



KHOON GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 924

2023/24
INTERIM REPORT



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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)
(resigned on 15 March 2024)

Independent Non-Executive Directors

Ms. Leung Wing Chi Kylie
Mr. Fok Wai Hung
Mr. So Chi Kai

AUDIT COMMITTEE

Ms. Leung Wing Chi Kylie (*Chairlady*)
Mr. Fok Wai Hung
Mr. So Chi Kai

REMUNERATION COMMITTEE

Mr. Fok Wai Hung (*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)
(resigned on 15 March 2024)
Ms. Leung Wing Chi Kylie
Mr. Fok Wai Hung
Mr. So Chi Kai

COMPANY SECRETARY

Ms. Fu Yuen Hung

AUTHORISED REPRESENTATIVES

Mr. Ang Kok Kwang (Hong Guoguang)
Ms. Fu Yuen Hung

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

Room A, 29/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:
MinterEllison LLP
Level 32, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited
RHB Bank Berhad
United Overseas Bank Limited

AUDITOR

RSM Hong Kong
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with the Accounting
and Financial Reporting Council Ordinance
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

COMPANY'S WEBSITE

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 2023 together with comparative figures for the corresponding period in 2022 as follows:

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

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Note	Six months ended 31 December	
		2023 (Unaudited) S\$	2022 (Unaudited) S\$
Revenue	5	32,214,535	24,452,222
Cost of services		(30,053,108)	(22,427,472)
Gross profit		2,161,427	2,024,750
Other income	6a	87,133	200,611
Other gains and (losses)	6b	(324,709)	(188,160)
Impairment losses on financial assets	6c	(121,361)	–
Administrative expenses		(2,114,637)	(1,340,232)
Finance costs	7	(1,381)	(2,744)
(Loss)/profit before tax		(313,528)	694,225
Income tax expense	8	(110,859)	(201,007)
(Loss)/profit for the period	9	(424,387)	493,218
Other comprehensive loss:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange difference on translating foreign operation		(193,724)	–
Other comprehensive loss for the period, net of tax		(193,724)	–
Total comprehensive (loss)/income for the period attributable to owners of the Company		(618,111)	493,218
(Loss)/earnings per share (S\$ cents)	11	(0.04)	0.05

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	As at 31 December 2023 (Unaudited) S\$	As at 30 June 2023 (Audited) S\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	111,643	176,567
Right-of-use assets	13	238,843	145,149
Deposits	15	196,327	94,612
		546,813	416,328
Current assets			
Trade receivables	14	9,161,785	7,833,214
Other receivables, deposits and prepayments	15	590,303	508,539
Contract assets	16	31,867,858	31,593,789
Bank balances and cash	17	7,657,225	10,184,427
		49,277,171	50,119,969
Current liabilities			
Trade and other payables	18	13,305,807	13,618,814
Contract liabilities	16	198,114	188,776
Lease liabilities	19	146,449	112,092
Amounts due to directors	21a	93,520	87,913
Current tax liabilities		195,039	84,181
		13,938,929	14,091,776
Net current assets		35,338,242	36,028,193
Total assets less current liabilities		35,885,055	36,444,521
Non-current liabilities			
Lease liabilities	19	94,217	35,572
		94,217	35,572
Net assets		35,790,838	36,408,949
EQUITY			
Capital and reserves			
Share capital	20	1,742,143	1,742,143
Share premium		31,669,457	31,669,457
Merger reserve		(11,417,891)	(11,417,891)
Exchange reserve		19,141	212,865
Accumulated profits		13,777,988	14,202,375
Equity attributable to owners of the Company		35,790,838	36,408,949

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Share capital S\$	Share premium (Note a) S\$	Merger reserve (Note b) S\$	Exchange reserve (Note c) S\$	Accumulated profits S\$	Total S\$
Balance at 1 July 2023 (audited)	1,742,143	31,669,457	(11,417,891)	212,865	14,202,375	36,408,949
Loss for the period	–	–	–	–	(424,387)	(424,387)
Other comprehensive loss	–	–	–	(193,724)	–	(193,724)
Total comprehensive loss for the period	–	–	–	(193,724)	(424,387)	(618,111)
Balance at 31 December 2023 (unaudited)	1,742,143	31,669,457	(11,417,891)	19,141	13,777,988	35,790,838

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\$
Balance at 1 July 2022 (audited)	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
Balance at 31 December 2022 (unaudited)	1,742,143	31,669,457	(11,417,891)	16,244,340	38,238,049

Notes:

- Share premium represents the excess of share issue over the par value.
- 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.
- Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations to the Group's presentation currency (i.e. Singapore dollar) which are recognised directly in other comprehensive income and accumulated in the exchange reserve.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	S\$	S\$
Operating activities		
(Loss)/profit before tax	(313,528)	694,225
Adjustments for:		
Impairment losses on financial assets	121,361	–
Depreciation of investment property	–	8,011
Depreciation of property, plant and equipment	58,743	82,850
Depreciation of right-of-use assets	65,459	65,509
Exchange (gain)/loss	(47,748)	188,160
Gain on disposal of property, plant and equipment	(61,106)	–
Written off of contract assets	433,563	–
Finance costs	1,381	2,744
Bank interest income	(25,828)	(72,219)
Operating cash flows before movements in working capital	232,297	969,280
Increase in trade receivables	(1,449,932)	(1,782,265)
(Increase)/decrease in other receivables, deposits and prepayments	(182,284)	747,991
Increase in contract assets	(707,632)	(2,256,994)
(Decrease)/increase in trade and other payables	(313,007)	251,248
Increase in amounts due to directors	5,607	–
Increase/(decrease) in contract liabilities	9,338	(52,444)
Cash used in operations	(2,405,613)	(2,123,184)
Tax paid	–	(31,253)
Net cash used in operating activities	(2,405,613)	(2,154,437)
Investing activities		
Bank interest received	24,606	72,219
Purchase of property, plant and equipment	(12,913)	(17,948)
Proceeds from disposal of property, plant and equipment	70,200	–
Net cash from investing activities	81,893	54,271
Financing activities		
Repayment of lease liabilities	(67,532)	(64,843)
Interest paid	(1,381)	(2,744)
Net cash used in financing activities	(68,913)	(67,587)
Net decrease in cash and cash equivalents	(2,392,633)	(2,167,753)
Cash and cash equivalents at beginning of period	10,184,427	12,935,125
Effect of foreign exchange rate change	(134,569)	(188,160)
Cash and cash equivalents at end of period, represented by bank balances and cash	7,657,225	10,579,212

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

1 GENERAL

Khoon Group Limited (the “Company”) was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 24 July 2018 and its registered office is located at P.O. Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) on 18 September 2018 and its principal place of business in Hong Kong is Unit A, 29/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 (“Shares”) 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 Southern Heritage Limited (“Southern Heritage”), a company incorporated in the British Virgin Islands (the “BVI”), which is also the Company’s ultimate holding company. Southern Heritage is wholly-owned by Mr. Chen Zhi. Mr. Chen Zhi is the controlling shareholder of Khoon Group Limited and its subsidiaries (the “Controlling Shareholder”).

The Company is an investment holding company and the principal activities of its operating subsidiary, Khoon Engineering Contractor Pte. Ltd. (“Khoon Engineering”), a company 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 28 February 2024.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 June 2023.

3 ADOPTION OF NEW AND REVISED STANDARDS

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

In the current period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time for the current period’s financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

Their adoption has not had any material impact on the disclosures or on the amounts reported in these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

3 ADOPTION OF NEW AND REVISED STANDARDS (continued)

New and revised IFRSs 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 IFRSs that have been issued but are not yet effective, which are relevant to the Group:

		Effective for accounting periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 16	Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB

The Directors of the Company anticipates that the application of the above new and amendments to IFRSs will have no material impact on the Group's consolidated financial position and performance as well as disclosures in the foreseeable future.

4 USE OF ESTIMATES AND JUDGEMENTS

In the preparation of the Group's interim condensed consolidated financial information, management is required to make estimates, judgments and assumptions about the reporting amounts of assets, liabilities, income and expenses. 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 and future periods, if the revision affects both current and future periods.

The estimates and underlying assumptions which have significant impact on that interim condensed consolidated financial information are the same as that of the consolidated financial information for the year ended 30 June 2023.

5 REVENUE AND SEGMENT INFORMATION

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

Segment information is reported to the executive directors of the Company, being the chief operating decision makers ("CODMs") of the Group, for the purposes of resource allocation and performance assessment. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

5 REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's revenue for the six months ended 31 December 2023 and 2022 is as follows:

	For the six months ended 31 December	
	2023 (Unaudited) S\$	2022 (Unaudited) S\$
Contract revenue from provision of electrical engineering services, recognised over time	32,214,535	24,452,222

All the Group's services are rendered directly with the customers. Contracts with the Group's customers are agreed in fixed-price basis with project duration ranging from 6 months to 58 months (six months ended 31 December 2022: 1 month to 52 months).

Included in the Group's revenue for the six months ended 31 December 2023 is S\$31,778,334 (six months ended 31 December 2022: S\$21,364,418) derived from provision of electrical engineering services to customers in public sector. The other remaining revenue is derived from provision of electrical engineering services to customers in private sector.

Transaction price allocated to the remaining performance obligations

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

	For the six months ended 31 December	
	2023 (Unaudited) S\$	2022 (Unaudited) S\$
Provision of electrical engineering services:		
— Within one year	82,807,280	53,354,714
— More than one year but not more than two years	45,310,811	31,213,892
— More than two years but not more than five years	4,710,282	13,088,210
	132,828,373	97,656,816

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 2023 and 2022 have been or will be recognised as revenue during the years ended/ending 30 June 2023 to 2027.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

5 REVENUE AND SEGMENT INFORMATION (continued)

Information about the major customers

The revenue from customers individually contributing over 10% of the total revenue of the Group during the six months ended 31 December 2023 and 2022 are as follows:

	For the six months ended 31 December	
	2023 (Unaudited) S\$	2022 (Unaudited) S\$
Customer I	4,693,897	4,499,163
Customer II	4,412,202	N/A*
Customer III	3,350,923	N/A*
Customer IV	N/A*	5,762,518
Customer V	N/A*	2,632,521

* The revenue from the customers did not contribute 10% or more of the total revenue of the Group during the respective reporting 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 six months ended 31 December 2023 (six months ended 31 December 2022: 100%) based on the location of services delivered. The Group's non-current assets are all located in Singapore.

6 a. OTHER INCOME

	For the six months ended 31 December	
	2023 (Unaudited) S\$	2022 (Unaudited) S\$
Bank interest income	25,828	72,219
Government grants (Note)	3,549	75,027
Rental income	–	17,400
Training income	22,363	35,965
Others	35,393	–
	87,133	200,611

Note: Government grants in 2022 mainly included the Job Growth Incentive, which supports employers to expand local hiring from September 2020 to March 2023 (inclusive).

All government grants are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

6 b. OTHER GAINS AND (LOSSES)

	For the six months ended 31 December	
	2023 (Unaudited) S\$	2022 (Unaudited) S\$
Written off of contract assets	(433,563)	–
Gain on disposal of property, plant and equipment	61,106	–
Exchange gain/(loss), net	47,748	(188,160)
	(324,709)	(188,160)

6 c. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	For the six months ended 31 December	
	2023 (Unaudited) S\$	2022 (Unaudited) S\$
Impairment losses recognised on trade receivables (Note 14)	(121,361)	–

7 FINANCE COSTS

	For the six months ended 31 December	
	2023 (Unaudited) S\$	2022 (Unaudited) S\$
Interest on lease liabilities	1,381	2,744

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

8 INCOME TAX EXPENSE

	For the six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	S\$	S\$
Tax expense comprises:		
Current tax:		
— Singapore corporate income tax ("CIT")	110,859	210,254
Deferred tax expense	—	(9,247)
	110,859	201,007

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

CIT is calculated at 17% (six months ended 31 December 2022: 17%) of the estimated assessable profit. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$190,000 of normal chargeable income for both the six months ended 31 December 2023 and 2022.

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 reporting periods.

The reconciliation between the income tax expenses and the product of (loss)/profit before tax multiplied by CIT rate is as follows:

	For the six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	S\$	S\$
(Loss)/profit before tax	(313,528)	694,225
Tax at applicable tax rate of 17% (2022: 17%)	(53,300)	118,018
Tax effect of expenses not deductible for tax purpose	183,260	91,702
Tax effect of income not taxable for tax purpose	(10,388)	—
Effect of tax concessions and partial tax exemptions	(8,713)	(8,713)
Income tax expense	110,859	201,007

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

9 (LOSS)/PROFIT FOR THE PERIOD

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

	For the six months ended 31 December	
	2023 (Unaudited) S\$	2022 (Unaudited) S\$
Depreciation of property, plant and equipment	58,743	82,850
Depreciation of right-of-use assets	65,459	65,509
Depreciation of investment property	–	8,011
Written off of contract assets	433,563	–
Impairment losses on trade receivables	121,361	–
Directors' remuneration	498,736	488,556
Other staff costs:		
— Salaries and other benefits	3,511,027	2,020,878
— Contributions to Central Provident Fund ("CPF") and Mandatory Provident Fund ("MPF")	99,033	102,985
Total staff costs	4,108,796	2,612,419
Cost of materials recognised as cost of services	15,925,722	9,756,712
Subcontractor costs recognised as cost of services	10,517,753	9,214,015
Gross rental income from investment property recognised as other income	–	(17,400)
Less: Direct operating expenses incurred for investment property that generated rental income	–	1,243
	–	(16,157)

10 DIVIDENDS

No dividends were paid, declared or proposed to the owners of the Company during the six months ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

11 LOSS/EARNINGS PER SHARE

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

	For the six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company (S\$)	(424,387)	493,218
Weighted average number of ordinary shares in issue	1,000,000,000	1,000,000,000
(Loss)/earnings per share (S\$ cents)	(0.04)	0.05

The calculation of loss/earnings per share for the six months ended 31 December 2023 and 2022 is based on the loss/profit for the period attributable to owners of the Company and the weighted average number of shares in issue.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

12 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Computers	Office equipment	Motor vehicles	Furniture and fittings	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Cost:						
At 1 July 2022	557,748	248,867	65,248	1,544,396	38,752	2,455,011
Additions	–	29,989	–	–	–	29,989
Disposal	–	–	–	(284,888)	–	(284,888)
At 30 June 2023	557,748	278,856	65,248	1,259,508	38,752	2,200,112
Additions	–	12,913	–	–	–	12,913
Disposals	–	–	–	(100,906)	–	(100,906)
At 31 December 2023	557,748	291,769	65,248	1,158,602	38,752	2,112,119
Accumulated depreciation:						
At 1 July 2022	530,187	228,476	57,589	1,296,670	29,769	2,142,691
Charge for the year	15,119	37,173	6,379	90,346	6,592	155,609
Disposals	–	–	–	(274,755)	–	(274,755)
At 30 June 2023	545,306	265,649	63,968	1,112,261	36,361	2,023,545
Charge for the period	4,699	13,811	1,280	36,896	2,057	58,743
Disposals	–	–	–	(81,812)	–	(81,812)
At 31 December 2023	550,005	279,460	65,248	1,067,345	38,418	2,000,476
Carrying amounts:						
At 30 June 2023	12,442	13,207	1,280	147,247	2,391	176,567
At 31 December 2023	7,743	12,309	–	91,257	334	111,643

The above items of property, 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 2023

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

	Dormitories S\$	Office S\$	Office equipment S\$	Total S\$
Cost:				
At 1 July 2022	187,135	472,239	11,213	670,587
Additions	–	–	10,706	10,706
Termination of lease	(89,206)	(232,804)	(11,213)	(333,223)
At 30 June 2023	97,929	239,435	10,706	348,070
Additions	159,153	–	–	159,153
At 31 December 2023	257,082	239,435	10,706	507,223
Accumulated depreciation:				
At 1 July 2022	109,609	286,011	9,344	404,964
Charge for the year	48,964	79,812	2,404	131,180
Termination of lease	(89,206)	(232,804)	(11,213)	(333,223)
At 30 June 2023	69,367	133,019	535	202,921
Charge for the period	24,482	39,906	1,071	65,459
At 31 December 2023	93,849	172,925	1,606	268,380
Carrying amounts:				
At 30 June 2023	28,562	106,416	10,171	145,149
At 31 December 2023	163,233	66,510	9,100	238,843

The Group leases several assets including staff dormitories, office and office equipment. The lease terms are as follows:

Dormitories	2 years
Office	3 years
Office equipment	5 years

The Group has no option 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 2023

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

Amounts recognised in profit or loss

	For the six months ended 31 December	
	2023 (Unaudited) S\$	2022 (Unaudited) S\$
Depreciation expense on right-of use assets	65,459	65,509
Interest expense on lease liabilities	1,381	2,744
Expense relating to short-term leases	6,409	11,726

As at 31 December 2023, the Group is committed to S\$Nil (31 December 2022: S\$17,982) for short-term leases.

The total cash outflow for leases during the six months ended 31 December 2023 amounts to S\$75,322 (six months ended 31 December 2022: S\$79,312).

14 TRADE RECEIVABLES

	As at 31 December 2023 (Unaudited) S\$	As at 30 June 2023 (Audited) S\$
Trade receivables	9,336,515	7,886,583
Less: Allowance for impairment losses	(174,730)	(53,369)
	9,161,785	7,833,214

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

14 TRADE RECEIVABLES (continued)

The Group grants credit term to customers typically for 30 to 35 days from invoice date for trade receivables to all customers for the six months ended 31 December 2023 (the six months ended 30 June 2023: 30 to 35 days). The following is an aging analysis of trade receivables, net of allowance for impairment losses, presented based on the invoice date which approximated the revenue recognition date at the end of each reporting period:

	As at 31 December 2023 (Unaudited) S\$	As at 30 June 2023 (Audited) S\$
Within 30 days	4,664,560	5,094,870
31 days to 60 days	1,918,731	1,983,733
61 days to 90 days	368,175	89,057
91 days to 120 days	678,070	51,168
More than 120 days	1,532,249	614,386
	9,161,785	7,833,214

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 applies 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 have been no changes in the estimation techniques or significant assumption made during the reporting period.

The following table details the risk profile of trade receivables from contracts with customers based on the Group's historical credit loss experience 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

14 TRADE RECEIVABLES (continued)

	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\$
As at 31 December 2023 (Unaudited)							
Estimated total gross carrying amount at default	4,680,056	1,929,699	377,745	710,043	492,266	1,146,706	9,336,515
Lifetime ECL	(15,496)	(10,968)	(9,570)	(31,973)	(32,054)	(74,669)	(174,730)
							9,161,785
As at 30 June 2023 (Audited)							
Estimated total gross carrying amount at default	5,102,352	1,991,850	90,518	54,133	–	647,730	7,886,583
Lifetime ECL	(7,482)	(8,117)	(1,461)	(2,965)	–	(33,344)	(53,369)
							7,833,214

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:

	Six months ended 31 December 2023 (Unaudited) S\$	Year ended 30 June 2023 (Audited) S\$
Balance at beginning of the reporting period	53,369	53,369
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	121,361	–
Balance at end of the reporting period	174,730	53,369

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

15 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December 2023 (Unaudited) S\$	As at 30 June 2023 (Audited) S\$
Current		
Deposits (Note)	159,672	176,710
Prepayments	298,257	288,079
Others (Note)	132,374	43,750
	590,303	508,539
Non-current		
Deposits (Note)	196,327	94,612
	786,630	603,151

Note: The management considers the ECL for deposits and others to be insignificant as at 31 December 2023 and 30 June 2023.

16 CONTRACT ASSETS/LIABILITIES

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

	As at 31 December 2023 (Unaudited) S\$	As at 30 June 2023 (Audited) S\$
Contract assets	31,990,257	32,416,188
Less: Allowance for impairment loss	(122,399)	(822,399)
	31,867,858	31,593,789
Contract liabilities	(198,114)	(188,776)
	31,669,744	31,405,013

Contract assets (retention receivables) and contract liabilities arising from the same contract are presented on a net basis above. In the analysis below, these contract assets (retention receivables) and contract liabilities are presented on a gross basis, with the effect of the grossing up being S\$132,855 as at 31 December 2023 (30 June 2023: S\$153,786).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

16 CONTRACT ASSETS/LIABILITIES (continued)

Contract assets

The Group's contract assets are analysed as follows:

	As at 31 December 2023 (Unaudited) S\$	As at 30 June 2023 (Audited) S\$
Retention receivables	7,989,222	6,722,714
Others (Note)	24,133,890	25,847,260
Less: Allowance for impairment losses	(122,399)	(822,399)
	32,000,713	31,747,575

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.

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

Changes of contract assets were mainly due to changes in: (i) 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 (ii) the size and number of contract works that the relevant services were completed but yet to be certified by architects, surveyors or other representatives appointed by the customers at the end of each reporting period.

The Group's contract assets include retention receivables to be settled, 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 2023

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.

	As at 31 December 2023 (Unaudited) S\$	As at 30 June 2023 (Audited) S\$
Estimated total gross carrying amount at default		
— amount not past due	31,990,257	32,416,188
Lifetime ECL	(122,399)	(822,399)
	31,867,858	31,593,789

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:

	Six months ended 31 December 2023 (Unaudited) S\$	Year ended 30 June 2023 (Audited) S\$
Balance at beginning of the reporting period	822,399	122,399
Net increase in loss allowance arising from new amounts in current period, net of those derecognised upon billing	—	700,000
Written off	(700,000)	—
Balance at end of the reporting period	122,399	822,399

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

16 CONTRACT ASSETS/LIABILITIES (continued)

Contract assets (continued)

The adjudicator issued a determination on 30 October 2023 to order the customer to pay the subsidiary S\$612,556.57 (inclusive of Goods and Services Tax ("GST")). Both the subsidiary and the customer accepted the determination to settle the dispute. Accordingly, further written off of contract assets of S\$433,563 was charged to profit or loss in the six months ended 31 December 2023.

Contract liabilities

The contract liabilities represent 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 2023 and 30 June 2023 mainly relate to advances received from customers.

The Group's contract liabilities are analysed as follows:

	As at 31 December 2023 (Unaudited) S\$	As at 30 June 2023 (Audited) S\$
Contract liabilities	330,969	342,562

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

	Six months ended 31 December 2023 (Unaudited) S\$	Year ended 30 June 2023 (Audited) S\$
Revenue recognised that was included in the contract liabilities balance at the beginning of the reporting period	342,562	214,620

None of the revenue recognised during the reporting periods 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 2023

17 BANK BALANCES AND CASH

	As at 31 December 2023 (Unaudited) S\$	As at 30 June 2023 (Audited) S\$
Cash at banks	7,621,909	10,149,280
Cash on hand	35,316	35,147
Cash and cash equivalents in the consolidated statement of cash flows	7,657,225	10,184,427

As at 31 December 2023, time deposits of approximately S\$4,895,176 (30 June 2023: Nil) with tenure of 3 months which carry fixed interest rate of 2.27%, bank balances of S\$1,262,751 (30 June 2023: S\$2,586,524) that carry effective interest rate ranging from 0.02% to 1.43% per annum (30 June 2023: 0.001% to 0.5% per annum) and the remaining bank balances and cash are interest-free.

18 TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	As at 31 December 2023 (Unaudited) S\$	As at 30 June 2023 (Audited) S\$
Trade payables	6,716,956	8,073,129
Trade accruals	2,610,340	1,966,447
Retention payables (Note)	3,253,092	2,816,796
Other payables	12,580,388	12,856,372
Payroll and CPF payables	373,215	245,098
GST payables	248,413	286,568
Accrued audit fees	80,000	160,000
Others	23,791	70,776
	13,305,807	13,618,814

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 balance is 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 2023

18 TRADE AND OTHER PAYABLES (continued)

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

	As at 31 December 2023 (Unaudited) S\$	As at 30 June 2023 (Audited) S\$
Within 30 days	2,564,545	2,766,872
31 days to 60 days	3,070,268	3,120,266
61 days to 90 days	825,818	996,153
91 days to 120 days	24,090	763,456
Over 120 days	232,235	426,382
	6,716,956	8,073,129

The credit period on purchases from suppliers and subcontractors is 30 to 90 days during the reporting period (the year ended 30 June 2023: 30 to 90 days) or payable upon delivery.

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

19 LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2023 (Unaudited) S\$	30 June 2023 (Audited) S\$	31 December 2023 (Unaudited) S\$	30 June 2023 (Audited) S\$
Within one year	150,022	114,174	146,449	112,092
More than one year, but not exceeding two years	83,760	29,829	82,456	29,519
More than two years, but not exceeding five years	11,920	6,270	11,761	6,053
	245,702	150,273	240,666	147,664
Less: Future finance charges	(5,036)	(2,609)	N/A	N/A
Present value of lease obligations	240,666	147,664	240,666	147,664
Less: Amount due for settlement within 12 months (shown under current liabilities)			(146,449)	(112,092)
Amount due for settlement after 12 months (shown under non-current liabilities)			94,217	35,572

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

19 LEASE LIABILITIES (continued)

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

The above represents leases for certain staff dormitories, office and office equipment of the Group. As at 31 December 2023, the weighted average incremental borrowing rate was 2.28% (30 June 2023: 2.28%) per annum.

The Group's leases do 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 SHARE CAPITAL

	Number of ordinary shares	Par value HK\$	Share capital HK\$
Authorised share capital of the Company:			
At 1 July 2022, 30 June 2023 and 31 December 2023	1,500,000,000	0.01	15,000,000
		Number of ordinary shares	Share capital S\$
Issued and fully paid share capital of the Company:			
At 1 July 2022, 30 June 2023 and 31 December 2023		1,000,000,000	1,742,143

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

21 RELATED PARTY BALANCES AND TRANSACTIONS

Apart from disclosure within the interim condensed consolidated financial statements, the Group did not enter into transactions with related parties during the six months ended 31 December 2023 and 2022.

(a) Related party balances

As at 31 December 2023, the amounts due to directors of S\$93,520 (30 June 2023: S\$87,913) in nature of directors' fee payable, are unsecured, interest free and repayable on demand.

(b) Compensation of key management personnel

The remuneration of the executive directors and the personnel who are considered as key management of the Group, for the six months ended 31 December 2023 and 2022 were as follows:

	For the six months ended	
	31 December	2022
	2023	2022
	(Unaudited)	(Unaudited)
Short term benefits	625,644	585,976
Post-employment benefits	34,412	33,232
Total compensation	660,056	619,208

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 (“HDB”), the public housing authority of the Singapore Government.

During the six months ended 31 December 2023, our Group’s revenue increased by approximately 31.7% to approximately S\$32.2 million as compared to approximately S\$24.5 million for the six months ended 31 December 2022. Our Group’s gross profit also increased by approximately 6.8% to approximately \$2.2 million, as compared to approximately S\$2.0 million for the six months ended 31 December 2022. The increase in revenue and gross profit for the six months ended 31 December 2023 was mainly due to the recovery of construction industry in Singapore and the clearing of pre-COVID-19 backlog projects. In July 2023, HDB targeted to complete the projects delayed by COVID-19 by early 2025. The faster pace of progress led to the increase in revenue and gross profit for the six months ended 31 December 2023. Our Group’s net loss after tax for the six months ended 31 December 2023 was approximately S\$0.4 million, as compared to net profit of approximately S\$0.5 million for the six months ended 31 December 2022. The change from net profit to net loss was mainly due to the one-time written off of contract assets and increase in staff costs for the six months ended 31 December 2023.

Based on the recent Building and Construction Authority (“BCA”) projection, the construction demand in Singapore is estimated to be in the range between S\$32 billion and S\$38 billion in 2024, with the public sector projects contributing about 55% of the total demand, in the range between S\$18 billion and S\$21 billion. Over the medium-term, BCA projected the total construction demand to reach a range between S\$31 billion and S\$38 billion per year from 2025 to 2028, with the public sector expected to lead the demand, contributing approximately S\$19 billion to S\$23 billion per year from 2025 to 2028. Given our Group’s expertise in the public sector projects, the Board believes that our Group is well positioned to take advantage of the rising construction demand over the coming years.

As at 31 December 2023, we had 36 projects on hand (including contracts in progress) with a notional or estimated contract value of approximately S\$204.6 million, of which approximately S\$53.7 million had been recognised as revenue in prior periods, approximately S\$19.2 million had been recognised as revenue during the six months ended 31 December 2023 and the remaining balance will be recognised as our revenue in accordance with the stage of completion. The remaining S\$13.0 million recognised as revenue during the six months ended 31 December 2023 is mainly attributed to projects which have been completed during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

	For the six months ended 31 December		
	2023 S\$ million	2022 S\$ million	Change %
Revenue	32.2	24.5	31.7
Gross profit	2.2	2.0	6.8
Gross profit margin	6.7%	8.3%	-1.6 percentage points
Net (loss)/profit	(0.4)	0.5	N/A

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					
	2023			2022		
	Number of projects with revenue contribution	Revenue S\$ million	% of total revenue	Number of projects with revenue contribution	Revenue S\$ million	% of total revenue
Public sector projects	47	31.8	98.6	50	21.4	87.4
Private sector projects	13	0.4	1.4	20	3.1	12.6
Total	60	32.2	100	70	24.5	100

The Group's overall revenue increased by approximately S\$7.7 million or approximately 31.7% from approximately S\$24.5 million for the six months ended 31 December 2022 to approximately S\$32.2 million for the six months ended 31 December 2023. The increase is mainly due to the recovery of construction industry in Singapore and the clearing of pre-COVID-19 backlog projects.

Cost of Services

The Group's cost of services increased by approximately S\$7.7 million or approximately 34.0% from approximately S\$22.4 million for the six months ended 31 December 2022 to approximately S\$30.1 million for the six months ended 31 December 2023. Such increase in cost of services was generally in line with the increase in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

	For the six months ended 31 December					
	2023			2022		
	Revenue S\$ million	Gross profit S\$ million	Gross profit margin %	Revenue S\$ million	Gross profit S\$ million	Gross profit margin %
Public sector projects	31.8	2.1	6.6	21.4	1.8	8.6
Private sector projects	0.4	0.1	11.9	3.1	0.2	6.2
Total	32.2	2.2	6.7	24.5	2.0	8.3

The gross profit of the Group for the six months ended 31 December 2023 amounted to approximately S\$2.2 million, representing an increase of approximately 6.8% as compared with approximately S\$2.0 million for the six months ended 31 December 2022, which was driven by an increase in revenue for the reporting period. The Group's gross profit margin for the six months ended 31 December 2023 was approximately 6.7%, which represents a decrease of 1.6 percentage points when compared with approximately 8.3% for the six months ended 31 December 2022. The reduction was mainly due to the decrease in overall profit margin for backlog projects and the high inflation rate in Singapore giving rise to increase in cost of materials, wages and sub-contracting costs.

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 2023, other income amounted to approximately S\$87,000 (six months ended 31 December 2022: approximately S\$0.2 million). The decrease in other income was mainly due to the reduction of government grants for COVID-19 for the six months ended 31 December 2023.

Other Gains and Losses

During the six months ended 31 December 2023, other losses amounted to approximately S\$0.3 million (six months ended 31 December 2022: other losses of approximately S\$0.2 million). The increase in other losses was mainly due to the written off of contract assets amounted to approximately S\$0.4 million arising from the settlement of a dispute with a customer, which was mitigated by the exchange gain of approximately S\$0.1 million arising from the strengthening of US\$ and HK\$ currency against S\$ in respect of the Group's bank balances during the six months ended 31 December 2023.

Administrative Expenses

The administrative expenses of the Group for the six months ended 31 December 2023 amounted to approximately S\$2.1 million which represents an increase of approximately S\$0.8 million as compared with approximately S\$1.3 million for the six months ended 31 December 2022, mainly due to the increase in staff costs for the six months ended 31 December 2023.

Finance Costs

Finance costs for the six months ended 31 December 2023 was approximately S\$1,400, which decreased by approximately 49.7% as compared with that of the six months ended 31 December 2022 of approximately S\$3,000. The decrease represented the reduction of finance charges of leased liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

The Group's income tax expense decreased to approximately S\$0.1 million for the six months ended 31 December 2023 from approximately S\$0.2 million for the six months ended 31 December 2022. Such decrease was mainly due to the decrease in assessable profit.

Loss/Profit for the Period

Loss for the six months ended 31 December 2023 amounted to approximately S\$0.4 million (six months ended 31 December 2022: net profit of approximately S\$0.5 million). The loss for the six months ended 31 December 2023 was mainly due to the written off of contract assets and the increase in staff costs.

Trade Receivables

As at 31 December 2023, the Group had trade receivables of approximately S\$9.2 million, as compared with trade receivables of approximately S\$7.8 million as at 30 June 2023.

An amount of approximately S\$6.7 million (i.e. approximately 72.6%) of the trade receivables as at 31 December 2023 has been settled up to the date of this interim report.

Contract Assets

As at 31 December 2023, the Group had contract assets (excluding retention receivables) of approximately S\$24.0 million, as compared with contract assets (excluding retention receivables) of approximately S\$25.0 million as at 30 June 2023.

An amount of approximately S\$11.0 million (i.e. approximately 45.7%) of contract assets (excluding retention receivables) as at 31 December 2023 has been billed up to the date of this interim report.

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

Interim Dividend

The Board did not recommend a payment of an interim dividend for the six months ended 31 December 2023 (six months ended 31 December 2022: S\$Nil).

Liquidity, Financial Resources and Capital Structure

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

The Group adopts a prudent cash and financial management policy. The Group's cash, mainly denominated in S\$, US\$ and HK\$, are generally deposited with certain reputable financial institutions.

As at 31 December 2023, the Group had total cash and bank balances of approximately S\$7.7 million, as compared with bank balances and cash of approximately S\$10.2 million as at 30 June 2023. The Group did not have any bank borrowings as at 31 December 2023 and 30 June 2023.

Pledge of Assets

As at 31 December 2023, the Group had approximately S\$74,000 (as at 30 June 2023: approximately S\$74,000) of pledged bank deposits as part of the collateral for performance guarantees in favour of the Group's customers.

MANAGEMENT DISCUSSION AND ANALYSIS

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 approximately S\$5.9 million as at 31 December 2023 which expose the Group to foreign currency risk. The Group does not expect the risk could materially affect the Group's results of operations, and therefore no hedging instrument has been employed. The Group manages the risk by closely monitoring the movement of the foreign currency rate and will take appropriate measures to deal with the foreign exchange exposure if necessary.

Gearing Ratio

Gearing ratio is calculated by dividing all borrowings by total equity at the reporting period-end date and expressed as a percentage. The gearing ratio of the Group as at 31 December 2023 was nil (as at 30 June 2023: nil).

Significant Investment, Material Acquisitions and Disposals of Subsidiaries and Associates or Joint Ventures

There were no significant investment held, material acquisitions or disposals of subsidiaries and associates or joint ventures by the Group during the six months ended 31 December 2023.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Company's prospectus dated 20 June 2019 ("Prospectus"), the Group did not have other future plans for material investments or capital assets as at 31 December 2023.

Employees and Remuneration Policy

As at 31 December 2023, the Group had a total of 202 employees (31 December 2022: 200 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 2023 amounted to approximately S\$4.1 million (six months ended 31 December 2022: S\$2.6 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, mandatory 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.

Contingent Liabilities

As at 31 December 2023, the Group had performance bonds of approximately S\$1.9 million (30 June 2023: approximately S\$2.1 million) given by an insurance company in favour of the Group's customers as security for the due performance and observance of our Group's obligations under the contracts entered into between the Group and the customers. The performance guarantees will be released upon completion of the contracts.

Capital Expenditures and Capital Commitments

During the six months ended 31 December 2023, the Group acquired items of property, plant and equipment of approximately S\$13,000 (the year ended 30 June 2023: approximately S\$30,000).

As at 31 December 2023, the Group had no material capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Net Proceeds from the Share Offer

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

As disclosed in the announcements of the Group titled “Changes in Use of Proceeds” and “Further Change in Use of Proceeds” dated 13 May 2020 and 19 September 2022, respectively, the Board resolved to change the use of the then unutilised Net Proceeds and as disclosed in the annual results announcement dated 27 September 2023 and the 2022/2023 Annual Report of the Group, the Group expected that the then unutilised Net Proceeds would be fully utilised by December 2023. Set out below is the status of the utilised and unutilised Net Proceeds as at 31 December 2023:

	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 (the “Re-allocated Net Proceeds”) as disclosed in the Announcement dated 19 September 2022	Utilised Re-allocated Net Proceeds up to 30 June 2023	Utilised Re-allocated Net Proceeds up to 31 December 2023	Unutilised Re-allocated Net Proceeds up to 31 December 2023 (being proceeds brought forward from the Share Offer)	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)	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	1.0	–	N/A
(iii) Expanding the Group’s premises for its various operational needs	1.8	–	–	–	–	–	N/A
(iv) Financing the Group’s upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects (existing projects)	1.7	5.2	5.2	5.2	5.2	–	N/A
(v) Financing the Group’s upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects (new potential projects)	–	3.0	6.5	6.5	6.5	–	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

	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 (the "Re-allocated Net Proceeds") as disclosed in the Announcement dated 19 September 2022	Utilised Re-allocated Net Proceeds up to 30 June 2023	Utilised Re-allocated Net Proceeds up to 31 December 2023	Unutilised Re-allocated Net Proceeds up to 31 December 2023 (being proceeds brought forward from the Share Offer)	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)	S\$ million (approximately)	
(vi) Financing the acquisition of additional machinery and equipment	1.4	0.7	0.7	0.2	0.2	0.5	On or before 30 June 2024
(vii) Purchasing a building information modelling software together with certain ancillary supporting hardware device and upgrading the Group's enterprise resource planning system	0.9	0.5	0.5	0.4	0.5	-	N/A
(viii) Financing the acquisition of additional lorries	0.3	0.3	0.3	0.2	0.2	0.1	On or before 30 June 2024
(ix) Reserved as the Group's general working capital	0.9	2.4	2.4	2.4	2.4	-	N/A
Total	16.6	16.6	16.6	15.9	16.0	0.6	

The Net Proceeds were used and are proposed to be used according to the intentions previously disclosed by the Company. As at 31 December 2023, the Re-allocated Net Proceeds of approximately S\$0.6 million were unutilised mainly because the Group was only gradually resuming its acquisition plans after COVID-19 pandemic was subdued, and as such the acquisition plans of the Group has yet to be fully implemented. The Group expects that such unutilised Re-allocated Net Proceeds will be fully utilised in accordance with the purposes disclosed above on or before 30 June 2024. The Board will continue to closely monitor the situation and evaluate the impact on the timeline to utilise the unutilised Re-allocated Net Proceeds and will keep shareholders and potential investors of the Company informed if there is any material change.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group which have occurred after 31 December 2023 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 2023, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 C3 of the Listing Rules.

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

As at 31 December 2023, the following persons (other than the Directors or chief executives of the Company) 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:

Long positions in the Shares

Name of shareholder	Nature of interest	Number of Shares held	Percentage of issued share capital
Southern Heritage Limited ("Southern Heritage") (Note)	Beneficial owner	550,000,000	55.00%
Mr. Chen Zhi (Note)	Interest in controlled corporation	550,000,000	55.00%

Note: Southern Heritage holds directly the Shares. Southern Heritage is legally and beneficially wholly-owned by Mr. Chen Zhi. Accordingly, by virtue of the SFO, Mr. Chen Zhi is deemed to be interested in the 550,000,000 Shares held by Southern Heritage.

Save as disclosed above, as at 31 December 2023, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as the codes of conduct regarding securities transactions by Directors and 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 during the six months ended 31 December 2023.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 10 June 2019. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 10 June 2019, and there is no outstanding share option as at 31 December 2023.

OTHER INFORMATION

The following is a summary of the terms of the Share Option Scheme:

(a) Purpose

The purpose of the Share Option Scheme is to provide incentives or rewards to scheme participants 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.

(b) Participants

As per existing terms of the Share Option Scheme, participants of the scheme may be any employee, non-executive director, supplier, customer and shareholders of any member of the Group or any invested entity, any person or entity that provides research, development or other technological support, adviser or consultant to the Group or any invested entity, and any other participants who have contributed or may contribute to the development and growth of the Group.

(c) Total number of shares available for issue

- (i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 100,000,000 Shares, representing 10% of the Shares in issue as at the listing date.
- (ii) Notwithstanding the foregoing, the Company must not grant any options if the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company, would exceed 30% of the Shares in issue from time to time.
- (iii) As at the date of this interim report, 100,000,000 Shares were available for issue under the Share Option Scheme, representing approximately 10% of the total issued share capital of the Company as at that date.

(d) Maximum entitlement of each participant

No participant shall be granted option(s) which if exercised in full would result in the total number of Shares already issued and issuable under all the options granted to him in any 12-month period exceeding 1% of the total number of Shares in issue.

Unless approved by Shareholders in a general meeting, the amount of Shares which can be awarded to a substantial Shareholder or an INED or their respective associates in the Share Option 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.

(e) Option period

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by the Board absolutely, provided that such period shall not be more than ten years from the date upon which the option is deemed to be granted and accepted in accordance with the Share Option Scheme.

(f) Vesting period of the options granted

The Board may, at its discretion, determine the minimum period for which the option has to be held before the option can be exercised.

OTHER INFORMATION

(g) Consideration on acceptance of the option

Upon acceptance of an offer for grant of option(s), the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

(h) Basis of determining the exercise price of option granted

The subscription price for the Shares subject to any particular option(s) shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option(s) 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(s), which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant of the option(s); and
- (iii) the nominal value of a Share.

(i) Remaining life of the Share Option Scheme

The Share Option Scheme will be valid and effective for a period commencing on 10 June 2019 and ending on the tenth anniversary of such date, and will expire on 10 June 2029.

100,000,000 options were available for grant under the scheme mandate limit at the beginning and the end of the reporting period.

CORPORATE GOVERNANCE

During the six months ended 31 December 2023, the Company complied with the code provisions as set out in the Corporate Governance Code contained in Part 2 of Appendix C1 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 2023.

AUDIT COMMITTEE

The interim results of the Group for the six months ended 31 December 2023 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 2023 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 of
Khoon Group Limited
Ang Jui Khoon
Chairman and Executive Director

Hong Kong, 28 February 2024