



# KHOON GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 924

# 2022/23

## INTERIM REPORT

# CONTENTS

<b>2</b>	Corporate Information
<b>4</b>	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
<b>5</b>	Interim Condensed Consolidated Statement of Financial Position
<b>6</b>	Interim Condensed Consolidated Statement of Changes in Equity
<b>7</b>	Interim Condensed Consolidated Statement of Cash Flows
<b>8</b>	Notes to the Interim Condensed Consolidated Financial Statements
<b>29</b>	Management Discussion and Analysis
<b>38</b>	Other Information

In the event of any inconsistencies between the English and Chinese text in this interim report, the English text shall prevail.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Ang Jui Khoon (*Chairman*)  
 Mr. Ang Kok Kwang (Hong Guoguang)  
 (*Chief Executive Officer*)  
 Mr. Ang Yong Kwang (Hong Yongquan)

#### Independent Non-Executive Directors

Ms. Leung Wing Chi Kylie  
 Mr. Yeo Kwang Maccann  
 Mr. Hon Chin Kheong (Han Zhenqiang)

### AUDIT COMMITTEE

Ms. Leung Wing Chi Kylie (*Chairlady*)  
 Mr. Yeo Kwang Maccann  
 Mr. Hon Chin Kheong (Han Zhenqiang)

### REMUNERATION COMMITTEE

Mr. Yeo Kwang Maccann (*Chairman*)  
 Ms. Leung Wing Chi Kylie  
 Mr. Ang Kok Kwang (Hong Guoguang)

### NOMINATION COMMITTEE

Mr. Ang Jui Khoon (*Chairman*)  
 Mr. Ang Yong Kwang (Hong Yongquan)  
 Ms. Leung Wing Chi Kylie  
 Mr. Yeo Kwang Maccann  
 Mr. Hon Chin Kheong (Han Zhenqiang)

### COMPANY SECRETARY

Ms. Leung Hoi Yan

### AUTHORISED REPRESENTATIVES

Mr. Ang Kok Kwang (Hong Guoguang)  
 Ms. Leung Hoi Yan

### REGISTERED OFFICE

Windward 3, Regatta Office Park  
 PO Box 1350  
 Grand Cayman KY1-1108  
 Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

Block 5000  
 Ang Mo Kio Avenue 5  
 #04-01 Techplace II  
 Singapore 569870

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 17/F, United Centre  
 95 Queensway, Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited  
 Windward 3, Regatta Office Park  
 PO 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

### LEGAL ADVISER

*As to Hong Kong law:*  
 Guantao & Chow Solicitors and Notaries  
 Suites 1801-03  
 18/F, One Taikoo Place  
 979 King's Road  
 Quarry Bay, Hong Kong

### PRINCIPAL BANKERS

RHB Bank Berhad  
 United Overseas Bank Limited

### AUDITOR

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

### COMPANY'S WEBSITE

[www.khoongroup.com](http://www.khoongroup.com)

### STOCK CODE

924

The board (the “Board”) of directors (the “Directors”) of Khoon Group Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 31 December 2022 together with comparative figures for the corresponding period in 2021 as follows:

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

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Notes	Six months ended 31 December	
		2022	2021
		(Unaudited) S\$	(Unaudited) S\$
<b>Revenue</b>	4	<b>24,452,222</b>	10,520,931
Cost of services		<b>(22,427,472)</b>	(9,645,429)
<b>Gross profit</b>		<b>2,024,750</b>	875,502
Other income	5a	<b>200,611</b>	229,243
Other (losses) and gains	5b	<b>(188,160)</b>	61,429
Administrative expenses		<b>(1,340,232)</b>	(1,259,763)
Finance costs	6	<b>(2,744)</b>	(1,272)
<b>Profit (Loss) before taxation</b>		<b>694,225</b>	(94,861)
Income tax expense	7	<b>(201,007)</b>	(51,447)
<b>Profit (Loss) and other comprehensive income (loss) for the period</b>	8	<b>493,218</b>	(146,308)
<b>Basic and diluted earnings (loss) per share (S\$ cents)</b>	10	<b>0.05</b>	(0.01)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	As at 31 December 2022 (Unaudited) S\$	As at 30 June 2022 (Audited) S\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Plant and equipment	11	247,418	312,320
Investment property	12	815,857	823,868
Right-of-use assets	13	200,114	265,623
Deposit	15	102,968	102,968
		<b>1,366,357</b>	1,504,779
<b>Current assets</b>			
Trade receivables	14	7,083,648	5,301,383
Other receivables, deposits and prepayments	15	735,125	1,483,116
Contract assets	16	31,703,508	29,446,514
Bank balances and cash	17	10,579,212	12,935,125
		<b>50,101,493</b>	49,166,138
<b>Current liabilities</b>			
Trade and other payables	18	12,576,148	12,324,900
Contract liabilities	16	–	52,444
Lease liabilities	19	130,321	130,030
Income tax payable		425,021	246,020
		<b>13,131,490</b>	12,753,394
<b>Net current assets</b>		<b>36,970,003</b>	36,412,744
<b>Total assets less current liabilities</b>		<b>38,336,360</b>	37,917,523
<b>Non-current liabilities</b>			
Deferred tax liabilities	20	25,982	35,229
Lease liabilities	19	72,329	137,463
		<b>98,311</b>	172,692
<b>Net assets</b>		<b>38,238,049</b>	37,744,831
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	21	1,742,143	1,742,143
Share premium		31,669,457	31,669,457
Merger reserve		(11,417,891)	(11,417,891)
Accumulated profits		16,244,340	15,751,122
<b>Equity attributable to owners of the Company</b>		<b>38,238,049</b>	37,744,831

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Share capital S\$	Share premium (Note a) S\$	Merger reserve (Note b) S\$	Accumulated profits S\$	Total S\$
<b>Balance at July 1, 2022 (audited)</b>	1,742,143	31,669,457	(11,417,891)	15,751,122	37,744,831
Total comprehensive income for the period:					
Profit for the period	—	—	—	493,218	493,218
<b>Balance at December 31, 2022 (unaudited)</b>	1,742,143	31,669,457	(11,417,891)	16,244,340	38,238,049

Notes:

- a. Share premium represents the excess of share issue over the par value.
- b. Merger reserve represents the difference between the cost of acquisition pursuant to the Group reorganisation in prior financial year and the total value of share capital of the entities acquired.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Six months ended 31 December	
	2022 (Unaudited) S\$	2021 (Unaudited) S\$
<b>Operating activities</b>		
Profit/(Loss) before taxation	694,225	(146,308)
Adjustments for:		
Depreciation of investment property	8,011	8,011
Depreciation of plant and equipment	82,850	185,495
Depreciation of right-of-use assets	65,509	62,592
Exchange loss/(gain), net	188,160	(61,429)
Finance costs	2,744	1,272
Bank interest income	(72,219)	(13,533)
Operating cash flows before movements in working capital	969,280	36,100
(Increase) Decrease in trade receivables	(1,782,265)	3,613,305
Decrease in other receivables, deposits and prepayments	747,991	210,766
(Increase) Decrease in contract assets	(2,256,994)	1,031,708
Increase (Decrease) in trade and other payables	251,248	(5,209,323)
(Decrease) Increase in contract liabilities	(52,444)	73,168
<b>Cash used in operations</b>	(2,123,184)	(244,276)
Tax (paid)/refund	(31,253)	17,655
<b>Net cash used in operating activities</b>	(2,154,437)	(226,621)
<b>Investing activities</b>		
Bank interest received	72,219	13,533
Purchase of plant and equipment	(17,948)	(20,910)
<b>Net cash from (used in) investing activities</b>	54,271	(7,377)
<b>Financing activities</b>		
Repayment of lease liabilities	(64,843)	(64,406)
Interest paid	(2,744)	(1,272)
<b>Net cash used in financing activities</b>	(67,587)	(65,678)
Net (decrease) in cash and cash equivalents	(2,167,753)	(299,676)
Cash and cash equivalents at beginning of period	12,935,125	17,747,818
Effect of foreign exchange rate change	(188,160)	61,429
<b>Cash and cash equivalents at end of period, represented by bank balances and cash</b>	10,579,212	17,509,571



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

### 1 GENERAL

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

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

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

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

The interim condensed consolidated financial statements are approved by the Board of Directors of the Company on 27 February 2023.

### 2 ADOPTION OF NEW AND REVISED STANDARDS

#### **New and amended International Financial Reporting Standards (“IFRS”) that are effective for the current period**

##### *New and revised IFRS Standards issued but not yet effective*

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

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>1</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>1</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**3 SIGNIFICANT ACCOUNTING POLICIES****Basis of Accounting**

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

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

**4 REVENUE AND SEGMENT INFORMATION**

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

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

An analysis of the Group’s revenue for the six months ended 31 December 2022 and 2021 is as follows:

	<b>For the six months ended 31 December</b>	
	<b>2022 (Unaudited) S\$</b>	2021 (Unaudited) S\$
Contract revenue from provision of electrical engineering services, recognised over time	<b>24,452,222</b>	10,520,931

All the Group’s services are rendered directly with the customers. Contracts with the Group’s customers are agreed on fixed-price basis with project duration ranging from 1 month to 52 months (2021: 1 month to 52 months).

Included in the Group’s revenue for six months ended 31 December 2022 is S\$21,364,418 (2021: S\$7,297,027) derived from provision of electrical engineering services to the customers in public sector. The other remaining revenue is derived from provision of electrical engineering services to the customers in private sector.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**4 REVENUE AND SEGMENT INFORMATION (continued)****Transaction price allocated to the remaining performance obligations**

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

	<b>For the six months ended 31 December</b>	
	<b>2022 (Unaudited) S\$</b>	<b>2021 (Unaudited) S\$</b>
Provision of electrical engineering services:		
– Within one year	<b>53,354,714</b>	48,399,779
– More than one year but not more than two years	<b>31,213,892</b>	31,463,220
– More than two years but not more than five years	<b>13,088,210</b>	19,177,721
	<b>97,656,816</b>	99,040,720

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the unsatisfied (or partially satisfied) contracts as at 31 December 2022 and 2021 had been/will be recognised as revenue during the years ended/ending 30 June 2022 to 2026.

**Information about the major customers**

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

	<b>For the six months ended 31 December</b>	
	<b>2022 (Unaudited) S\$</b>	<b>2021 (Unaudited) S\$</b>
Customer I	<b>5,762,518</b>	1,938,732
Customer II	<b>4,499,163</b>	2,167,226
Customer III	<b>2,632,521</b>	N/A*
Customer IV	<b>N/A*</b>	1,105,977

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

**Geographical information**

The Group principally operates in Singapore, which is also the place of domicile. Revenue derived from Singapore represents 100% of the total revenue for the period ended 31 December 2022 (2021: 100%) based on the location of services delivered. The Group's non-current assets are all located in Singapore.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**5 a. OTHER INCOME**

	For the six months ended 31 December	
	2022	2021
	(Unaudited) S\$	(Unaudited) S\$
Bank interest income	72,219	13,533
Government grants (Note 1)	75,027	198,310
Rental income	17,400	17,400
Training income	35,965	–
	<b>200,611</b>	229,243

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

All government grants are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group and are non-recurring in nature.

**5 b. OTHER (LOSSES) AND GAINS**

	For the six months ended 31 December	
	2022	2021
	(Unaudited) S\$	(Unaudited) S\$
Exchange (loss)/gain	(188,160)	61,429
	<b>(188,160)</b>	61,429

**6 FINANCE COSTS**

	For the six months ended 31 December	
	2022	2021
	(Unaudited) S\$	(Unaudited) S\$
Interest on:		
Lease liabilities	2,744	1,272

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**7 INCOME TAX EXPENSE**

	<b>For the six months ended 31 December</b>	
	<b>2022 (Unaudited) S\$</b>	<b>2021 (Unaudited) S\$</b>
Tax expense comprises:		
Current tax:		
– Singapore corporate income tax (“CIT”)	<b>210,254</b>	66,160
Deferred tax expense (Note 20)	<b>(9,247)</b>	(14,713)
	<b>201,007</b>	51,447

CIT is calculated at 17% of the estimated assessable profit. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$190,000 of normal chargeable income for both the Year of Assessment 2023 and 2024. No income tax arising from BVI and Hong Kong has been recognised as those subsidiaries incorporated in BVI and Hong Kong had no assessable profits for both years.

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

	<b>For the six months ended 31 December</b>	
	<b>2022 (Unaudited) S\$</b>	<b>2021 (Unaudited) S\$</b>
Profit (Loss) before taxation	<b>694,225</b>	(94,861)
Tax at applicable tax rate of 17%	<b>118,018</b>	(16,126)
Tax effect of expenses not deductible for tax purpose	<b>91,702</b>	81,446
Tax effect of income not taxable for tax purpose	<b>–</b>	(5,160)
Effect of tax concessions and partial tax exemptions	<b>(8,713)</b>	(8,713)
Taxation for the reporting period	<b>201,007</b>	51,447

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**8 PROFIT (LOSS) FOR THE PERIOD**

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

	<b>For the six months ended 31 December</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>S\$</b>	S\$
Depreciation of plant and equipment	<b>82,850</b>	185,495
Depreciation of investment property	<b>8,011</b>	8,011
Depreciation of right-of-use assets	<b>65,509</b>	62,592
Directors' remuneration	<b>488,556</b>	489,390
Other staff costs:		
– Salaries and other benefits	<b>2,020,878</b>	1,407,735
– Contributions to Central Provident Fund ("CPF")	<b>102,985</b>	88,833
Total staff costs	<b>2,612,419</b>	1,985,958
Cost of materials recognised as cost of services	<b>9,756,712</b>	4,379,620
Subcontractor costs recognised as cost of services	<b>9,214,015</b>	3,073,028
Gross rental income from investment property recognised as other income (Note 5a)	<b>(17,400)</b>	(17,400)
Less: Direct operating expenses incurred for investment property that generated rental income	<b>1,243</b>	1,243
	<b>(16,157)</b>	(16,157)

**9 DIVIDENDS**

No dividend has been declared by the Company or any Group entities during the six months ended 31 December 2021 and 2022 or subsequent to the month end.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**10 EARNINGS (LOSS) PER SHARE**

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

	<b>For the six months ended 31 December</b>	
	<b>2022</b> <b>(Unaudited)</b>	2021 (Unaudited)
Profit (Loss) for the period attributable to owners of the Company (S\$)	<b>493,218</b>	(146,308)
Weighted average number of ordinary shares in issue	<b>1,000,000,000</b>	1,000,000,000
Basic and diluted earnings (loss) per share (S\$ cents)	<b>0.05</b>	(0.01)

The calculation of basic earnings (loss) per share for the six months ended 31 December 2022 and 2021 is based on the profit (loss) for the period attributable to owners of the Company and the weighted average number of shares in issue.

Diluted earnings (loss) per share is the same as the basic earnings per share because the Group had no dilutive securities that are convertible into shares during the six months ended 31 December 2022 and 2021.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**11 PLANT AND EQUIPMENT**

	Plant and machinery	Computers	Office equipment	Motor vehicles	Furniture and fittings	Total
	S\$	S\$	S\$	S\$	S\$	S\$
<b>Cost:</b>						
<b>At 1 July 2021</b>	550,448	211,018	65,248	1,544,396	38,752	2,409,862
Additions	7,300	37,849	-	-	-	45,149
<b>At 30 June 2022</b>	557,748	248,867	65,248	1,544,396	38,752	2,455,011
Additions	-	17,948	-	-	-	17,948
<b>At 31 December 2022</b>	<b>557,748</b>	<b>266,815</b>	<b>65,248</b>	<b>1,544,396</b>	<b>38,752</b>	<b>2,472,959</b>
<b>Accumulated depreciation:</b>						
<b>At 1 July 2021</b>	469,619	184,347	48,795	1,113,475	23,137	1,839,373
Charge for the year	60,568	44,129	8,794	183,195	6,632	303,318
<b>At 30 June 2022</b>	530,187	228,476	57,589	1,296,670	29,769	2,142,691
Charge for the period	7,561	21,351	3,357	47,265	3,316	82,850
<b>At 31 December 2022</b>	<b>537,748</b>	<b>249,827</b>	<b>60,946</b>	<b>1,343,935</b>	<b>33,085</b>	<b>2,225,541</b>
<b>Carrying amounts:</b>						
<b>At 30 June 2022 (audited)</b>	27,561	20,391	7,659	247,726	8,983	312,320
<b>At 31 December 2022 (unaudited)</b>	<b>20,000</b>	<b>16,988</b>	<b>4,302</b>	<b>200,461</b>	<b>5,667</b>	<b>247,418</b>

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

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**12 INVESTMENT PROPERTY**

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
<b>Cost:</b>		
At beginning and end of the reporting period	<b>933,509</b>	933,509
<b>Accumulated depreciation:</b>		
At beginning of the reporting period	<b>109,641</b>	93,619
Charge for the reporting period	<b>8,011</b>	16,022
At end of the reporting period	<b>117,652</b>	109,641
<b>Carrying amount:</b>		
At end of the reporting period	<b>815,857</b>	823,868

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

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

As at 31 December 2022, the fair values of the investment property amounted to S\$893,000 (As at 30 June 2022: S\$893,000). The fair value measurement of the Group's investment property as at 31 December 2022 and 30 June 2022 was determined by management based on comparable market transactions of similar properties in the same vicinity that have been transferred in the open market with the significant unobservable input being the price per square meter where any significant isolated increase (decrease) in this input would result in a significantly higher (lower) fair value measurement.

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

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**12 INVESTMENT PROPERTY (continued)**

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

Address	Tenure	Fair value as at	
		31 December 2022 S\$	30 June 2022 S\$
<b>Level 3</b>			
No.3 Ang Mo Kio St. #04-34, Link@AMK, Singapore 569139	57 years	<b>893,000</b>	893,000

**13 RIGHT-OF-USE ASSETS (GROUP AS A LESSEE)**

	Dormitories S\$	Office S\$	Office equipment S\$	Total S\$
<b>Cost:</b>				
<b>At July 2021</b>	89,206	472,239	11,213	572,658
Additions	97,929	–	–	97,929
<b>At 30 June 2022</b>	187,135	472,239	11,213	670,587
Additions	–	–	–	–
<b>At 31 December 2022</b>	<b>187,135</b>	<b>472,239</b>	<b>11,213</b>	<b>670,587</b>
<b>Accumulated depreciation:</b>				
<b>At July 2021</b>	63,188	206,936	7,102	277,226
Charge for the year	46,421	79,075	2,242	127,738
<b>At 30 June 2022</b>	109,609	286,011	9,344	404,964
Charge for the period	24,482	39,906	1,121	65,509
<b>At 31 December 2022</b>	<b>134,091</b>	<b>325,917</b>	<b>10,465</b>	<b>470,473</b>
<b>Carrying amount:</b>				
<b>At 30 June 2022 (audited)</b>	77,526	186,228	1,869	265,623
<b>At 31 December 2022 (unaudited)</b>	<b>53,044</b>	<b>146,322</b>	<b>748</b>	<b>200,114</b>

The Group leases several assets including staff dormitories, office and office equipment. The lease term is as follow:

Dormitories	2 years
Office	3 years
Office equipment	5 years

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

The maturity analysis of lease liabilities is presented in Note 19.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**13 RIGHT-OF-USE ASSETS (GROUP AS A LESSEE) (continued)****Amounts recognised in profit or loss**

	<b>For the six months ended 31 December</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>S\$</b>	S\$
Depreciation expense on right-of-use assets (Note 8)	<b>65,509</b>	62,592
Interest expense on lease liabilities (Note 6)	<b>2,744</b>	1,272
Expense relating to short-term leases	<b>11,726</b>	8,490

As at 31 December 2022, the Group is committed to S\$17,982 (2021: S\$16,094) for short-term leases.

The total cash outflow for leases during the six months ended 31 December 2022 amount to S\$79,312 (31 December 2021: S\$74,168).

**14 TRADE RECEIVABLES**

	<b>As at 31 December 2022</b>	As at 30 June 2022
	<b>(Unaudited)</b>	(Audited)
	<b>S\$</b>	S\$
Trade receivables	<b>7,137,017</b>	5,354,752
Less: Allowance for impairment losses	<b>(53,369)</b>	(53,369)
	<b>7,083,648</b>	5,301,383

As of 1 July 2021, trade receivables from contracts with customers amounted to S\$7,050,305 (net of allowance for impairment loss of S\$Nil).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**14 TRADE RECEIVABLES (continued)**

The Group grants credit term to customers typically 30 to 35 days from invoice date for trade receivables to all customers, for the six months ended 31 December 2022 (30 June 2022: 30 to 35 days). The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date which approximated the revenue recognition date at the end of each reporting period:

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
Within 30 days	<b>4,987,073</b>	4,210,719
31 days to 60 days	<b>1,272,255</b>	609,970
61 days to 90 days	<b>253,006</b>	124,686
91 days to 120 days	<b>113,161</b>	226,052
More than 120 days	<b>458,153</b>	129,956
	<b>7,083,648</b>	5,301,383

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

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

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

The ECL of trade receivables are measured using a provision matrix by reference to past default experience and current past due exposure of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the reporting date. There has been no changes in the estimation techniques or significant assumption made during the current reporting period.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**14 TRADE RECEIVABLES (continued)**

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

	Trade receivables – days past due						Total
	Not past due	≤ 30 days	31 to 60 days	61 to 90 days	91 to 120 days	> 120 days	
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<b>As at 31 December 2022 (Unaudited)</b>							
Estimated total gross carrying amount at default	5,009,735	1,276,580	254,074	120,236	3,589	472,803	7,137,017
Lifetime ECL	(22,662)	(4,325)	(1,068)	(7,075)	(984)	(17,255)	(53,369)
							7,083,648
<b>As at 30 June 2022 (Audited)</b>							
Estimated total gross carrying amount at default	4,233,381	614,295	125,754	233,127	8,453	139,742	5,354,752
Lifetime ECL	(22,662)	(4,325)	(1,068)	(7,075)	(984)	(17,255)	(53,369)
							5,301,383

As at 31 December 2022, the Group did not recognise additional impairment allowance as ECL changes were determined to be insignificant.

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

	As at 31 December 2022 (Unaudited) S\$	As at 30 June 2022 (Audited) S\$
Balance at beginning of the reporting period	53,369	–
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	–	53,369
Allowance for impairment written off	–	–
Balance at end of the reporting period	53,369	53,369

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**15 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
<b>Current</b>		
Deposits (Note)	76,493	55,110
Prepayments	638,320	1,391,794
Grant receivables (Note)	–	17,000
Others (Note)	20,312	19,212
	<b>735,125</b>	1,483,116
<b>Non Current</b>		
Deposit (Note)	102,968	102,968
	<b>838,093</b>	1,586,084

Note: The management considered the ECL for deposits, grant receivables, and others to be insignificant as at 31 December 2022 and 30 June 2022.

**16 CONTRACT ASSETS/LIABILITIES**

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

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
Contract assets	31,825,907	29,568,913
Less: Allowance for impairment loss	(122,399)	(122,399)
	<b>31,703,508</b>	29,446,514
Contract liabilities	–	(52,444)
	<b>31,703,508</b>	29,394,070

As at 1 July 2021, contract assets and contract liabilities amounted to S\$33,648,893 and S\$11,323 respectively.

Contract assets (retention receivables) and contract liabilities arising from the same contract are presented on a net basis above. In the analysis below, these contract assets (retention receivables) and contract liabilities are presented on a gross basis, with the effect of grossing up being S\$282,591 as at 31 December 2022 (30 June 2022: S\$162,176).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**16 CONTRACT ASSETS/LIABILITIES (continued)****Contract assets**

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

The Group's contract assets are analysed as follows:

	<b>As at 31 December 2022 (Unaudited) S\$</b>	<b>As at 30 June 2022 (Audited) S\$</b>
Retention receivables	<b>5,502,698</b>	5,182,864
Others (Note)	<b>26,728,199</b>	24,548,225
Less: Allowance for impairment loss	<b>(122,399)</b>	(122,399)
	<b>32,108,498</b>	29,608,690

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

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

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

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation for the loss rates for contract assets.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**16 CONTRACT ASSETS/LIABILITIES (continued)****Contract assets (continued)**

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

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
Estimated total gross carrying amount at default		
– amount not past due	<b>31,825,907</b>	29,568,913
Lifetime ECL	<b>(122,399)</b>	(122,399)
	<b>31,703,508</b>	29,446,514

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

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
Balance at beginning of the reporting period	<b>122,399</b>	–
Net increase in loss allowance arising from new amounts recognised in current year, net of those derecognised upon billing	–	122,399
Allowance for impairment written off	–	–
Balance at end of the reporting period	<b>122,399</b>	122,399



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**16 CONTRACT ASSETS/LIABILITIES (continued)****Contract liabilities**

The contract liabilities represents the Group's obligation to transfer services to customers for which the Group has received consideration in advance (or an amount of consideration is due) from the customers according to the progressive billing arrangement stated in the contracts. Contract liabilities as at 31 December 2022 and 30 June 2022 mainly relate to advances received from customers.

The Group's contract liabilities are analysed as follows:

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
Contract liabilities	<b>282,591</b>	214,620

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

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
Revenue recognised that was included in the contract liabilities balance at the beginning of the reporting period	<b>214,620</b>	27,418

None of the revenue recognised during the reporting period relates to performance obligations that were satisfied in prior periods.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**17 BANK BALANCES AND CASH**

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
Cash at banks	<b>10,545,165</b>	12,901,671
Cash on hand	<b>34,047</b>	33,454
Cash and cash equivalents in the consolidated statement of cash flows	<b>10,579,212</b>	12,935,125

As at 31 December 2022, other than time deposits of S\$6,969,040 (30 June 2022: S\$7,104,295) with tenure of one month to three months which carry fixed interest rate of 3.2% per annum, and bank balances of S\$2,812,469 (30 June 2022: \$5,327,922) that carry effective interest rate ranging from 0.02% to 0.32% per annum (30 June 2022: 0.02% to 0.35% per annum), the remaining bank balances and cash are interest-free.

**18 TRADE AND OTHER PAYABLES**

Trade and other payables comprise the following:

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
Trade payables	<b>5,414,908</b>	2,435,219
Trade accruals	<b>3,432,534</b>	6,530,127
Retention payables (Note)	<b>3,057,581</b>	2,732,481
	<b>11,905,023</b>	11,697,827
Other payables		
Payroll and CPF payables	<b>394,913</b>	302,249
Goods and Services Tax ("GST") payables	<b>122,702</b>	133,048
Rental deposit received	<b>5,800</b>	5,800
Accrued audit fees	<b>119,000</b>	161,000
Others	<b>28,710</b>	24,976
	<b>12,576,148</b>	12,324,900

Note: The retention payables to subcontractors are interest-free and payable after the completion of maintenance period or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works. The balances are classified as current as they are within the Group's normal operating cycle.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**18 TRADE AND OTHER PAYABLES (continued)**

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

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
Within 30 days	<b>3,240,056</b>	1,399,199
31 to 60 days	<b>1,436,439</b>	657,350
61 to 90 days	<b>624,617</b>	206,711
91 to 120 days	<b>23,184</b>	27,951
Over 120 days	<b>90,612</b>	144,008
	<b>5,414,908</b>	2,435,219

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

**19 LEASE LIABILITIES**

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
Lease liabilities payable:		
Within one year	<b>130,321</b>	130,030
Within a period of more than one year but not more than two years	<b>72,329</b>	110,044
Within a period of more than two years but not more than five years	<b>–</b>	27,419
	<b>202,650</b>	267,493
Less: Amount due for settlement with 12 months (shown under current liabilities)	<b>(130,321)</b>	(130,030)
Amount due for settlement after 12 months (shown under non-current liabilities)	<b>72,329</b>	137,463

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

The above represents leases for certain staff dormitories, office and office equipment of the Group. As at 31 December 2022, the weighted average incremental borrowing rate was 2.28% (30 June 2022: 2.28%) per annum.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**19 LEASE LIABILITIES (continued)**

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

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

**20 DEFERRED TAX LIABILITIES**

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
As at 1 July 2022/1 July 2021	<b>35,229</b>	55,994
Recognised in profit or loss during the period:		
– Accelerated tax depreciation	<b>(9,247)</b>	(20,765)
As at 31 December 2022/30 June 2022	<b>25,982</b>	35,229

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

**21 SHARE CAPITAL**

	<b>Number of ordinary shares</b>	<b>Par Value HK\$</b>	<b>Share capital HK\$</b>
Authorised share capital of the Company:			
At 1 July 2021, 30 June 2022 and 31 December 2022	1,500,000,000	0.01	15,000,000
Issued and fully paid of the Company:			
At 30 June 2022 and 31 December 2022	1,000,000,000		1,742,143

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**22 OPERATING LEASE COMMITMENTS**

The operating lease in which the Group is the lessor relate to the investment property owned by the Group, and has a lease term of three years, with a one year extension option. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments:

	<b>As at 31 December 2022 (Unaudited) S\$</b>	As at 30 June 2022 (Audited) S\$
Within one year	935	17,400
After one year but within five years	–	–
	<b>935</b>	17,400

The following table presents the amounts reported in profit or loss:

	<b>For the six months ended 31 December 2022 (Unaudited) S\$</b>	2021 (Unaudited) S\$
Lease income on operating leases (Note 5a)	17,400	17,400

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

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

During the six months ended 31 December 2022, our Group’s revenue increased by 132.4% to approximately S\$24.5 million as compared to approximately S\$10.5 million for the six months ended 31 December 2021. Our Group’s gross profit also increased by 131.3% to approximately \$2.0 million, as compared to approximately S\$0.9 million for the six months ended 31 December 2021. Our group’s net profit after tax was approximately S\$0.5 million, as compared to approximately net loss of S\$0.1 million for the six months ended 31 December 2021.

The above increase is mainly due to the recovery of construction industry in Singapore given the improvement in COVID-19 situation in Singapore. Since July 2022, the entry requirement for Construction, Marine Shipyard and Process sectors work permit holders have been further eased and there have been an influx of migrant workers into Singapore. Consequently, the influx of migrant workers into Singapore have moderated the labour costs and sped up the progress of the Group’s on-going projects and led to an increase in revenue and net profit recognised over the six months ended 31 December 2022.

Based on the recent Building and Construction Authority (“BCA”) projection, the construction demand in Singapore is estimated to be between S\$27 billion and S\$32 billion in year 2023, with the public sector projects contributing about 60% of the total demand, between S\$16 billion and S\$19 billion. Over the medium-term, BCA projected the total construction demand to reach between S\$25 billion and S\$32 billion per year from 2024 to 2027, with the public sector expected to lead the demand, contributing S\$14 billion to S\$18 billion per year from 2024 to 2027. Given our Group’s expertise in the public sector projects, the Board believes our Group is well positioned to take advantage of the rising construction demand over the coming years.

As at 31 December 2022, we had 38 projects on hand (including contracts in progress) with a notional or estimated contract value of approximately S\$217.0 million, of which approximately S\$95.8 million had been recognised as revenue in prior periods, approximately S\$23.6 million had been recognised as revenue during the reporting period ended 31 December 2022 and the remaining balance will be recognised as our revenue in accordance with the stage of completion. The remaining S\$0.9 million recognised as revenue during the six months ended 31 December 2022 is mainly attributed to projects which have been completed during the reporting period.

**FINANCIAL REVIEW**

	For the six months ended 31 December		
	2022 S\$ million	2021 S\$ million	Change %
Revenue	24.5	10.5	132.4
Gross profit	2.0	0.9	131.3
Gross profit margin	8.3%	8.3%	–
Net profit/(loss)	0.5	(0.1)	437.1

**Revenue**

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

	For the six months ended 31 December					
	2022			2021		
	Number of projects with revenue contribution	Revenue S\$ million	% of total revenue	Number of projects with revenue contribution	Revenue S\$ million	% of total revenue
Public sector projects	50	21.4	87.4	41	7.3	69.4
Private sector projects	20	3.1	12.6	7	3.2	30.6
Total	70	24.5	100	48	10.5	100

The Group's overall revenue increased by approximately S\$14.0 million or approximately 132.4% from approximately S\$10.5 million for the six months ended 31 December 2021 to approximately S\$24.5 million for the six months ended 31 December 2022. The increase is mainly due to the recovery of construction industry in Singapore given the improvement in COVID-19 situation and influx of migrant workers into Singapore. Consequently, the influx of migrant workers into Singapore have moderated the labour costs and sped up the progress of the Group's on-going projects and led to an increase in revenue recognised over the six months ended 31 December 2022.

**Cost of Services**

The Group's cost of services increased by approximately S\$12.8 million or approximately 132.5% from approximately S\$9.6 million for the six months ended 31 December 2021 to approximately S\$22.4 million for the six months ended 31 December 2022. Such increase in cost of services was generally in line with the increase in revenue.

## Gross Profit and Gross Profit Margin

	For the six months ended 31 December					
	2022			2021		
	Revenue S\$ million	Gross profit S\$ million	Gross profit margin %	Revenue S\$ million	Gross profit S\$ million	Gross profit margin %
Public sector projects	21.4	1.8	8.6	7.3	0.6	7.8
Private sector projects	3.1	0.2	6.2	3.2	0.3	9.6
Total	24.5	2.0	8.3	10.5	0.9	8.3

The gross profit of the Group for the six months ended 31 December 2022 amounted to approximately S\$2.0 million, representing an increase of approximately 131.3% as compared with approximately S\$0.9 million for the six months ended 31 December 2021, which was driven by an increase in revenue for the same period. The Group's gross profit margin for the six months ended 31 December 2022 and six months ended 31 December 2021 remained the same, at approximately 8.3%.

## Other Income

Other income mainly included income from (i) interest income from banks, (ii) government grants, (iii) rental income and (iv) training income. During the six months ended 31 December 2022 and six months ended 31 December 2021, other income remained the same, at approximately S\$0.2 million.

## Other (Losses) or Gains

Other (losses) or gains mainly relates to net exchange gain or loss. During the six months ended 31 December 2022, other losses amounted to approximately S\$0.2 million (six months ended 31 December 2021: gains of approximately S\$60,000). The increase in other losses was mainly due to the weakening of US\$ and HK\$ currency against S\$ in respect of the Group's bank balances during the six months ended 31 December 2022.

## Administrative Expenses

The administrative expenses of the Group for the six months ended 31 December 2022 and six months ended 31 December 2021 remained the same, at approximately S\$1.3 million.

## Finance Costs

Finance costs for the six months ended 31 December 2022 was approximately S\$3,000 which was relatively constant with that of the six months ended 31 December 2021 of approximately S\$1,000.

## Income Tax Expense

The Group's income tax expense increased to approximately S\$0.2 million for the six months ended 31 December 2022 from approximately S\$50,000 for the six months ended 31 December 2021. Such increase was mainly due to the increase in assessable profit.



## MANAGEMENT DISCUSSION AND ANALYSIS

**Net Profit/Loss**

Net Profit/Loss attributable to owners of the Company for the six months ended 31 December 2022 increased by approximately S\$0.6 million from a net loss of approximately S\$0.1 million for the six months ended 31 December 2021 to a net profit of approximately S\$0.5 million for the six months ended 31 December 2022, which is generally in line with the increase of revenue and gross profit for the six months ended 31 December 2022.

**Trade Receivables**

As at 31 December 2022, the Group had trade receivables of approximately S\$7.1 million, as compared with trade receivables of approximately S\$5.3 million as at 30 June 2022.

An amount of approximately S\$5.3 million (i.e. 75.1%) of the trade receivables as at 31 December 2022 has been settled up to the date of this interim report (i.e. average monthly settlement of approximately 37.56%), as compared with an amount of approximately S\$4.2 million (i.e. 79.8%) being settled up to 29 September 2022 (i.e. average monthly settlement of approximately 26.6%) for the trade receivables as at 30 June 2022.

**Contract Assets (exclude retention receivables)**

As at 31 December 2022, the Group had contract assets (excluding retention receivables) of approximately S\$26.6 million, as compared with contract assets (excluding retention receivables) of approximately S\$24.4 million as at 30 June 2022.

An amount of approximately S\$6.6 million (i.e. 24.9%) of contract assets (excluding retention receivables) as at 31 December 2022 has been settled up to the date of this interim report (i.e. average monthly settlement of approximately 12.5%), as compared with an amount of S\$7.5 million (i.e. 30.1%) being settled up to 29 September 2022 (i.e. average monthly settlement of approximately 10.0%) for the contract assets (excluding retention receivables) as at 30 June 2022.

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

**Interim Dividend**

The Board did not recommend a payment of an interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: S\$Nil).

### **Liquidity, Financial Resources and Capital Structure**

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

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

As at 31 December 2022, the Group had total cash and bank balances of approximately S\$10.6 million, as compared with bank balances and cash of approximately S\$12.9 million as at 30 June 2022. The Group did not have any bank borrowings as at 31 December 2022 and 30 June 2022.

### **Pledge of Assets**

As at 31 December 2022, the Group had approximately S\$0.1 million (as at 30 June 2022: S\$0.1 million) of pledged bank deposits as part of the collateral for performance guarantees in favour of the Group’s customers.

### **Treasury Policy**

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

### **Foreign Exchange Risk**

The Group mainly operates in Singapore. Most of the operating transactions and revenue were settled in Singapore dollars and the Group’s assets and liabilities are primarily denominated in Singapore dollars. However, the Group has certain bank balances denominated in US\$ and HK\$ amounting to S\$8.0 million as at 31 December 2022 which expose the Group to foreign currency risk. The Group manages the risk by closely monitoring the movements of the foreign currency rate without entering any hedging arrangements.

### **Gearing Ratio**

Gearing ratio is calculated by dividing all borrowings by total equity at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 31 December 2022 was nil (as at 30 June 2022: nil).

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

There were no significant investment held, material acquisitions or disposals of subsidiaries and associated companies or joint ventures by the Group during the six months ended 31 December 2022.

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

Save as disclosed in the Company's prospectus dated 20 June 2019 ("Prospectus"), the Group did not have other future plans for material investments or capital assets as at 31 December 2022.

**Employees and Remuneration Policy**

As at 31 December 2022, the Group had a total of 200 employees (31 December 2021: 124 employees), including executive Directors. Total staff costs including Directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes during the six months ended 31 December 2022 amounted to approximately S\$2.6 million (31 December 2021: S\$2.0 million). In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from central provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

**Contingent Liabilities**

As at 31 December 2022, the Group had performance bonds of approximately S\$0.6 million (30 June 2022: S\$0.6 million) given by a bank and insurance companies in favour of the Group's customers as security for the due performance and observance of our Group's obligation under the contracts entered into between our Group and the customers. The performance guarantees will be released upon completion of the contracts.

**Capital Expenditures and Capital Commitments**

During the six months ended 31 December 2022, the Group acquired items of plant and equipment of approximately S\$18,000 (30 June 2022: approximately S\$50,000).

As at 31 December 2022, the Group had no material capital commitments.

### Use of Net Proceeds from the Share Offer

The Net Proceeds from the Share Offer were approximately HK\$95.0 million (S\$16.6 million) (after deducting listing expenses) (the “Net Proceeds”). The Group has utilised the Net Proceeds in accordance with the intended plan and purposes as outlined in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As disclosed in the announcements of the Group titled “Changes in Use of Proceeds” and “Further Change in Use of Proceeds” dated 13 May 2020 and 19 September 2022 respectively, the Board resolved to change the use of the unutilised Net Proceeds. Set out below is the revised allocation of the unutilised Net Proceeds (the “Re-allocated Net Proceeds”):

	Planned use of Net Proceeds as disclosed in the Prospectus	Revised allocation of the Net Proceeds as disclosed in the Announcement dated 13 May 2020	Further revised allocation of the Net Proceeds as disclosed in the Announcement dated 19 September 2022	Utilised Net Proceeds up to 31 December 2022	Unutilised Re-allocated Net Proceeds up to 31 December 2022	Expected date to fully utilise the Unutilised Re-allocated Net Proceeds
	S\$ million (approximately)	S\$ million (approximately)	S\$ million (approximately)	S\$ million (approximately)	S\$ million (approximately)	
(i) Acquisition of a Singapore-based air-conditioning and mechanical ventilation contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least “L4” grade	7.1	3.5	-	-	-	N/A
(ii) Strengthening the Group’s manpower by recruiting additional staff	2.5	1.0	1.0	1.0	-	N/A
(iii) Expanding the Group’s premises for its various operational needs	1.8	-	-	-	-	N/A
(iv) Financing the Group’s upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects ( <i>existing new projects</i> )	1.7	5.2	5.2	5.2	-	N/A
(v) Financing the Group’s upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects ( <i>new potential projects</i> )	-	3.0	6.5	3.7	2.8	On or before 30 June 2023

## MANAGEMENT DISCUSSION AND ANALYSIS

	Planned use of Net Proceeds as disclosed in the Prospectus S\$ million (approximately)	Revised allocation of the Net Proceeds as disclosed in the Announcement dated 13 May 2020 S\$ million (approximately)	Further revised allocation of the Net Proceeds as disclosed in the Announcement dated 19 September 2022 S\$ million (approximately)	Utilised Net Proceeds up to 31 December 2022 S\$ million (approximately)	Unutilised Re-allocated Net Proceeds up to 31 December 2022 S\$ million (approximately)	Expected date to fully utilise the Unutilised Re-allocated Net Proceeds
(vi) Financing the acquisition of additional machinery and equipment	1.4	0.7	0.7	0.2	0.5	On or before 30 June 2023
(vii) Purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading the Group's enterprise resource planning system	0.9	0.5	0.5	0.3	0.2	On or before 30 June 2023
(viii) Financing the acquisition of additional lorries	0.3	0.3	0.3	0.2	0.1	On or before 30 June 2023
(ix) Reserved as the Group's general working capital	0.9	2.4	2.4	2.4	-	N/A
<b>Total</b>	<b>16.6</b>	<b>16.6</b>	<b>16.6</b>	<b>13.0</b>	<b>3.6</b>	

As at 31 December 2022, the unutilised amount of the Net Proceeds was placed in licensed banks in Hong Kong and Singapore. The Board expects that the Net Proceeds will be utilised in the same manner as disclosed in the Prospectus and the Company's announcements dated 13 May 2020 and 19 September 2022. Due to the adverse impact of the outbreak of COVID-19 on worldwide economies and the cautious approach embarked by the Singapore Government to resume usual daily activities after the implementation of Circuit Breaker measures, the Board will continue to closely monitor the situation and evaluate the impact on the timeline to utilise the unutilised Re-allocated Net Proceeds and will keep shareholders and potential investors of the Company informed if there is any material change.

## EVENTS AFTER THE REPORTING PERIOD

Reference are made to the joint announcements of the Company (the “**Joint Announcements**”) dated 19 December 2022, 27 January 2023, 3 February 2023 and 24 February 2023 in relation to, among others, the mandatory unconditional cash offer by Southern Heritage Limited (the “**Offeror**”) to acquire all the issued shares of the Company (other than those already owned by or to be acquired by the Offeror and parties acting in concert with it). Unless the context requires, capitalised terms used in this paragraph headed “Events after the Reporting Period” shall have the same meanings as those defined in the Joint Announcements.

On 12 December 2022, Lead Development Investment Limited (as Vendor), Mr. JK Ang and Mr. KK Ang (as Guarantors), and Southern Heritage Limited (as Offeror) entered into the Share Purchase Agreement in relation to the sale and purchase of 550,000,000 Shares (representing 55.0% of the total issued share capital of the Company) at the Consideration of HK\$152,500,000 (being approximately HK\$0.277 per Sale Share). The Completion took place on 27 January 2023. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror made a mandatory unconditional cash offer for all issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer was closed on 24 February 2023 and no any valid acceptance in respect of the Offer Shares under the Offer was received.

Save as disclosed above, the Group did not have any significant events after 31 December 2022 and up to the date of this interim report.

## OTHER INFORMATION

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

As at 31 December 2022, the interests and short positions of the Directors and chief executives 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 (Chapter 571 of the Laws of Hong Kong) (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 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 (the "Model Code") as set out in Appendix 10 of Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of Director	Nature of interest	Number of Shares held	Percentage of issued share capital
Mr. Ang Jui Khoon ("Mr. JK Ang") (Note)	Interest in controlled corporation	550,000,000	55.00%
Mr. Ang Kok Kwang (Hong Guoguang) ("Mr. KK Ang") (Note)	Interest held jointly with another person	550,000,000	55.00%

Note: LEAD DEVELOPMENT INVESTMENT LIMITED ("Lead Development") is legally and beneficially owned as to 87.27% by Mr. JK Ang and 12.73% by Mr. KK Ang. On 31 October 2018, Mr. JK Ang and Mr. KK Ang entered into the deed of confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert and that they would continue to act in the same manner regarding the affairs of the Group upon the listing of the Shares on the Main Board of the Stock Exchange. Accordingly, by virtue of the SFO, Mr. JK Ang and Mr. KK Ang are deemed to be interested in the Shares held by Lead Development.

#### (b) Long positions in the shares of associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Percentage of interest in associated corporation
Mr. JK Ang (Note)	Lead Development	Beneficial owner	13,091	87.27%
Mr. KK Ang (Note)	Lead Development	Beneficial owner	1,909	12.73%

Note: Lead Development is the direct shareholder of the Company and is an associated corporation within the meaning of Part XV of the SFO.

## OTHER INFORMATION

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executives 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 as set out in Appendix 10 of the Listing Rules.

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

As at 31 December 2022, 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**

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Percentage of issued share capital</b>
Lead Development (Note 1, 4)	Beneficial owner	550,000,000	55.00%
Mr. JK Ang (Note 1, 4)	Interest in controlled corporation	550,000,000	55.00%
Mr. KK Ang (Note 1, 4)	Interest held jointly with another person	550,000,000	55.00%
Ms. Pan Moi Kia (Note 2, 4)	Interest of spouse	550,000,000	55.00%
Ms. Chong Sze Yen, Josephine (Note 3, 4)	Interest of spouse	550,000,000	55.00%
SOUTHERN HERITAGE LIMITED (Note 4)	Beneficial owner	550,000,000	55.00%
Mr. Chen Zhi (Note 4)	Interest in controlled corporation	550,000,000	55.00%

#### Notes:

- Lead Development is the direct shareholder of the Company. Lead Development is legally and beneficially owned by Mr. JK Ang as to 87.27% and Mr. KK Ang as to 12.73%. On 31 October 2018, Mr. JK Ang and Mr. KK Ang entered into the deed of confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert and that they would continue to act in the same manner regarding the affairs of the Group upon the listing of the Shares on the Main Board of the Stock Exchange. Accordingly, by virtue of the SFO, Mr. JK Ang and Mr. KK Ang are deemed to be interested in the Shares held by Lead Development.
- Ms. Pan Moi Kia is the spouse of Mr. JK Ang. Accordingly, Ms. Pan Moi Kia is deemed or taken to be interested in the Shares in which Mr. JK Ang is interested in under the SFO.
- Ms. Chong Sze Yen, Josephine is the spouse of Mr. KK Ang. Accordingly, Ms. Chong Sze Yen, Josephine is deemed or taken to be interested in the Shares in which Mr. KK Ang is interested in under the SFO.
- On 12 December 2022, Lead Development as the vendor entered into a conditional sale and purchase agreement with SOUTHERN HERITAGE LIMITED as the purchaser for the sale of 550,000,000 Shares (representing 55.00% of the total issued share capital of the Company). SOUTHERN HERITAGE LIMITED is a company incorporated in the British Virgin Islands with limited liability and is beneficially wholly-owned by Mr. Chen Zhi. Accordingly, by virtue of the SFO, Mr. Chen Zhi is deemed to be interested in the Shares held by SOUTHERN HERITAGE LIMITED. On 27 January 2023, the sale of the shares completed and Lead Development, Mr. JK Ang, Mr. KK Ang, Ms. Pan Moi Kia and Ms. Chong Sze Yen, Josephine ceased to have any interest in the Company.



## OTHER INFORMATION

Save as disclosed above, as at 31 December 2022, 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.

**SECURITIES TRANSACTIONS BY DIRECTORS**

The Company adopted 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 Group. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and its code of conduct regarding the Directors' securities transactions throughout the six months period ended 31 December 2022.

**SHARE OPTION SCHEME**

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 10 June 2019. The principal terms of the Share Option Scheme are summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to provide incentives or rewards to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 10 June 2019 and during the six months ended 31 December 2022, and there is no outstanding share option as at 31 December 2022.

**CORPORATE GOVERNANCE**

During the six months ended 31 December 2022, the Company complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2022.

**AUDIT COMMITTEE**

The interim results of the Group for the six months ended 31 December 2022 have not been audited or reviewed by the independent auditors of the Company. The audit committee of the Company has reviewed the Group's unaudited condensed consolidated results for the six months ended 31 December 2022 and discussed with the management of the Company on the accounting principles and practices adopted by the Group with no disagreement by the audit committee of the Company.

By Order of the Board

**Khoon Group Limited**

**Ang Jui Khoon**

*Chairman and Executive Director*

Hong Kong, 27 February 2023