**	21,144
	662,322	2,387,075

13 TRADE RECEIVABLES (CONTINUED)

Previous accounting policy for impairment of trade receivables

In 2018, included in the Group's trade receivables were carrying amounts of approximately S$2,387,075 which were past due at 30 June 2018, for which the Group had not provided for impairment loss as there had not been a significant change in credit quality and the amounts were still considered recoverable based on repayment history of respective customers.

Allowance for doubtful debts were 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 considered if there was 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 believed the trade receivables at the end of each reporting period were of good credit quality and that no impairment allowance was necessary in respect of the remaining unsettled balances.

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

The carrying values of trade receivables approximated their fair values.

14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 **S$**	2018 S$
Deposits	**103,505**	99,285
Prepayments	**42,493**	28,518
Advances to staff	**2,878**	14,670
Sundry receivables	**2,777**	10,820
	151,653	153,293

15 CONTRACT ASSETS (LIABILITIES)/AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION WORK

	2019 S$	2018 S$
Amounts due from customers for construction work	–	1,030,282
Contract assets — construction contracts	2,316,118	—
Retention receivables (Note)	182,697	—
	2,498,815	1,030,282
Amounts due to customers for construction work	–	(24,253)
Contract liabilities — construction contracts	(43,850)	—
	(43,850)	(24,253)
Analysed for reporting purposes as:		
Amounts due from customers for construction work (current)	–	1,030,282
Contract assets (current)	2,498,815	—
Amounts due to customers for construction work (current)	–	(24,253)
Contract liabilities (current)	(43,850)	—
	2,454,965	1,006,029

Contract assets and contract liabilities arising from the same contract are presented on a net basis.

Management concluded that the ECL for contract assets are insignificant as at 30 June 2019.

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

15 CONTRACT ASSETS (LIABILITIES)/AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION WORK (CONTINUED)

Changes of contract assets were mainly due to: (1) the amount of retention receivables in accordance with the number of ongoing and completed contracts under the defect liability period; and (2) in the size and number of contract works that the relevant services were completed but yet certified by representatives appointed by the customers at the end of each reporting period.

Note: The Group's contract assets are the retention receivables to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period. Retention receivables 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 of approximately twelve months.

Contract liabilities represents the Group's obligation to transfer services to customers for which the Group has received consideration (or an amount of consideration is due) from the customers.

Revenue recognised that was included in the contract liabilities in the beginning of the year was S$24,253.

All services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

16 BANK BALANCES AND CASH

	2019 **S$**	2018 S$
Cash at Bank	**22,453,592**	3,073,399
Cash on hand	**10,636**	7,136
Fixed Deposit	**–**	18,136,977
	22,464,228	21,217,512
Less: Fixed Deposit pledged	**–**	(175,000)
Cash and cash equivalents in the statement of cash flows	**22,464,228**	21,042,512

In 2018, approximately S$683,798 included in bank balances carried interest rate of 0.78% per annum.

Included in bank balances as at 30 June 2018 were a S$ time deposit amounting to S$3,200,000 with a maturity of one month and interest rate of 1.30% per annum, and another United States Dollar ("US$") time deposit amounting to S$14,761,977 with a maturity of three months and interest rate of 2.62% per annum. The remaining fixed deposit balance amounting to S$175,000 was placed for 12 months, carried interest rate of 0.25% per annum and was pledged to bank for performance bonds issued in favour of a customer amounting to approximately S$174,000.

17 TRADE AND OTHER PAYABLES

	2019 S$	2018 S$
Trade payables	**107,208**	300,474
Trade accruals	**93,057**	24,207
	200,265	324,681
Accrued operating expenses	**200,896**	178,809
Other payables:		
GST payable	**118,819**	153,988
Payroll and CPF payable	**229,772**	235,958
Others	**16,305**	1,813
	565,792	570,568
	766,057	895,249

In 2019 and 2018, the credit period on purchases from suppliers and subcontractors is between 14 and 90 days or payable upon delivery and rendering of services.

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

	2019 S$	2018 S$
Within 90 days	**105,994**	300,400
91 days to 180 days	**1,214**	74
	107,208	300,474

18 DEFERRED TAX LIABILITIES

	2019 S$	2018 S$
As at 1 July	25,270	25,652
Charged (Credited) to profit or loss for the period (Note 9)	2,040	(382)
As at 30 June	27,310	25,270

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.

19 SHARE CAPITAL

Movement of the authorised share capital of the Company are as follows:

	No. of shares	Par value HK$	Share HK$
Authorised share capital of the Company:			
At date of incorporation	10,000,000	0.01	100,000
Shares issued pursuant to the reorganisation	1,490,000,000	0.01	14,900,000
At 30 June 2018 and 2019	1,500,000,000	0.01	15,000,000

Movement of the issued share capital of the Company 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 and 2019	800,000,000	1,335,760

20 SHARE PREMIUM

The amounts of the Group's share premium and the movements therein during the financial years ended 30 June 2019 and 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.

21 OPERATING LEASE COMMITMENTS

The Group as lessee

	2019 S$	2018 S$
Payment recognised as an expense during the year:		
Minimum lease payments paid during the year under operating leases in respect of:		
— Staff dormitories	**74,400**	77,120
— Workshop rental	**56,400**	—
	130,800	77,120

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

	2019 S$	2018 S$
Within 1 year	**132,992**	51,440
After 1 year but within 2 years	**14,923**	—
	147,915	51,440

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.

22 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 2019, the Group contributes up to 17% of the eligible employees' salaries to the CPF scheme, with each employee's qualifying salary capped at S$6,000 per month.

The total costs charged to profit or loss, amounting to S$169,515 for the year ended 30 June 2019 (2018: S$165,871), represent contributions paid to the retirement benefits scheme by the Group.

As at 30 June 2019, contributions of S$24,952 (2018: S$25,523) were due respectively but had not been paid to CPF. The amounts were paid subsequent to the end of the year.

23 RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2019 **S$**	2018 S$
Short term benefits	**654,760**	584,058
Post-employment benefits	**43,648**	41,288
Total compensation	**698,408**	625,346

24 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.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	2019 S$	2018 S$
Financial assets at amortised cost		
Trade receivables	3,399,887	4,643,184
Other receivables and deposits*	109,160	124,775
Bank balances and cash	22,464,228	21,217,512
Total	25,973,275	25,985,471

* Prepayments are excluded.

	2019 S$	2018 S$
Financial liabilities at amortised cost		
Trade and other payables**	647,239	741,261
Total	647,239	741,261

** GST payable is excluded.

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.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (Continued)

(a) Market risk management (Continued)

Interest rate risk management (Continued)

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$ and US Dollar ("US$") 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.

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:

	2019 **S$**	2018 S$
Monetary assets:		
— denominated in HK$	**12,938,035**	1,296,860
— denominated in US$	**1,370,959**	14,764,828
Monetary liabilities:		
— denominated in HK$	**87,201**	45,509
— denominated in US$	**–**	103,845

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 2019 would increase/decrease by S$1,066,612 (2018: S$103,862).

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (Continued)

(a) Market risk management (Continued)

Sensitivity analysis (Continued)

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 2019 would increase/decrease by S$113,790 (2018: S$1,216,862).

(b) Credit risk management

Before the adoption of IFRS 9

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.

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.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (Continued)

(b) Credit risk management (Continued)

After the adoption of IFRS 9

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of 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 arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has delegated its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is > 90 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL — not credit-impaired
In default	Amount is > 180 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The Group's concentration of credit risk by geographical location is mainly in Singapore, which accounted for 68% of the total financial assets as at 30 June 2019 (2018: 100%).

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (Continued)

(b) Credit risk management (Continued)

After the adoption of IFRS 9 (Continued)

Approximately 90% and 64% of total trade receivables outstanding at 30 June 2019 and 30 June 2018 respectively were due from top five customers which exposed the Group to concentration of credit risk.

Other than concentration of credit risk on bank deposits and balances placed in four (2018: four) 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.

(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 2019 and 30 June 2018 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 2019 and 30 June 2018 are non-interest bearing and repayable on demand or due within one year, except for bank balances and cash as disclosed in Note 16.

(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.

26 CONTINGENT LIABILITIES

There are no contingent liabilities for the year ended 30 June 2019.

In the prior year, the Group has provided guarantee to two customers in respect of performance bonds in favour of the customer amounting to approximately S$200,000, in which approximately S$174,000 was pledged with a restricted bank deposit amounting to S$175,000.

27 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 2018	Equity interest attributable to the Company as at 30 June 2019	Principal activities
Directly held:					
Philosophy Global Limited	BVI 29 May 2018	$4,600,136	100%	**100%**	Investment holding
Indirectly held:					
Hwa Koon Engineering Pte. Ltd.	Singapore, 5 April 1994	S$1,000,000	100%	**100%**	Provision of integrated design and building services

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.

28 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 2019 S$	As at 30 June 2018 S$
ASSETS AND LIABILITIES		
Non-current asset		
Investment in subsidiaries	17	17
Current assets		
Other receivables, deposits and prepayments	34,164	14,420
Amount due from subsidiaries	12,221,058	12,235,043
Bank balances and cash	735,965	1,287,111
	12,991,187	13,536,574
Current liabilities		
Other payables	187,201	105,510
	187,201	105,510
Net current assets	12,803,986	13,431,064
Total assets less current liabilities, representing net assets	12,804,003	13,431,081
EQUITY		
Capital and reserves		
Share capital	(1,335,760)	(1,335,760)
Share premium	(15,352,340)	(15,352,340)
Accumulated losses	3,884,097	3,257,019
Equity attributable to owners of the Company	(12,804,003)	(13,431,081)

28 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 30 June 2018	15,352,340	(3,257,019)	12,095,321
Total comprehensive loss for the year:			
Loss for the year	–	(627,078)	(627,078)
At 30 June 2019	15,352,340	(3,884,097)	11,468,243

29 SUBSEQUENT EVENT

On 15 July 2019, the Company's holding company, Skylight Illumination Limited, had entered into a sale and purchase agreement (the "SPA") with Eagle Fortitude Limited ("the Offeror"), a third party, to dispose its entire shareholdings of 600,000,000 ordinary shares ("Sale Shares") in HKE Holdings Limited, representing 75% of the total issued share capital of the Company, at the price of HK$0.48 per Sale Share. The SPA for this disposal was made effective on 22 July 2019. As a result of the disposal, Eagle Fortitude Limited is the Company's holding company with effect from 22 July 2019.

On 28 August 2019, the Offeror had acquired an additional 315,000 shares in the Company at the price of HK$0.48 per Share from its public shareholders, effectively owning 600,315,000 shares in the Company in total, representing 75.039% of the total issued share capital of the Company.

Financial Summary

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

	2019	2018	2017	2016	2015
	S$	S$	S$	S$	S$
RESULTS					
Revenue	**10,403,292**	13,928,620	14,937,418	9,793,083	13,244,503
Cost of services/sales	**(6,705,927)**	(8,162,246)	(8,432,129)	(6,187,490)	(7,971,327)
Gross profit	**3,697,365**	5,766,374	6,505,289	3,605,593	5,273,176
Other income	**485,663**	70,585	48,468	50,639	23,160
Other gains	**(28,185)**	518,999	132,825	–	–
Administrative expenses	**(1,423,815)**	(1,294,339)	(618,196)	(634,716)	(1,173,671)
Finance costs	**–**	–	–	(225)	(2,327)
Listing expenses	**–**	(3,391,288)	–	–	–
Profit before taxation	**2,731,028**	1,670,331	6,068,386	3,021,291	4,120,338
Income tax expense	**(468,417)**	(792,275)	(917,764)	(340,367)	(653,575)
Profit for the year	**2,262,611**	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	**2,262,611**	878,056	5,246,434	2,585,112	3,466,763
ASSETS AND LIABILITIES					
Non-current assets	**728,723**	664,937	746,796	685,523	662,379
Current assets	**28,514,583**	27,044,271	9,759,183	6,853,825	6,129,262
Total assets	**29,243,306**	27,709,208	10,505,979	7,539,348	6,791,641
Non-current liabilities	**27,310**	25,270	25,652	16,628	14,419
Current liabilities	**1,272,015**	2,002,568	2,365,232	2,654,059	3,193,673
Total liabilities	**1,299,325**	2,027,838	2,390,884	2,670,687	3,208,092
Total equity	**27,943,981**	25,681,370	8,115,095	4,868,661	3,583,549