

# ISP Global Limited

(incorporated in the Cayman Islands with limited liability)

**Stock Code: 8487**

**Annual Report 2017/2018**

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## CORPORATE INFORMATION

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

## CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG	:	Suites 1604-6, 16/F ICBC Tower, 3 Garden Road Central, Hong Kong
COMPLIANCE ADVISER	:	Kingsway Capital Limited 7/F, Tower One, Lippo Centre 89 Queensway Hong Kong
HONG KONG LEGAL ADVISER	:	Guantao & Chow Solicitors and Notaries Suites 1604-06, 16/F ICBC Tower, 3 Garden Road Central, Hong Kong
CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	:	Estera Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	:	Boardroom Share Registrars (HK) Limited 2103B, 21/F 148 Electric Road North Point, Hong Kong
AUDITORS	:	Deloitte & Touche LLP Public Accountants and Chartered Accountants 6 Shenton Way OUE Downtown 2, #33-00 Singapore 068809
PRINCIPAL BANK	:	United Overseas Bank Limited
COMPANY'S WEBSITE	:	<a href="http://www.ispg.hk">www.ispg.hk</a>
STOCK CODE	:	8487

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”), I am pleased to present the annual report of ISP Global Limited for the year ended 30 June 2018 (the “**Year**”).

### OVERVIEW

The Company's shares (the “**Shares**”) were successfully listed on GEM of the Stock Exchange (the “**Listing**”) on 16 January 2018 (the “**Listing Date**”). The Group has recorded a significant decrease in profit after tax for the Year, mainly attributable to the listing fee and relevant professional fees (“**Listing Expenses**”). However, with the capital raised from the Listing, the Group has enhanced our financial flexibility and our reputation which will assist the Group with its future business development within sound and communication services solution industry in Singapore.

### PROSPECT

Since 2002, the Group has been bringing sound and communication service solutions to the forefront of the Singapore society. The Group currently provides or maintains sound and communications systems and related services to the educational and healthcare industries in Singapore.

It had been a challenging year for the construction sector in Singapore, which had declined by 8.8% in terms of GDP at current market prices in the Year when compared to the same corresponding period of the previous year. Although the Group had managed to establish a 5.2% revenue growth, the Board will continue to strive to bring value to our stakeholders. Detailed analysis with respect to the performance of the Group for the Year is covered in the section headed “Management Discussion and Analysis” of this report.

A major challenge facing for most urban societies, such as Singapore's, is how to meet the needs of an aging population. This requires the right mix of action and realism, and long term-planning by government and industry alike. In its “Healthcare 2020” plan which aims to enhance the accessibility, affordability, and quality of healthcare in Singapore, the Ministry of Health in Singapore had increased capacity and supply in Hospital and Specialist Care, and Intermediate and Long-Term Care amongst other initiatives.

Being a sound and communications systems solution provider in Singapore, the Group is well-placed to respond to these changing needs with effective communication through its stakeholder channels. Moving forward, we will strengthen our team by employing engineer(s) to remain innovative in our integrated systems solutions.

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

## CHAIRMAN'S STATEMENT

### APPRECIATION

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

**Mong Kean Yeow**

*Chairman*

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Mong Kean Yeow (蒙景耀)**, aged 50, is the chairman, an executive Director and one of our controlling shareholders of the Company. He was appointed as a Director on 21 July 2017 and was redesignated as an executive Director and appointed as the chairman of the Board (the “**Chairman**”) on 14 December 2017. Mr. Mong is the co-founder of ISPL Pte. Ltd. (“**ISPL**”) and has been a director of that company since 22 July 2002. He is also the chairman of the Nomination Committee of the Company. Mr. Mong is responsible for the overall strategic planning and the daily operation of our Group including managing key customer relationship. Mr. Mong has approximately 18 years of experience in sound and communication industry. Mr. Mong was responsible for new business development and managed the project planning and implementation process. Mr. Mong obtained a diploma in electronics and communication from Singapore Polytechnic and a management diploma in sales and marketing from Temasek Polytechnic in May 1989 and August 1993 respectively.

**Ms. Choon Shew Lang (莊秀蘭)**, aged 49, is our executive Director, chief executive officer and compliance officer of our Company. Ms. Choon was appointed as a Director on 21 July 2017 and was redesignated as an executive Director on 14 December 2017. Ms. Choon is the co-founder of ISPL and has been a director of that company since 22 July 2002. She is also a member of the Remuneration Committee of our Company. Ms. Choon is responsible for overseeing the sales and contract department and administrative and account department of our Group. Ms. Choon obtained a diploma in electronics and communication engineering from Singapore Polytechnic and was awarded the management diploma in sales and marketing from Temasek Polytechnic in May 1989 and August 1993 respectively.

**Mr. He Pengfei (何鵬飛)**, aged 29, was appointed as an executive Director on 7 September 2018. Mr. He graduated from Ankang University in China with a diploma in marketing. He has served as an overseas business development consultant of the Company since May 2018. He was a director and vice president of V.X. Future Capital Limited between August 2015 and March 2018. He has been a director of Crosswins Group Holdings Limited and CrissCross International Holdings (HK) Limited, wholly owned subsidiaries of the Company established with a view to expand the Group’s sound and communication systems sales business, since 26 June 2018 and 10 July 2018 respectively.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lim Loo Kit (林魯傑)**, aged 48, was appointed as our independent non-executive Director on 14 December 2017. He is a member of the Audit Committee and the Nomination Committee. He is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Lim has over 20 years of experience in engineering. Mr. Lim has been serving as a senior project manager at China Construction (South Pacific) Development Co. Pte Ltd since July 2012. From November 2009 to July 2012, Mr. Lim served as a project manager at Qingjian Group Co., Pte Ltd Singapore branch. From December 2007 to October 2009, Mr. Lim was a project manager at Lian Beng Construction (1988) Pte Ltd. From June 2007 to December 2007, Mr. Lim was a site project manager at Jansen SC International Pte Ltd. From September 2006 to June 2007, Mr. Lim was an assistant project manager at Wee Hur Construction Pte Ltd. From April 1997 to March 2005, Mr. Lim was a project engineer at Chip Hup Hup Kee Construction Pte Ltd.

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

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

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lim Meng Yi (林明毓)**, aged 47, was appointed as our independent non-executive Director on 14 December 2017. He is the chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee. He is primarily responsible for supervising and providing independent judgement to our Board. Mr. Lim has over 18 years of experience in architecture. From February 1999 to April 2005, Mr. Lim worked for Archispace Designs. From May 2005 to October 2006, Mr. Lim worked as a project director in Kyoob Architects Pte Ltd. Mr. Lim then founded MYA Designs, a sole proprietorship established in Singapore in September 2005 and has since been its principal architect. From February 2008 to December 2008, Mr. Lim was a project architect in Kann Finch Group, working on a project in the United Arab Emirates. Since May 2012, Mr. Lim joined Context Architects Pte Ltd as one of the principal architects. During his terms of service in such company, Mr. Lim has established his professional practices through building a strong business network and ensuring dedicated consultancy services with design excellence.

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

**Mr. Tang Chi Wai (鄧智偉)**, aged 45, was appointed as our independent non-executive Director on 14 December 2017. He is the chairman of the Audit Committee and a member of the Remuneration Committee. He is primarily responsible for supervising and providing independent judgement to our Board.

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

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

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Mr. Goh Boon Pan (吳文平)**, aged 47, is the senior manager of our Company. Mr. Goh joined our group in July 2015 and has been responsible for the management, design and implementation of our projects. Mr. Goh also oversees and manages the engineer and technician team of our Group. Mr. Goh has accumulated approximately 16 years' experience in project management. Prior to joining our Group, he worked in ISPL Service Centre from August 2002 to June 2015 as senior project manager and in Intellink Systems Pte Ltd (now known as Intellilink Systems Pte. Ltd.) from September 2000 to July 2002 as a project engineer.

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

**Mr. Heng Yew Chong Benedict (王僂仲)**, aged 27, is the financial controller of our Company. Mr. Heng joined our Group in June 2017 and has been responsible for the accounting and finance matters of our Group. Mr. Heng is experienced in the fields of auditing, accounting and financial management. Prior to joining our Group, Mr. Heng worked for Ernst & Young LLP from August 2014 to June 2017, his last position held was an audit senior.

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

### COMPANY SECRETARY

**Ms. Tang Lo Nar (鄧露娜)**, aged 45, is the company secretary of our Company. She is also the company secretary of Shuanghua Holdings Limited (stock code: 1241 a Hong Kong Main Board listed company). She is a Fellow of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Tang obtained a master's degree in Applied Finance from University of Western Sydney of Australia in 2004 and a bachelor's degree in Accountancy from The Hong Kong Polytechnic University in 1995. Ms. Tang has over 20 years of experience in accounting, tax, audit, company secretarial and finance. Since 2005, Ms. Tang began her own business by establishing a private company in Hong Kong to provide accounting, management consultancy, tax and company secretarial services.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

We are a sound and communication services solution provider in Singapore. We have more than 15 years of experience in the provision of sound and communication systems services solution for various building systems in Singapore. We primarily provide (i) sale of sound and communication systems and related services; (ii) integrated services of sound and communication systems, with a focus on customisation and installation of sound and communication systems in buildings; and (iii) Alert Alarm System (“AAS”) services for our customers in Singapore.

For the Year, the Group recorded revenue of approximately S\$9.1 million as well as the total comprehensive loss of approximately S\$1.6 million. Comparing with the year ended 30 June 2017, the Group recorded revenue of approximately S\$8.6 million and total comprehensive income of approximately S\$1.4 million. The following table sets forth the breakdown of our revenue by segment for the years indicated:

	For year ended 30 June	
	2018 S\$	2017 S\$
<i>Revenue from:</i>		
Sale of sound and communication systems and related services	<b>7,200,016</b>	7,133,284
Integrated services of sound and communication systems	<b>1,006,300</b>	623,199
AAS services	<b>875,544</b>	875,544
	<b>9,081,860</b>	8,632,027

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

Our revenue generated from the sale of sound and communication systems and related services was approximately S\$7.1 million and S\$7.2 million for the years ended 30 June 2017 and 2018, respectively, which represent approximately 82.6% and 79.3% of our total revenue for the same period. The revenue increase was in line with an increase in contracts completed during the year, from 152 to 158 for the years ended 30 June 2017 and 2018 respectively.

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

Our revenue generated from the provision of integrated services of sound and communication systems was approximately S\$0.6 million and S\$1.0 million for the years ended 30 June 2017 and 2018, respectively, which represent 7.2% and 11.1% of our total revenue for the same period. The revenue increase was due to an increase in contracts completed during the year, from 0 to 6 during the years ended 30 June 2017 and 2018 respectively.

### ***AAS services***

Our revenue generated from the provision of AAS services was approximately S\$0.9 million and S\$0.9 million for the years ended 30 June 2017 and 2018 respectively, which represent approximately 10.1% and 9.6% of our total revenue for the same period. We expect there will be stable revenue generated from the two long term AAS services contracts with their contract terms of June 2013 to April 2021, and, January 2015 to April 2021, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### **Revenue**

Our revenue increased to approximately S\$9.1 million for the Year by approximately S\$0.5 million or 5.2%, from approximately S\$8.6 million for the year ended 30 June 2017. This was principally due to an increase in projects completed during the Year from our integrated services of sound and communication systems.

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

Our costs of sales/services increased to approximately S\$5.8 million for the Year by approximately S\$0.3 million or 7.1%, from approximately S\$5.5 million for the year ended 30 June 2017. The increase in costs was in line with our revenue growth and due to increases in utilisation of services provided by subcontractors during the Year.

### **Gross profit**

Our gross profit remained relatively stable at approximately S\$3.2 million for both the Year and year ended 30 June 2017.

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

Our other income, gains and losses increased to approximately S\$170.4 thousand for the Year, by approximately S\$193.4 thousand, from losses of approximately S\$23.0 thousand for the year ended 30 June 2017. This increase was mainly due to the foreign exchange gains of monetary assets held in currencies other than S\$, such as US\$ and HK\$, which had appreciated against the S\$. We also recorded an increase in interest income from fixed deposits which further contributed to the increase in other income.

### **Administrative expenses**

Our administrative expenses increased to approximately S\$1.9 million for the Year, by approximately S\$0.7 million or 52.0%, from approximately S\$1.2 million for the year 30 June 2017. The increase was mainly due to the increased compliance and listing fees, and the increased payroll costs, which were in turn, in line with the increased headcount and annual salary increments.

### **Listing expenses**

Our Listing Expenses increased to approximately S\$2.7 million for the Year, by approximately S\$2.5 million or 11.7 times, from approximately S\$0.2 million for the year ended 30 June 2017. The increase was principally due to incurring of remaining costs related to the Listing which occurred during the Year.

### **Finance costs**

Our finance costs increased to approximately S\$77.7 thousand for the Year, by approximately S\$17.6 thousand or 29.2%, from approximately S\$60.1 thousand for the year ended 30 June 2017. The increase was mainly due to an increase in mortgage interest rates during the Year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Income tax expense***

Our income tax expense increased to approximately S\$0.4 million for the Year, by approximately S\$0.1 million or 44.9%, from approximately S\$0.3 million for the year ended 30 June 2017. The increase was substantially due to the increase in income tax expenses in Singapore subsidiary ISPL, which was in line with the increase in ISPL's profits before taxation.

### ***Loss representing total comprehensive loss for the year***

The Group recorded a loss representing total comprehensive loss for the year of approximately S\$1.6 million for the Year. Compared to the profit representing total comprehensive income with approximately S\$1.4 million for the year ended 30 June 2017, the decrease is principally caused by the increase in Listing Expenses of approximately S\$2.5 million.

## DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2017: S\$0.6 million).

## LIQUIDITY AND FINANCIAL RESOURCES

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

### ***Cash and bank balances***

As at 30 June 2018, our Group's cash and bank balances are denominated in the following currencies:

	For year ended 30 June	
	2018	2017
	S\$	S\$
<i>Denominated in:</i>		
HKD	5,397,710	–
SGD	3,396,244	3,860,632
USD	2,592,493	47,639
EUR	7,616	7,962
	<b>11,394,063</b>	3,916,233

### ***Net current assets***

As at 30 June 2018, the Group had net current assets of S\$12.1 million (2017: S\$3.4 million).

### ***Total equity***

The equity of the Group mainly comprises share capital, share premium and reserves. The Group's total equity attributable to owners of the Company amounted to S\$14.7 million (2017: S\$6.4 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Borrowings***

Our borrowings decreased by approximately S\$0.1 million or 3.9% from approximately S\$3.5 million as at 30 June 2017 to approximately S\$3.4 million as at 30 June 2018. The decrease was primarily due to the partial repayment of loan during the year.

### **CAPITAL STRUCTURE**

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

### **TREASURY POLICY**

The Group has adopted a conservative approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

### **CAPITAL EXPENDITURES AND COMMITMENTS**

During the Year, the Group acquired items of property, plant and equipment of approximately S\$78.9 thousand (2017: approximately S\$4.9 thousand).

As at 30 June 2018, the Group did not have any capital commitments (2017: nil).

### **OPERATING LEASE COMMITMENTS**

Our operating lease commitments represent the minimum lease payments which would be payable under operating lease in respect of staff dormitories and office equipment, amounting to approximately S\$55.6 thousand (2017: approximately S\$39.6 thousand).

### **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group did not have any contingent liabilities (2017: nil).

### **OFF BALANCE SHEET ARRANGEMENTS**

As at 30 June 2018, the Group did not have any off-balance sheet arrangements (2017: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### PLEGGED ASSETS

Our pledged bank deposits represent deposits placed to a bank for corresponding amounts of performance guarantee arranged by our Group in favour of a customer with an original maturity term of 36 months. The balances carry interest of 0.65% per annum as at 30 June 2017 and 2018. We had pledged bank deposits of S\$0.2 million as at 30 June 2017 and 2018.

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, including our Directors, the Group had a total of 59 employees (2017: 52).

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

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

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

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

The Group did not have any significant investments as at 30 June 2018 (2017: nil). The Group did not have any material acquisition and disposal of subsidiary or affiliated company during the Year (2017: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

### *Capital management*

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

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

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

### *Financial risk management*

Our Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, and borrowings. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. For further details, please refer to Note 32 to the consolidated financial statements included in this annual report.

## KEY FINANCIAL RATIOS

	For year ended 30 June	
	2018 Times	2017 Times
<i>Liquidity ratios</i>		
Current ratio	<b>9.3</b>	2.5
Quick ratio	<b>9.3</b>	2.5
	<b>%</b>	<b>%</b>
<i>Capital adequacy ratios</i>		
Gearing ratio	<b>22.8%</b>	54.7%

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Quick and Current ratios

The significant increase in both quick and current ratios is due to the receipt of listing proceeds during the Year.

### Gearing ratio

The significant decrease of gearing ratio is due to the issuance of capital to public offer and private placement shareholders during the Year.

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

Up to 30 June 2018, we utilised the net proceeds raised from the IPO in accordance with the designated uses set out in the prospectus issued by the Company on 29 December 2017 (the "Prospectus") as follows:

Description	Amount	Planned use of	Actual use of	% utilised
	designated in the Prospectus HK\$M	proceeds from Listing Date to 30/06/18 HK\$M	proceeds from Listing Date to 30/06/18 HK\$M	
Strengthen our marketing efforts in the sound and communication industry in Singapore	1.4	0.7	0.1	7.1%
Expand and train our sales and marketing, technical and support workforce	11.6	1.1	0.1	0.9%
Purchase transportation vehicles	3.0	0.5	0.5	16.7%
Setting up of a new sales office in Singapore	10.0	–	–	0.0%
Partial repayment of bank loan	10.0	10.0	–	0.0%
Resources for the provision of performance bonds	2.0	1.0	–	0.0%
Take steps to obtain higher grade level under our current mechanical and electrical workhead	2.5	2.5	–	0.0%
General working capital and general corporate purposes	3.5	3.5	3.5	100.0%
Grand total	44.0	19.3	4.2	9.5%

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the designated and actual implementation plan up to 30 June 2018:

Purpose	Implementation Plan	Actual implementation activities
Strengthen our marketing efforts in the sound and communication industry in Singapore	<ul style="list-style-type: none"> <li>Implement corporate branding and identity for our sound and communication services solution operations in Singapore which includes printing of marketing materials and advertisement</li> <li>Maintain and improve our corporate websites, which includes appointing an external consultant for customised website development</li> <li>Participate in industry trade show(s)</li> </ul>	<ul style="list-style-type: none"> <li>Maintained and improved our corporate websites, which included appointing an external consultant for customised website development</li> </ul>
Expand and train our sales and marketing, technical and support workforce	<ul style="list-style-type: none"> <li>New headcount of approximately one project manager, two engineers and 10 technicians to be recruited by February 2018, and the associated staff accommodation costs</li> <li>To provide internal and external trainings and workshops to our sales and technical staff</li> </ul>	<ul style="list-style-type: none"> <li>New headcount of approximately 8 technicians were recruited by June 2018</li> <li>Provided internal and external trainings and workshops to our technical staff</li> </ul>
Purchase transportation vehicles	<ul style="list-style-type: none"> <li>Purchase of one van for maintenance operations and, transportation of relevant equipment and/or labour</li> </ul>	<ul style="list-style-type: none"> <li>Purchased of one van for maintenance operations and, transportation of relevant equipment and/or labour</li> </ul>
Partial repayment of bank loan	<ul style="list-style-type: none"> <li>Partial repayment for the bank loan in relation to the mortgage loan secured for the purchase of our head office in Singapore</li> </ul>	<ul style="list-style-type: none"> <li>Considered and contacted the bank for re-mortgage contract.</li> <li>Repayment was postponed to July 2018</li> </ul>

## MANAGEMENT DISCUSSION AND ANALYSIS

Purpose	Implementation Plan	Actual implementation activities
Resources for the provision of performance bonds	<ul style="list-style-type: none"> <li>To explore, evaluate and tender for potential integrated services of sound and communication systems projects in Singapore, particularly larger scale projects which may be required for the provision of performance bonds</li> </ul>	<ul style="list-style-type: none"> <li>Postponed due to performance bond not required in recent awarded tenders to the Group</li> <li>In the process of exploring large scale potential projects which requires the provision of performance bonds</li> </ul>
Take steps to obtain higher grade level under our current mechanical and electrical workhead	<ul style="list-style-type: none"> <li>Satisfy the minimum financial requirements for “L6” grade under our current mechanical and electrical workhead</li> </ul>	<ul style="list-style-type: none"> <li>Considered and monitored the Group’s project portfolio and postponed to April 2019 in conjunction with expiry of ME04 L5 workhead</li> </ul>

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

### EVENTS AFTER REPORTING PERIOD

On 26 July 2018, Express Ventures successfully completed the placing of 26,300,000 shares by the placing agent to certain investors (the “Placees”) at HK\$1.90 per Placing Share. To the best knowledge of the Board, and having made all reasonable enquiries and as confirmed by the placing agent, the Placees (and, where applicable, each of their respective ultimate beneficial owners) are not connected persons (as defined in the GEM Listing Rules) and are third parties independent of and not acting in concert (as defined in the Codes on Takeovers and Mergers and Share Buy-backs) with Express Ventures and the Company or any of its connected persons. As at the date of this report, Express Ventures holds 573,700,000 Shares, representing approximately 71.71% of the issued share capital of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

On 7 September 2018, the Company appointed Mr. He Pengfei (“**Mr. He**”) as executive director. Mr. He has entered into a service agreement with the Company. The principal particulars of the service agreement are: (a) for a term of three years commencing from 7 September 2018, which may be terminated by not less than three months’ notice served by either party on the other; and (b) subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the amended and restated memorandum and articles of association of the Company (the “**Articles of Association**”). In accordance with the Articles of Association, Mr. He will hold office until the next annual general meeting of the Company. Under the service agreement, Mr. He is entitled to a remuneration of HK\$180,000 per annum, which was determined with reference to his duties and responsibilities with the Group.

On 7 September 2018, Mr. Lee Ka Hok George has tendered his resignation as (i) the company secretary of the Company (the “**Company Secretary**”); (ii) an authorized representative of the Company under the GEM Listing Rules and (iii) an authorized representative of the Company under the Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (collectively, the “**Authorised Representative**”). Ms. Tang Lo Nar was appointed as the Company Secretary and the Authorised Representative with effect from 7 September 2018.

Save as disclosed above, the Group had no significant events from the end of the reporting period to the date of this report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

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

## REPORTING SCOPE AND STANDARDS

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

Unless otherwise stated, the report (“**ESG report**”) mainly covers the core business activities of the Group including sales and integrated services of sound and communication systems and alert alarm systems services in Singapore over the period from 1 July 2017 to 30 June 2018 (the “**Year**”). The ESG report represents the Group’s sustainability approach and performance in the environmental aspects based on its Singapore office during the Year.

## STAKEHOLDER ENGAGEMENT

Maintaining open and honest relationships with stakeholders is one of the many aspects in sustainable development at the Group. Continuous communication with our stakeholders enables us to make informed decisions and to accurately assess the potential impacts of our business decisions. The table below presents our major stakeholders, as well as our efforts in communication and response.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Groups	Specific Stakeholders	Methods of Communication
Investors	<ul style="list-style-type: none"> <li>Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Corporate website</li> <li>Annual and Interim financial report</li> <li>Annual general meeting</li> <li>Disclosure of listing information</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Senior Management</li> <li>Staff</li> <li>Potential recruits</li> </ul>	<ul style="list-style-type: none"> <li>Training, seminars</li> <li>Face-to-face meetings</li> <li>Independent focus groups and interviews</li> <li>CSR and volunteering activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Main-contractors</li> <li>Singapore Government agencies</li> <li>Private organisations</li> <li>Ultimate users</li> </ul>	<ul style="list-style-type: none"> <li>Customer assessment</li> <li>Monthly progress meeting</li> <li>Designated customer hotline</li> </ul>
Suppliers/Contractors	<ul style="list-style-type: none"> <li>Materials suppliers</li> <li>Transportation providers</li> <li>Sub-contractors</li> </ul>	<ul style="list-style-type: none"> <li>Supplier assessment</li> <li>Daily work review</li> <li>Site inspection</li> <li>Monthly progress meeting</li> </ul>
Government	<ul style="list-style-type: none"> <li>National and local governments</li> <li>Regulators</li> </ul>	<ul style="list-style-type: none"> <li>Written correspondence</li> </ul>
Community	<ul style="list-style-type: none"> <li>National and local community organisations</li> </ul>	<ul style="list-style-type: none"> <li>Industrial dinner</li> <li>Seminar</li> <li>CSR activities</li> </ul>

As part of our response to the issues that are critical to the Group and significant to our stakeholders, we have engaged our management and employees in identifying the Group's material ESG issues. Through this holistic feedback approach, we have been able to identify the areas for improvement in our CSR work, environmental and social performance, and disclosure of relevant information in this ESG report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## PROTECTING THE ENVIRONMENT

With constantly growing concerns from the general public on the impacts of global warming and environmental pollutions, the Group acknowledges its responsibility to protect the environment. As such, we have integrated environmental considerations into our business operations, including but not limited to improving our environmental practices through minimising pollution, utilising energy efficiently and reducing waste in our daily operations.

### ***Emission Control***

In Singapore, the Environmental Protection and Management Act (Cap. 94A) is an act to consolidate the laws relating to environmental pollution control and for the protection and conservation of the environment and resources or any other related purposes connected therewith. We are fully committed to complying with the Environmental Protection and Management Act and its subsidiary legislation.

The Group has been principally engaged in sales and integrated sound and communication systems and alert alarm systems services, which does not generate significant amount of greenhouse gas emissions, hazardous and non-hazardous wastes or discharges into water and land.

Emissions generated by the Group mainly arise from electricity consumption at offices and from diesel fuel consumed by Group-owned vehicles. Our mitigation strategies, therefore, focus significantly on these sources.

To minimise carbon emissions that from our vehicles, we have opted to use a more efficient fuel, Synergy Diesel, for all our vehicles. Synergy Diesel is specially designed to assist in the cleaning up of fuel injectors and smooth running of engines. Based on a third-party independent vehicle engine testing, the Synergy Diesel has been tested over 4,000 kilometres and it was observed to improve fuel economy by an average of 1.8%. In addition to our efforts of using fuel efficient petrol, we have also practised drop shipments for most of our project sites, whereby the goods purchased from vendors will be directly sent to customers' worksite. This practice minimises carbon emissions by reducing carbon emissions and vehicular mileage through the elimination of delivery routes from our vendors to our company's premises, and that from our company's premises to our customers' projects sites.

In view of our role as an environmentally responsible corporate entity, the Group has established best practices guidelines concerning air pollution, water pollution and general waste. Some of those eco-friendly actions include, but are not limited to, double-sided printing, paper-less meetings and the switching off of lighting and appliances in offices after working hours, help to enhance staff's environmental awareness for reducing energy consumption and carbon emissions. To further improve fuel efficiency and reduce greenhouse gases ("GHG") emissions, regular maintenance of our vehicles and equipment are conducted.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Air emissions during the Year:*

Aspects	Unit	2017/18
<b>Emissions data from vehicles</b>		
Nitrogen Oxide (NO <sub>x</sub> )	kg	67.82
Sulphur Oxide (SO <sub>x</sub> )	g	60.45
Particulate Matter (PM)	kg	6.50

### *GHG emissions during the Year:*

Aspects	Unit	2017/18	
<b>Direct GHG emissions (Scope 1)</b>			
From mobile combustion sources	CO <sub>2</sub>	tonne	9.81
	CH <sub>4</sub>	kg	5.68
	N <sub>2</sub> O	kg	588.93
<b>Indirect GHG Emissions (Scope 2)</b>			
Electricity supplied	tonne	30.98	
<b>Other Indirect GHG Emissions (Scope 3)</b>			
Paper waste disposed at landfills	tonne	3.24	
Electricity used for fresh water and sewage processing	kg	224.70	
Business air travel by employees	tonne	7.17	

### **Waste Management**

Due to the nature of our business operations, the Group seldom produces hazardous waste. Therefore, this relevant key performance indicator was not applicable to the Group.

Since the Group is principally engaged in the provision of sound and communication system services solution, the non-hazardous waste we produced at site is minimal, and is substantially made up of packaging materials used by our suppliers. The eventual disposal of such packaging materials, after the unpacking of goods purchased, is usually handled by our customers. The other source of non-hazardous waste is the general waste generated from our head office, which is collected by the government-linked waste removal company on a daily basis and billed to us in the monthly utility bill at a flat rate. Thus, the Group is unable to retrieve the total weight of the general waste disposed during the year and the relevant key performance indicator is not available. Apart from site waste, we also focus on reducing waste in the office environment. As paper is our major source of office waste, we promote the use of electronic communications, and also encourage employees to reuse and recycle waste paper to reduce the need for paper.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### **Green Office Measures**

The Group's policies on the efficient use of resources primarily reflect on the 3R concept of "reduce, reuse and recycle". Green reminders are communicated to our employees to cultivate their awareness of environmental protection in daily operations.

The Group has initiated a series of measures to enhance energy performance. In offices, we encourage the usage of electronic devices throughout our daily operations and take active measures to upgrade our electronic document management system; we set the air-conditioning temperatures at an environment-friendly level during throughout the year; all employees are told to switch off all lighting and air-conditioning if not in use; motion-sensor lighting is installed in our head office to avoid energy wastage.

In our operations, our water consumption is mainly produced in our office and is minimal. During the year, the Group encountered no issue in sourcing water that was fit for our purpose.

As we do not generate significant packaging material waste in our operations, the relevant key performance indicator is not applicable to our Group.

### **Resources consumption during the Year:**

<b>Aspects</b>	<b>Unit</b>	<b>2017/18</b>
Water consumption	m <sup>3</sup>	224.70
Per employee	m <sup>3</sup>	3.81
Electricity consumption	kWh	39,214
Per employee	kWh	664.64

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## EMPLOYMENT AND LABOUR PRACTICES

### *Employment Standards and Well-being*

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

A Staff Handbook is in place to ensure that all employees are aware of the goals, policies and procedures of the Group as well as their responsibilities and which would be frequently updated when necessary. Through establishing a comprehensive employment management system, the Group abides strictly to the Employment Ordinance (Cap. 57) of Hong Kong and the Employment Act (Cap. 91) of Singapore, which is Singapore's key legislation governing basic terms and conditions of employment and the rights and obligations of both employers and employees. The Human Resource department is responsible for maintaining employment contracts and relevant documentation of our employees. Prior to confirmation of appointment, we perform verifications of identification to ensure that the candidates are lawfully employable.

As an employer of foreign workers, we are required to comply with the rule and regulations as stipulated by the Ministry of Manpower of Singapore ("**MOM**"), such as the Employment of Foreign Manpower Act (Cap. 91A) and the Employment of Foreign Manpower (Work Passes) Regulations 2012. We recognise the importance of a fair and harmonious working environment and adhere to the principle of equal opportunities. In our operations, the Group adheres to fair employment practices by following the guiding principles stated in the Tripartite Guidelines on Fair Employment Practices which formulated by the Tripartite Alliance for Fair and Progressive Employment Practices.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 30 June 2018, the Group had 59 full-time employees, including back office and site staff. 58 of our staff members are located in Singapore and the rest being located in Hong Kong. Although the ratio of male to female staff members is approximately 83% to 17% respectively, this is observed to be an industry norm and does not conflict with our anti-gender discrimination employment policy.

	<b>Number of employees 2017/2018</b>
<b>Gender</b>	
Male	49
Female	10
<b>Employment Category</b>	
Entry	20
Middle	26
Senior	13
<b>Age Group</b>	
Under 20 years old	1
21 to 30 years old	19
31 to 40 years old	20
41 to 50 years old	17
51 to 60 years old	2

To foster a vigorous collaborative culture, the Group recruits talent from different cultures and backgrounds and provides vast opportunities for career development to our employees. We strive to match employees' personal career plans with our business development goals through a talent training system, effective incentive mechanism and fair competition platform, so that mutual benefits for employees and the Group can be achieved. During the Year, the Group has an employee turnover rate of 11%.

Through management meetings and performance assessment, the Group maintains regular communication with our employees. In daily operations, employees at all levels are encouraged to share their perceptive of the Group and business direction with their supervisors and the management. Simultaneously, employees are also encouraged to discuss their targets in job advancement and career development with their supervisor and the management.

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Employee Turnover

Aspects	No. of People	Turnover Rate
<b>By Gender</b>		
Male	4	9%
Female	2	20%
<b>By Age Group</b>		
20 years old or under	0	0%
21 – 30 years old	3	37%
31 – 40 years old	1	30%
41 – 50 years old	2	17%
51 – 60 years old	0	0%
61 years old or over	0	0%
<b>By Geographical Region</b>		
Singapore	6	11%
Hong Kong	0	0%

### Employee Health and Safety

To safeguard the health and safety of our employees in Singapore, we are fully committed to the compliance of the Work Injury Compensation Act (Cap. 354) and the Workplace Safety and Health Act (Cap. 354A). Whereas for our employee in Hong Kong, we are committed to the compliance of the Occupational Safety and Health Ordinance (Cap. 509) and the Employees' Compensation Ordinance (Cap. 282) of the laws of Hong Kong.

Due to the nature of the Group's business operations, our employees can be involved in high-risk work procedures. Hence, we emphasise and encourage our employees to be vigilant and responsible for their safety and health whilst performing their work obligations. With constant reminders and top-down emphasis, we endeavour to provide our employees with a safe and healthy working environment. In compliance with national standards and requirements, we ensure that all our foreign workers have undertaken safety training courses and passed the Construction Safety Orientation Course prior to commencement of work. In addition, all employees are required to report all accidents to ensure proper medical treatment and safety precautions to prevent future recurrence.

BizSAFE is a program that initiated by the Workplace Safety and Health Council Singapore. To create a safer and healthier workplace for our employees, we have in place a comprehensive workplace safety health system, which is certified to a BizSAFE Level 3 standards by the Workplace Safety and Health Council Singapore. According to the requirements of BizSAFE Level 3, we implemented a risk management plan for each of our project, and engaged an MOM-approved auditor to audit the implementation of such risk management plan.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, the Group has not noted any cases of work-related fatalities nor reporting injuries. Hence, no lost days due to work injury were noted during the Year. For the Year, we did not find any health and safety irregularities at its offices and construction sites, and there were no work-related fatalities.

### ***Development and Training***

As the Group attaches great importance to talents, we are committed to providing staff training and development programmes designed to help our employees enhancing their knowledge and skills to meet the challenges of a changing era. During employment service with the Group, our employees receive on-the-job training. To continuously attract new talent, we provide adequate career development opportunities to employees in order to equip them with practical knowledge and skills to tackle situations and challenges encountered in diverse project sites. In addition, staff education sponsorships and examination leaves are provided to eligible employees to support their personal and professional advancements.

#### **Employees trained by gender in 2017/18**

	<b>Rate</b>
Male	51%
Female	60%

#### **Employees trained by employment category in 2017/18**

	<b>Rate</b>
Senior Level	38%
Middle Level	54%
Entry Level	60%

#### **Average training hours completed per employee by gender in 2017/18**

Male	13.16 hours
Female	7.30 hours

#### **Average training hours completed per employee by employment category in 2017/18**

Senior Level	7.38 hours
Middle Level	17.77 hours
Entry Level	8.00 hours

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OPERATION MANAGEMENT

### *Supply Chain Management*

Engaged in sound and communication systems services solution industry, the Group has to rely on our suppliers to ensure product quality and safety, which is of paramount importance for our works to be executed and completed on a timely and reliable basis, and be consistent with the project requirements of our customers. In addition to stringent internal controls and regular assessment, we maintain high standards for all aspects of operations and works with partners to build a sustainable supply chain.

We aim to build lasting and constructive relationships with partners in our supply chain. Procedures for supplier evaluation and management mechanism are formulated to ensure fairness and transparency. We maintain a list of approved suppliers, which our suppliers will be assessed based on their quality and services provided. We generally select the most suitable supplier from the approved supplier list depending on the requirements of the project and specifications from our customers, subject to availability and fee quotations of our suppliers, and also if such suppliers would comply with the environmental standards from the related region's rules and regulations. Any suppliers found to have performed unsatisfactorily may be removed from our approved suppliers list.

When placing purchase orders, we typically make our purchases with our suppliers on a project-by-project basis, based on the services to be performed, and major components of building systems are used upon delivery on-site to avoid surplus. Our major suppliers have the following geographical distribution:

	<b>Number of Suppliers 2017/18</b>
<b>Asia</b>	
Singapore	44
Malaysia	4
Korea	1
Mainland China	1
<b>Europe</b>	1
<b>North America</b>	5

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ***Product Responsibility***

The Group established and implemented a quality management system in our operations, which is in conformity with internationally recognised ISO9001:2015 standards by SGS International Certification Services Singapore Pte Ltd. The system helps us to comply with the relevant laws, regulations, and contract obligations that are applicable to our projects and services. We followed legal and industry standards when selecting products to use for our projects, and emphasised on product quality improvement and accountability. To ensure reliable management services as well as project quality and safety, we always give top priority to quality and safety control, and closely monitor the delivery of our sound and communication systems at all crucial phases of our operations. We monitor and control quality, time and cost to help ensure effective project planning, design and construction from inception to completion. In addition, a one-year defect liability period is sometimes provided to our customers to protect their rights in case there is any defect with our projects or services.

The Group recognises the importance of data privacy and it is necessarily emphasised to our stakeholders. To ensure information security, the Group has established guidelines for handling confidential or special information provided by customers, employees and business associates. All collected customer data are treated as strictly confidential and handled with due care. Review and revision of the financial data and privacy policy are also carried out regularly to ensure its effectiveness and compliance with relevant laws.

For the year ended 30 June 2018, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to health and safety and privacy matters such as the Personal Data Protection Act 2012 of Singapore and Personal Data (Privacy) Ordinance of Hong Kong.

### **ANTI-CORRUPTION**

The Group is committed to maintaining high ethical standards and vigorously enforces the integrity of our business practices in all aspects of our operations. Employees at all levels are constantly reminded to abide by the anti-corruption policy outlined in the Staff Handbook. For instance, all employees are prohibited to solicit or accept any benefits such as commissions, gifts in cash or kind, gifts that are more than nominal value, or any other service, favour or advantage of any description whatsoever, from any organisation, firm or individual with whom they deal with in the course of their employment. For senior management staff, they are required to declare any conflicts of interest in the execution of their roles.

The Group is well aware of the importance of honesty, integrity and fairness in its operations and has in place a whistleblowing policy to enable all staff members to report any concerns or complaints regarding malpractice, impropriety, statutory non-compliance or wrongdoing.

For the Year, the Group did not receive any notice of non-compliance brought against the Group or its employees in relation to bribery, extortion, fraud and money laundering laws and regulations, such as the Prevention of Corruption Act (Cap. 241, Laws of Singapore) and the Monetary Authority of Singapore Act (Cap. 186, Laws of Singapore) as well as the Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CARING FOR THE COMMUNITY

The Group acknowledges our social obligations and the need for re-contributing back to the society. No formal community investment was set up by the Group while the subsidiaries of the Company would donate to various charity organisations on ad hoc basis from time to time. We encourage our staff to participate in charity and social services for undertaking the responsibility of a good corporate citizen contributing to community. We have been actively seeking opportunities to repay society and create a better living environment for local communities.

## PERFORMANCE SUMMARY

### *Environmental Performance*

<b>Air Emissions</b>	<b>Unit</b>	<b>2017/18</b>
Nitrogen Oxide (NOx)	kg	67.82
Sulphur Oxide (SOx)	g	60.45
Particulate Matter (PM)	kg	6.50

<b>Greenhouse Gas Emissions</b>	<b>Unit</b>	<b>2017/18</b>
Direct GHG Emissions (Scope 1)	tonne	10.40
Indirect GHG Emissions (Scope 2)	tonne	30.98
Other Indirect GHG Emissions (Scope 3)	tonne	10.63

<b>Energy Consumption</b>	<b>Unit</b>	<b>2017/18</b>
Water consumption	m <sup>3</sup>	224.70
Per employee	m <sup>3</sup>	3.81
Electricity consumption	kWh	39,214
Per employee	kWh	664.64

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Social Performance – Employment and Labour

	Unit	2017/18
<b>Total Workforce by Gender</b>		
Male	No. of people	49
Female	No. of people	10
<b>Total Workforce by Age Group</b>		
20 years old or under	No. of people	1
21 – 30 years old	No. of people	19
31 – 40 years old	No. of people	20
41 – 50 years old	No. of people	17
51 – 60 years old	No. of people	2
61 years old or over	No. of people	0
<b>Total Workforce by Geographical Region</b>		
Singapore	No. of people	58
Hong Kong	No. of people	1
<b>Total Workforce by Employee Category</b>		
Senior Level	No. of people	13
Middle Level	No. of people	26
Entry Level	No. of people	20

	No. of People	Turnover Rate
<b>Employee Turnover by Gender</b>		
Male	4	9%
Female	2	20%
<b>Employee Turnover by Age Group</b>		
20 years old or under	0	0%
21 – 30 years old	3	17%
31 – 40 years old	1	5%
41 – 50 years old	2	13%
51 – 60 years old	0	0%
61 years old or over	0	0%
<b>Employee Turnover by Geographical Region</b>		
Singapore	6	11%
Hong Kong	0	0%

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description		Reference	Remark
<b>KPI B2.1</b>	Number and rate of work-related fatalities	N/A	During the Year, we do not note any work-related fatalities and hence no lost days due to work injury found
<b>KPI B2.2</b>	Lost days due to work Injury	N/A	During the Year, we do not note any work-related fatalities and hence no lost days due to work injury found
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices – employee health and safety	
<b>Aspect B3: DEVELOPMENT AND TRAINING</b>			
<b>General Disclosure</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices – development and training	
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category	Performance Summary	
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category	Performance Summary	

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark
<b>Aspect B4: LABOUR STANDARDS</b>		
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Practices – supply chain management
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour	N/A
<b>KPI B4.2</b>	Description of step taken to eliminate such practices when discovered	N/A
<b>Aspect B5: SUPPLY CHAIN MANAGEMENT</b>		
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain	Operation Management – product responsibility
<b>KPI B5.1</b>	Number of suppliers by geographical region	Supply Chain Management
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description		Reference	Remark
<b>Aspect B6: PRODUCT RESPONSIBILITY</b>			
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Operation Management – product responsibility	
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons	N/A	There were no recalls concerning the provision
<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with	N/A	There were no validated complaints received during the Year
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights	N/A	Intellectual property rights are not material to our operations
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures	N/A	Recall procedures are not relevant to our operations
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility	
<b>Aspect B7: ANTI-CORRUPTION</b>			
<b>General Disclosure</b>	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Anti-Corruption	
<b>KPI B7.1</b>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Anti-Corruption	There were no non-compliance cases regarding corrupt practices brought against the Group or its employees during the Year

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference	Remark
<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-Corruption
<b>Aspect B8: COMMUNITY INVESTMENT</b>		
<b>General Disclosure</b>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Caring for the Community
<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Caring for the Community
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area	Caring for the Community

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

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

## DIRECTORS’ SECURITIES TRANSACTIONS

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

## BOARD OF DIRECTORS

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

## CHAIRMAN AND CHIEF EXECUTIVE

The Company ensures a clear division between the management of the board and the day-to-day management of business. This promotes a balance of power and authority, preventing concentration in any one individual.

The position of Chairman is held by Mr. Mong Kean Yeow. The Chairman is responsible for the overall strategic planning and business development of the Company.

Ms. Choon Shew Lang is responsible for the overall management of the Company and is responsible under the immediate authority of the Board for the conduct of the business of the Company and is therefore, the chief executive for the purpose of the Listing Rules.

# CORPORATE GOVERNANCE REPORT

## BOARD COMPOSITION

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

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

### **Executive Directors**

Mr. Mong Kean Yeow (Chairman)  
 Ms. Choon Shew Lang (Chief Executive Officer)  
 Mr. He Pengfei (appointed on 7 September 2018)

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

Mr. Lim Loo Kit  
 Mr. Lim Meng Yi  
 Mr. Tang Chi Wai

## ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held during the Relevant Period is set out in the table below:

	Number of meetings held during the Relevant period			
	Attended/Eligible to attend			
	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee
<b>Number of meetings held</b>	3	3	1	1
<b>Executive Directors</b>				
Mr. Mong Kean Yeow (Chairman)	3/3	N/A	1/1	N/A
Ms. Choon Shew Lang (Chief Executive Officer)	3/3	N/A	N/A	1/1
Mr. He Pengfei (appointed on 7 September 2018)	1/1	N/A	N/A	N/A
<b>Independent non-executive Directors</b>				
Mr. Lim Loo Kit	3/3	3/3	2/2	N/A
Mr. Lim Meng Yi	3/3	3/3	2/2	2/2
Mr. Tang Chi Wai	3/3	3/3	N/A	2/2
Average attendance rate	100%	100%	100%	100%

## CORPORATE GOVERNANCE REPORT

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

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

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

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

## APPOINTMENTS, RE-ELECTION AND REMOVAL

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

## ROLE AND RESPONSIBILITIES

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

The principal roles of the Board are:

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

## CORPORATE GOVERNANCE REPORT

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

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

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

### BOARD COMMITTEES

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

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

#### **Audit Committee**

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

During the Relevant Period, the Audit Committee held 3 meetings, at which it has reviewed and discussed the Company's audited consolidated financial results for the Year, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's risk management and internal control systems as well as the Group's internal audit function. The Audit Committee has also recommended to the Board to consider the re-appointment of Deloitte & Touche LLP ("**Deloitte**") as the Company's external independent auditors at the forthcoming AGM.

## CORPORATE GOVERNANCE REPORT

### ***Nomination Committee***

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

During the Relevant Period, the nomination Committee held two meetings, at which it (i) assessed the independence of the INEDs, (ii) recommended to the Board for consideration the re-appointment of all the retiring Directors at the forthcoming AGM, and (iii) considered and approved of the appointment of an executive Director.

### ***Remuneration Committee***

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

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

# CORPORATE GOVERNANCE REPORT

## BOARD DIVERSITY POLICY

During the Relevant Period, the Board has adopted a policy of the Board diversity (the “**Board Diversity Policy**”) which sets out the approach to achieve diversity on the Board.

The Company considers diversity of board members to be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments are based on merit, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

## DIRECTORS’ TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

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

All Directors are also encouraged to attend relevant training courses at the Company’s expense and they are requested to provide the Company with their training records. According to the training records maintained by the Company, all Directors, namely Mr. Mong Kean Yeow, Ms. Choon Shew Lang, Mr. He Pengfei, Mr. Lim Loo Kit, Mr. Lim Meng Yi, and Mr. Tang Chi Wai had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company’s Hong Kong legal advisers during the Relevant Period.

## CORPORATE GOVERNANCE REPORT

### HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

### REMUNERATION OF SENIOR MANAGEMENT

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

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

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

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

## CORPORATE GOVERNANCE REPORT

### INDEPENDENT AUDITOR'S REMUNERATION

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

Description	S\$
Audit services – Annual audit and audit fee relating to the Listing	250,000
Other assurance services – Reporting accountants fee relating to the Listing	170,000
Non-audit services – Tax services fee relating to the Listing	45,000
Grand total	465,000

### COMPANY SECRETARY

Ms. Tang Lo Nar is appointed as the Company Secretary for the Company with effect from 7 September 2018.

### RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

## CORPORATE GOVERNANCE REPORT

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

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

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

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

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

## SHAREHOLDERS' RIGHTS

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

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

## CORPORATE GOVERNANCE REPORT

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company by mail at Suites 1604-6, 16th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong to require an EGM to be called by the Board for the transaction of any business specified in such requisition. Such requisition should specify clearly the name of the eligible shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the eligible shareholder(s) concerned together with a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement by submitted by shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS

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

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

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

## CONSTITUTIONAL DOCUMENTS

Except for the adoption of amended and restated memorandum and articles of association (the "**M&A**") by the Company to comply with the applicable legal and regulatory requirements (including the GEM Listing Rules) on 14 December 2017 in anticipation of the Listing, there were no changes in the constitutional documents of the Company during the Relevant Period. The amended and restated M&A is available on the respective websites of the Stock Exchange and the Company.

## REPORT OF THE DIRECTORS

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

### PRINCIPAL ACTIVITIES

The principal business activity of the Company is that of investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in note 28 to the consolidated financial statements.

### REORGANISATION AND SHARE OFFER

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

### DIRECTORS

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

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

Mr. Mong Kean Yeow (Chairman)  
Ms. Choon Shew Lang (Chief Executive Officer)  
Mr. He Pengfei (appointed on 7 September 2018)

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

Mr. Lim Loo Kit  
Mr. Lim Meng Yi  
Mr. Tang Chi Wai

In accordance with Article 108(a) of the Company's Articles of Association, Mr. Mong Kean Yeow and Mr. Lim Loo Kit will retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

### RESULTS/BUSINESS REVIEW

The results of the Group for the Year are set out in the section headed “Consolidated Statements of Profit or Loss and Other Comprehensive Income” on page 68 of this report. The business review of the Group for the Year and the outlook are set out in the section headed “Chairman's Statement” on page 5 in this report.

## REPORT OF THE DIRECTORS

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the past three financial years, as extracted from the audited consolidated financial statements, is set out on page 119 of this annual report. This summary does not form part of the audited financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 24 to the consolidated financial statements.

### RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the “Consolidated Statement of Changes in Equity” on page 71 and note 30 to the consolidated financial statements.

The Company did not have distributable reserve as at 30 June 2018, calculated under the Companies Law of Cayman Islands, as it has accumulated losses.

### FINAL DIVIDEND

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

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

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

### PRE-EMPTIVE RIGHTS

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

### EQUITY-LINKED AGREEMENTS

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

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME

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

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

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

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

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

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

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

## REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

## REPORT OF THE DIRECTORS

### TAX RELIEF AND EXEMPTION

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

### MAJOR CUSTOMERS AND SUPPLIERS

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

	%
<b>SALES</b>	
– The largest customer	12.8
– Five largest customers	46.8
<b>PURCHASES</b>	
– The largest supplier	26.3
– Five largest suppliers	53.9

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

### RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Year, details of significant transactions with its related parties or transactions undertaken in the normal course of business are set out in the note 27 to the consolidated financial statements. None of those transactions constitutes a disclosable connected transaction pursuant to Chapter 20 of the GEM Listing Rules.

## REPORT OF THE DIRECTORS

### DISCLOSURE OF INTERESTS

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

As at 30 June 2018, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

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

Name of Directors	Capacity/Nature of interest	Number of shares held/ interested	Approximate percentage of shareholding in our Company
Mr. Mong Kean Yeow (“ <b>Mr. Mong</b> ”)	Interest in a controlled corporation	600,000,000 (Note 1)	75%
Ms. Choon Shew Lang (“ <b>Ms. Choon</b> ”)	Interest in a controlled corporation	600,000,000 (Note 1)	75%

Note:

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

## REPORT OF THE DIRECTORS

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

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held in Express Ventures	Percentage of interest in Express Ventures	Number of ordinary shares held by Express Ventures	Approximate percentage of shareholding in our Company
Mr. Mong Kean Yeow	Beneficial owner	510	97.14%	600,000,000 (Note 1)	75%
Ms. Choon Shew Lang	Beneficial owner	15	2.86%	600,000,000 (Note 1)	75%

Note:

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

Save as disclosed above, as at 30 June 2018, none of the Directors had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the CG Code.

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

As at 30 June 2018, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Express Ventures Global Limited ("Express Ventures")	Beneficial owner	600,000,000 (Note 1)	75%

Note:

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

## REPORT OF THE DIRECTORS

### DIRECTORS' SERVICE CONTRACTS

All executive Directors currently in office have entered into service agreements with the Company for a term of three year commencing from the Listing Date, or in the case of Mr. He Pengfei, 7 September 2018, and shall continue unless terminated by either party giving no less than three months' written notice or, in the case of Mr. He Pengfei, one month's written notice served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

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

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

### DIRECTORS' REMUNERATION

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

### EMOLUMENT POLICY

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

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

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

### PERMITTED INDEMNITY PROVISION

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

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

## REPORT OF THE DIRECTORS

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

No Director had a material interest, either directly or indirectly, in any significant transaction, arrangement and contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party for the Relevant Period.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

### MANAGEMENT CONTRACTS

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

### INTEREST IN COMPETING INTERESTS

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

### DEED OF NON-COMPETITION

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

The Company has received a written confirmation from the Controlling Shareholders that they have complied with the terms of the Deed of Non-Competition during the period from the Listing Date up to 30 June 2018. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied for the Year.

## REPORT OF THE DIRECTORS

### INTEREST OF THE COMPLIANCE ADVISER

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

### SUFFICIENCY OF PUBLIC FLOAT

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

### RETIREMENT SCHEME

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

### ENVIRONMENTAL POLICIES AND PERFORMANCE

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

### COMPLIANCE WITH LAWS AND REGULATIONS

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

### CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 41 to 51 of the annual report.

## REPORT OF THE DIRECTORS

### EVENTS AFTER THE REPORTING PERIOD

On 26 July 2018, Express Ventures successfully completed the placing of 26,300,000 shares by the placing agent to certain investors (the “**Placees**”) at HK\$1.90 per Placing Share. To the best knowledge of the Board, and having made all reasonable enquiries and as confirmed by the placing agent, the Placees (and, where applicable, each of their respective ultimate beneficial owners) are not connected persons (As defined in the GEM Listing Rules) and are third parties independent of and not acting in concert (as defined in the Codes on Takeovers and Mergers and Share Buy-backs) with Express Ventures and the Company or any of its connected persons. As at the date of this report, Express Ventures holds 573,700,000 Shares, representing approximately 71.71% of the issued share capital of the Company. Save as disclosed above, the Group does not have any material subsequent events after the reporting period and up to the date of this report.

On 7 September 2018, the Company appointed a new Executive Director, Mr. He Pengfei. He has been a director of Crosswins Group Holdings Limited and CrissCross International Holdings (HK) Limited, wholly owned subsidiaries of the Company established with a view to expand the Group’s sound and communication systems business, since 26 June 2018 and 10 July 2018 respectively. Save as disclosed above, Mr. He has not held any positions within the members of the Group as at the date of this report.

On 7 September 2018, Mr. Lee Ka Hok George has tendered his resignation as the Company Secretary and the Authorised Representative. Ms. Tang Lo Nar is appointed as the new Company Secretary and the Authorised Representative with effect from 7 September 2018.

### INDEPENDENT AUDITOR

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

By Order of the Board

**ISP Global Limited**

**Mong Kean Yeow**

*Chairman and executive Director*

Singapore, 28 September 2018

# INDEPENDENT AUDITOR'S REPORT

## To the Members of ISP GLOBAL LIMITED

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

## OPINION

We have audited the consolidated financial statements of ISP Global Limited (the “**Company**”) and its subsidiaries (herein referred to as the “**Group**”) set out on pages 68 to 118, which comprise the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

### Key audit matters

### How our audit addressed the key audit matters

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

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

The Group recognised revenue from Sale of Sound and Communication Systems and Related Services of S\$7,200,016 for the year ended 30 June 2018, where the period in which such revenue is recorded is an inherent risk due to the ad hoc nature and large volumes of customer work orders.

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

Revenue from provision of Integrated Services of Sound and Communication Systems by the Group for the year ended 30 June 2018 amounted to S\$1,006,300. Such revenue recognition is based on the percentage of completion ("POC") method, where the stage of completion is measured by proportion of surveys of work performed to date with reference to customer certificate relative to the estimated total contract revenue.

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

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

We evaluated the design and implementation of relevant controls put in place by the Group in respect of revenue recognition, and assessed the Group's revenue recognition practices to determine whether they are in compliance with IAS 18 *Revenue* and IAS 11 *Construction Contracts* including stages of completion.

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

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

- (a) Obtained from management a complete list of construction contracts during the financial year;
- (b) Agreed the total contracted sum to contracts entered by the Group;
- (c) Obtained the latest certification by surveyor, assess the competency of surveyor and recompute to check the accuracy of POC;

## INDEPENDENT AUDITOR'S REPORT

### Key audit matters

### How our audit addressed the key audit matters

- (d) Obtained management's budgeted costs and assessed the reasonableness of the assumptions and estimates applied by management including key elements such as materials, subcontractor and labour costs;
- (e) Discussed with management on the latest project activity and inquired if there are any potential disputes, variation order claims, or significant events that impacts the estimated costs; and
- (f) Compared total contract revenue to actual cost incurred plus estimated cost to complete and assessed for foreseeable losses.

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

- (a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## INDEPENDENT AUDITOR'S REPORT

- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Michael Ng Wee Kiat.

### **Deloitte & Touche LLP**

*Public Accountants and Chartered Accountants*

Singapore

28 September 2018

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2018

	Note	2018 S\$	2017 S\$
<b>Revenue</b>	6	<b>9,081,860</b>	8,632,027
Costs of sales/services		<b>(5,843,773)</b>	(5,457,763)
<b>Gross profit</b>		<b>3,238,087</b>	3,174,264
Other income	7	<b>48,463</b>	10,248
Administrative expenses		<b>(1,894,603)</b>	(1,246,788)
Other gains and losses	8	<b>121,907</b>	(33,251)
Listing expenses		<b>(2,665,816)</b>	(209,598)
Finance costs	9	<b>(77,660)</b>	(60,089)
<b>(Loss) Profit before taxation</b>		<b>(1,229,622)</b>	1,634,786
Income tax expense	10	<b>(411,931)</b>	(284,190)
<b>(Loss) Profit and total comprehensive (loss) income for the year</b>	11	<b>(1,641,553)</b>	1,350,596
<b>Basic and diluted (loss) earnings per share (S\$ cents)</b>	14	<b>(0.24)</b>	0.23

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 S\$	2017 S\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	5,818,811	6,331,112
Pledged bank deposits	20	206,947	206,947
		<b>6,025,758</b>	6,538,059
<b>Current assets</b>			
Inventories	16	5,130	19,735
Trade receivables	17	2,115,645	1,708,213
Other receivables, deposits and prepayments	18	163,704	281,473
Amounts due from customers for contract works	19	72,905	416
Bank balances and cash	20	11,187,116	3,709,286
		<b>13,544,500</b>	5,719,123
<b>Current liabilities</b>			
Trade and other payables	21	1,034,158	1,736,950
Borrowings	22	89,137	126,833
Income tax payable		331,207	435,945
		<b>1,454,502</b>	2,299,728
<b>Net current assets</b>		<b>12,089,998</b>	3,419,395
<b>Total assets less current liabilities</b>		<b>18,115,756</b>	9,957,454
<b>Non-current liabilities</b>			
Borrowings	22	3,250,042	3,346,444
Deferred tax liabilities	23	191,471	260,905
		<b>3,441,513</b>	3,607,349
<b>Net assets</b>		<b>14,674,243</b>	6,350,105

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 S\$	2017 S\$
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	24	1,372,630	525,000
Reserves		13,301,613	5,825,105
		<b>14,674,243</b>	6,350,105
<b>Equity attributable to owners of the Company</b>		<b>14,674,243</b>	6,350,105

The consolidated financial statements on pages 68 to 72 were approved and authorised for issue by the Board of Directors on 28 September 2018 and are signed on its behalf by:

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

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

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2018

	Share capital S\$	Share premium (Note a) S\$	Merger reserve (Note b) S\$	Accumulated profits S\$	Total S\$
<b>Balance at 1 July 2016</b>	525,000	–	–	5,074,509	5,599,509
Total comprehensive income for the year:					
Profit for the year	–	–	–	1,350,596	1,350,596
Transaction with owner, recognised directly in equity:					
Dividends (Note 13)	–	–	–	(600,000)	(600,000)
<b>Balance at 30 June 2017</b>	525,000	–	–	5,825,105	6,350,105
Total comprehensive loss for the year:					
Loss for the year	–	–	–	(1,641,553)	(1,641,553)
Transaction with owner, recognised directly in equity:					
Issue of shares pursuant to the reorganisation (Notes 2 and 24b)	17	6,352,500	524,983	–	6,877,500
Elimination of share capital pursuant to the reorganisation (Note 2)	(525,000)	(6,352,500)	–	–	(6,877,500)
Issue of shares under the capitalisation issue (Note 24c)	1,034,483	(1,034,483)	–	–	–
Issue of shares under the Share Offer (Note 24d)	338,130	11,496,390	–	–	11,834,520
Share issue expenses	–	(1,868,829)	–	–	(1,868,829)
<b>Total</b>	<b>847,630</b>	<b>8,593,078</b>	<b>524,983</b>	<b>–</b>	<b>9,965,691</b>
<b>Balance at 30 June 2018</b>	<b>1,372,630</b>	<b>8,593,078</b>	<b>524,983</b>	<b>4,183,552</b>	<b>14,674,243</b>

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 reorganisation (Notes 2 and 24) and the total value of share capital of the entities acquired.

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2018

	2018 S\$	2017 S\$
<b>Operating activities</b>		
(Loss) Profit before taxation	(1,229,622)	1,634,786
Adjustments for:		
Depreciation of property, plant and equipment	575,596	577,852
Loss on disposal of property, plant and equipment	15,285	–
Write-off of trade receivables	19,576	–
Interest income	(41,008)	(39)
Finance costs	77,660	60,089
Operating cash flows before movements in working capital	(582,513)	2,272,688
Movements in working capital:		
(Increase) Decrease in trade receivables	(427,007)	156,638
Decrease (Increase) in other receivables, deposits and prepayments	127,401	(152,257)
(Increase) Decrease in amounts due from customers for contract works	(72,489)	55,365
Decrease (Increase) in inventories	14,605	(19,735)
(Decrease) Increase in trade and other payables	(412,885)	800,268
Cash (used in) generated from operations	(1,352,888)	3,112,967
Interest received	31,375	39
Income tax paid	(586,103)	–
Net cash (used in) from operating activities	(1,907,616)	3,113,006
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(78,880)	(4,982)
Proceeds from sale of property, plant and equipment	300	–
Net cash used in investing activities	(78,580)	(4,982)
<b>Financing activities</b>		
Dividends paid	(300,000)	(300,000)
Repayment of borrowings	(134,098)	(138,478)
Repayment of finance leases	–	(53,456)
Repayment to a director	–	(4,300)
Proceeds from issue of shares	11,834,520	–
Payments of share issue expenses	(1,868,829)	–
Interest paid	(67,567)	(60,089)
Net cash from (used in) financing activities	9,464,026	(556,323)
Net increase in cash and cash equivalents	7,477,830	2,551,701
Cash and cash equivalents at beginning of the year	3,709,286	1,157,585
<b>Cash and cash equivalents at end of the year represented by bank balances and cash</b>	<b>11,187,116</b>	<b>3,709,286</b>

See accompanying notes to consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 1 GENERAL

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

The Company is a subsidiary of Express Ventures Global Limited (“**Express Ventures**”), incorporated in the British Virgin Islands (“**BVI**”), which is also the Company’s ultimate holding company.

Mr. Mong Kean Yeow and his spouse Ms. Choon Shew Lang jointly controls the ultimate holding company and are the controlling shareholders of ISP Global Limited and its subsidiaries (the “**Group**”) (together referred to as the “**Controlling Shareholders**”).

The Company is an investment holding company and the principal activities of its operating subsidiaries are sale of sound and communication systems and related services, provision of integrated services of sound and communication systems, and provision of alert alarm system services in Singapore. The details of the subsidiaries are set out in Note 28.

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

The consolidated financial statements are approved by the Board of Directors of the Company on 28 September 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 2 GROUP REORGANISATION AND BASIS OF PREPARATION

To effect the group reorganisation (“**Group Reorganisation**”) for the purpose of the listing of the Company’s shares on GEM of the Stock Exchange:

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 3 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

#### ***Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative***

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The Group’s liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 29. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 29, the application of these amendments has had no impact on the Group’s consolidated financial statements.

At the date of authorisation of these consolidated financial statements, the following new and revised IFRSs and IFRIC that are relevant to the Group were issued but not effective:

IFRS 9	<i>Financial Instruments</i> <sup>1</sup>
IFRS 15	<i>Revenue from Contracts with Customers (and the related Clarifications)</i> <sup>1</sup>
IFRS 16	<i>Leases</i> <sup>2</sup>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>
Amendments to IFRSs	<i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i> <sup>2</sup>

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

#### *IFRS 9 Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are described below:

- All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at 'fair value through other comprehensive income' (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management has performed an assessment on the potential early recognition of credit losses based on the expected credit loss model in relation to the Group's financial assets measured at amortised costs. Based on the assessment, management of the Group anticipates that the initial adoption of IFRS 9 will not have any significant impact on the Group's results and financial position as there have not been any significant recoverability issues in regards to the Group's financial assets and whose credit risk has not increased significantly since initial recognition.

Other than the above and as disclosed in Note 22, additional disclosures in respect of trade and other receivables including any significant judgements and estimations made, and enhanced disclosures about the Group's risk management activities as required in the adoption of IFRS 9 may not have any significant impact on amounts reported in respect of the Group's financial assets and financial liabilities as at 30 June 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, Amendments to IFRS 15 were issued to add clarifications to (i) identifying performance obligations, (ii) principal versus agent considerations, and (iii) licensing application guidance. Amendments also included two additional transition reliefs on contract modifications and completed contracts.

Based on assessment performed by management, the management of the Group anticipates that the initial adoption of IFRS 15 will not have any significant impact on the Group's results and financial position. However, the application of IFRS 15 in the future may result in more disclosures in the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

#### **IFRS 16 Leases**

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The management of the Group anticipate that the application of IFRS 16 may result in more disclosures, but will have no material impact on the amounts recognised as the Group has non-cancellable operating lease commitments of S\$16,650 (2017: S\$14,640) with terms ranging from 4 to 5 months as at 30 June 2018, as disclosed in Note 25, which qualify for short-term leases upon the application of IFRS 16.

### 4 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The principal accounting policies adopted are set out below.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### **Merger accounting for business combination involving entities under common control**

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

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

### ***Revenue recognition***

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

#### **(i) Revenue from contract works, being provision of Integrated Services of Sound and Communication Systems (as defined in Note 6)**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Revenue recognition** (continued)

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

Revenue from sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### **(iii) Revenue from provision of services, including Alert Alarm System Services (as defined in Note 6)**

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

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

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

#### **Borrowing costs**

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### ***Government grants***

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

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Taxation*

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

#### ***Financial instruments***

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

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

#### ***Financial assets***

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Financial assets** (continued)

#### **Loans and receivables**

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

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

#### **Effective interest method**

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Financial assets** (continued)

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

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

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

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

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

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

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

#### **Financial liabilities**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### **Equity instruments**

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

#### **Effective interest method**

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

Interest expense is recognised on an effective interest basis.

#### **Derecognition**

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

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

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

#### **Offsetting arrangements**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Inventories*

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

### *Construction contracts*

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

### ***Provisions***

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

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

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

### ***Onerous contracts***

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

### ***Leasing***

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

### ***The Group as lessee***

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Foreign currency transactions and translation*

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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

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

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

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

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

The carrying amounts of assets and liabilities arising from construction contracts are disclosed in Note 19 to the consolidated financial statements.

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

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

The carrying amounts of the trade receivables are disclosed in Note 17 to the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 6 REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from (1) sale of sound and communication systems and related services (“**Sale of Sound and Communication Systems and Related Services**”), (2) provision of integrated services of sound and communication systems, includes installation and customisation of sound and communication systems in buildings in Singapore (“**Integrated Services of Sound and Communication Systems**”), and (3) provision of alert alarm system services (“**Alert Alarm System Services**”) to external customers. The Group’s operations are solely derived from Singapore during the financial year.

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

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

	2018	2017
	S\$	S\$
<i>Revenue from:</i>		
Sale of Sound and Communication Systems and Related Services	<b>7,200,016</b>	7,133,284
Integrated Services of Sound and Communication Systems	<b>1,006,300</b>	623,199
Alert Alarm System Services	<b>875,544</b>	875,544
	<b>9,081,860</b>	8,632,027

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

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

	2018	2017
	S\$	S\$
Customer I	<b>1,163,257</b>	N/A*
Customer II	<b>929,444</b>	887,744

<sup>1</sup> Revenue from Sale of Sound and Communication Systems and Related Services.

<sup>2</sup> Revenue from provision of Alert Alarm System Services and Sale of Sound and Communication Systems and Related Services.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 6 REVENUE AND SEGMENT INFORMATION (continued)

#### *Geographical information*

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

### 7 OTHER INCOME

	2018	2017
	S\$	S\$
Government grants (Note)	7,455	9,975
Interest income	41,008	39
Others	–	234
	<b>48,463</b>	10,248

Note:

Included in the amounts are S\$4,853 (2017: S\$2,144), representing grants under Wage Credit Scheme ("WCS") for the year ended 30 June 2018. Under the WCS, over the period of the calendar years from 2017 to 2018, the government co-funds 20% of wage increases given to Singapore Citizen employees earning a gross monthly wage of S\$4,000 and below. In addition, for wage increases given in 2015 which are sustained in 2017 and 2018 by the same employer, employers will continue to receive co-funding at 20% for the 2017 and 2018.

The remaining balances of grants are incentives received unconditionally for compensation of expenses already incurred or as immediate financial support with no future related costs nor related to any assets.

### 8 OTHER GAINS AND LOSSES

	2018	2017
	S\$	S\$
Net foreign exchange (gain) loss	(156,768)	33,251
Write-off of trade receivables	19,576	–
Loss on disposal of property, plant and equipment	15,285	–
	<b>(121,907)</b>	33,251

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 9 FINANCE COSTS

	2018	2017
	S\$	S\$
<i>Interest on:</i>		
Bank borrowings	77,660	55,982
Finance leases	–	4,107
	<b>77,660</b>	<b>60,089</b>

### 10 INCOME TAX EXPENSE

	2018	2017
	S\$	S\$
Tax expense comprises:		
Current tax		
– Singapore corporate income tax (“CIT”)	331,207	271,325
– Under (Over) provision of prior years tax	150,158	(3,584)
Deferred tax (Note 23)	(69,434)	16,449
	<b>411,931</b>	<b>284,190</b>

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 40%, capped at S\$15,000 for the Year of Assessment 2018, and adjusted to 20%, capped at S\$10,000 for the Year of Assessment 2019. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 of normal chargeable income.

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

	2018	2017
	S\$	S\$
(Loss) Profit before taxation	<b>(1,229,622)</b>	1,634,786
Tax at applicable tax rate of 17%	<b>(209,036)</b>	277,914
Effect of different tax rate of the Company operating in other jurisdiction	<b>488,354</b>	–
Tax effect of expenses not deductible for tax purpose	<b>17,646</b>	50,447
Effect of tax concessions and partial tax exemptions	<b>(35,191)</b>	(40,587)
Under (Over) provision of prior years tax	<b>150,158</b>	(3,584)
Taxation for the year	<b>411,931</b>	<b>284,190</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 11 (LOSS) PROFIT FOR THE YEAR

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

	2018 S\$	2017 S\$
Depreciation of property, plant and equipment (Note a)	<b>575,596</b>	577,852
Annual audit fees paid to auditors of the Company	<b>110,000</b>	50,000
Listing expenses (Note c)	<b>2,665,816</b>	209,598
Directors' remuneration (Note 12)	<b>606,600</b>	508,108
Other staff costs		
– Salaries, wages and other benefit	<b>1,807,578</b>	1,550,047
– Defined contribution plans, including retirement benefits	<b>80,985</b>	66,362
– Foreign worker levy and skill development levy	<b>218,576</b>	237,657
Total staff costs (inclusive of directors' remuneration) (Note b)	<b>2,713,739</b>	2,362,174
Cost of materials recognised as costs of sales/services	<b>3,121,432</b>	3,145,946
Subcontractor costs recognised as costs of sales/services	<b>611,673</b>	230,210

Notes:

- a. Depreciation of S\$396,297 (2017: S\$396,297) are included in costs of sales/services.
- b. Staff costs of S\$1,569,580 (2017: S\$1,597,375) are included in costs of sales/services.
- c. Included in listing expenses are audit and non-audit fees of S\$105,000 and S\$33,750 paid to auditors of the Company respectively, and non-audit fees of S\$127,500 paid to other auditors of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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

Mr. Mong Kean Yeow and Ms. Choon Shew Lang were appointed as executive directors of the Company on 21 July 2017. Mr. Lim Loo Kit, Mr. Lim Meng Yi and Mr. Tang Chi Wai were appointed as independent non-executive directors of the Company on 14 December 2017.

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

	Fees S\$	Discretionary bonus (Note iii) S\$	Salaries and allowances S\$	Contributions to retirement benefit scheme (Note iv) S\$	Total S\$
<b>Year ended 30 June 2018</b>					
<b>Executive Directors</b>					
Mr. Mong Kean Yeow (i)	120,000	23,000	164,000	16,150	323,150
Ms. Choon Shew Lang (ii)	120,000	19,000	100,000	15,470	254,470
<b>Independent Non-Executive Directors</b>					
Mr. Lim Loo Kit	9,660	–	–	–	9,660
Mr. Lim Meng Yi	9,660	–	–	–	9,660
Mr. Tang Chi Wai	9,660	–	–	–	9,660
	<b>268,980</b>	<b>42,000</b>	<b>264,000</b>	<b>31,620</b>	<b>606,600</b>
<b>Year ended 30 June 2017</b>					
<b>Executive Directors</b>					
Mr. Mong Kean Yeow	120,000	8,202	117,218	13,634	259,054
Ms. Choon Shew Lang	120,000	8,202	107,218	13,634	249,054
	<b>240,000</b>	<b>16,404</b>	<b>224,436</b>	<b>27,268</b>	<b>508,108</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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

Notes:

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

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

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

#### *Employees' emoluments*

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors of the Company during the year ended 30 June 2018 whose emoluments are included in the disclosures above. The emoluments of the remaining three (2017: three) individuals were as follows:

	2018	2017
	S\$	S\$
Salaries and allowances	223,054	197,383
Discretionary bonus	11,910	15,529
Contributions to retirement benefit plan	36,918	34,469
	<b>271,882</b>	247,381

Their emoluments were within the following bands presented in Hong Kong Dollars ("HK\$"):

	Number of Employee	
	2018	2017
<b>Emolument bands</b>		
Nil to HK\$1,000,000	3	3

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

#### *Employees' emoluments* (continued)

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

### 13 DIVIDENDS

During the year ended 30 June 2017, ISPL declared a final dividend in respect of the year ended 30 June 2016 amounting to S\$300,000 and an interim dividend in respect of the year ended 30 June 2017 amounting to S\$300,000 to Mr. Mong and Ms. Choon, its then shareholders before the Group Reorganisation.

No dividend was paid or declared by the Company since its incorporation.

The rate of dividend and number of shares ranking for the above dividends are not presented as such information is not meaningful.

### 14 (LOSS) EARNINGS PER SHARE

	2018	2017
	S\$	S\$
(Loss) Profit attributable to the owners of the Company (S\$)	<b>(1,641,553)</b>	1,350,596
Weighted average number of ordinary shares in issue	<b>690,958,904</b>	600,000,000
Basic and diluted (loss) earnings per share (S\$ cents)	<b>(0.24)</b>	0.23

The calculation of basic (loss) earnings per share is based on the (loss) profit for the year attributable to owners of the Company and the weighted average number of shares in issue. The number of shares for the purpose of calculating basic (loss) earnings per share for the years ended 30 June 2018 and 2017 have been determined on the assumption that the Group Reorganisation and capitalisation issue as detailed in Notes 2 and 24 have been effective since 1 July 2016.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 15 PROPERTY, PLANT AND EQUIPMENT

	Computers	Office equipment	Furniture, fixtures and fittings	Motor vehicles	Leasehold land and property	Alert alarm systems	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<b>Cost:</b>							
At 1 July 2016	8,121	56,081	160,964	88,407	4,938,600	2,752,307	8,004,480
Additions	4,582	400	-	-	-	-	4,982
At 30 June 2017	12,703	56,481	160,964	88,407	4,938,600	2,752,307	8,009,462
Additions	5,825	-	-	73,055	-	-	78,880
Disposals	-	-	-	(26,500)	-	-	(26,500)
At 30 June 2018	18,528	56,481	160,964	134,962	4,938,600	2,752,307	8,061,842
<b>Accumulated depreciation:</b>							
At 1 July 2016	2,517	15,736	57,518	9,576	145,253	869,898	1,100,498
Depreciation for the year	7,193	18,822	53,655	14,734	87,151	396,297	577,852
At 30 June 2017	9,710	34,558	111,173	24,310	232,404	1,266,195	1,678,350
Depreciation for the year	5,636	18,710	48,953	18,848	87,152	396,297	575,596
Disposals	-	-	-	(10,915)	-	-	(10,915)
At 30 June 2018	15,346	53,268	160,126	32,243	319,556	1,662,492	2,243,031
<b>Carrying amount:</b>							
At 30 June 2017	2,993	21,923	49,791	64,097	4,706,196	1,486,112	6,331,112
At 30 June 2018	3,182	3,213	838	102,719	4,619,044	1,089,815	5,818,811

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

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

At 30 June 2018, the leasehold land and property was pledged to a bank for a mortgage loan raised by the Group (Note 22).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 16 INVENTORIES

	2018 S\$	2017 S\$
Goods in transit	5,130	19,735

### 17 TRADE RECEIVABLES

	2018 S\$	2017 S\$
Trade receivables	1,800,805	1,490,542
Unbilled revenue	35,345	86,369
Retention receivables (Note)	279,495	131,302
	<b>2,115,645</b>	1,708,213

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

The Group grants credit terms to customers typically between 30 to 60 days (2017: 30 to 90 days) from the invoice date for trade receivables. The following is an analysis of trade receivables by age presented based on the invoice date at the end of each reporting period:

	2018 S\$	2017 S\$
Within 30 days	1,169,307	780,658
31 days to 90 days	357,362	530,794
91 days to 180 days	139,231	130,601
181 days to 365 days	49,482	10,941
Over 365 days	85,423	37,548
	<b>1,800,805</b>	1,490,542

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 17 TRADE RECEIVABLES (continued)

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

Included in the Group's trade receivables are carrying amounts of S\$1,231,956 which are past due at 30 June 2018 (2017: S\$695,962), for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer.

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

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

	2018 S\$	2017 S\$
Within 90 days	1,004,964	600,081
91 days to 180 days	154,843	52,902
181 days to 365 days	49,128	6,763
Over 365 days	23,021	36,216
	<b>1,231,956</b>	695,962

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 18 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	S\$	S\$
Deposits	40,998	30,338
Prepayments	104,286	179,569
Deferred listing expenses	–	67,815
Interest receivable	9,633	–
Advances to staff	8,787	3,751
	<b>163,704</b>	<b>281,473</b>

### 19 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2018	2017
	S\$	S\$
Contract costs incurred plus recognised profits less recognised losses	191,705	4,023,583
Less: Progress billings	(118,800)	(4,023,167)
	<b>72,905</b>	<b>416</b>
<i>Analysed for reporting purposes as:</i>		
Amounts due from customers for contract works	<b>72,905</b>	<b>416</b>

At 30 June 2018, the retention held by customers for contract works are recognised as “retention receivables” set out in Note 17.

### 20 PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	2018	2017
	S\$	S\$
Pledged bank deposits (Note a)	206,947	206,947
Bank balances and cash (Note b)	11,187,116	3,709,286

Notes:

- a. The balances represent deposits placed to a bank for corresponding amounts of performance guarantee granted to the Group in favour of a customer with an original maturity term of 36 months. The balances carry interest rate of 0.65% (2017: 0.65%) per annum at 30 June 2018.
- b. Approximately S\$7,428,000 (2017: S\$46,000) included in bank balances carry interest rate ranging from 0.05% to 2.19% (2017: 0.05%) per annum at 30 June 2018. The remaining bank balances and cash are interest free.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 20 PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH (continued)

Below are details of bank balances denominated in currencies other than S\$:

	2018 S\$	2017 S\$
United States Dollars ("US\$")	2,592,493	47,639
HK\$	5,397,710	–
European Dollars ("EURO")	7,616	7,962

### 21 TRADE AND OTHER PAYABLES

	2018 S\$	2017 S\$
Trade payables	594,562	922,272
Retention payables	36,505	51,682
	<b>631,067</b>	973,954
Other payables		
Goods and Services Tax ("GST") payable	125,217	120,042
Prepayments from customers	48,156	48,163
Accrued operating expenses	170,567	81,820
Accrued listing expenses	–	177,226
Accrued interest payables	10,093	–
Accrued payroll costs	49,058	17,827
Dividend payable	–	300,000
Others	–	17,918
	<b>1,034,158</b>	1,736,950

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

	2018 S\$	2017 S\$
Within 30 days	270,731	686,828
31 days to 90 days	320,008	118,798
91 days to 180 days	41	112,864
Over 180 days	3,782	3,782
	<b>594,562</b>	922,272

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 21 TRADE AND OTHER PAYABLES (continued)

The credit period on purchases from suppliers and subcontractors is between 30 to 60 days (2017: 30 to 60 days) or payable upon delivery.

Below are details of trade payables denominated in currencies other than S\$:

	2018 S\$	2017 S\$
US\$	408,104	216,262

### 22 BORROWINGS

	2018 S\$	2017 S\$
Bank loans – Secured	3,339,179	3,473,277
<i>Analysed as:</i>		
Carrying amount repayable within 1 year	89,137	126,833
Carrying amount repayable more than 1 year, but not exceeding 2 years	94,226	89,444
Carrying amount repayable more than 2 years, but not exceeding 5 years	320,701	302,215
Carrying amount repayable more than 5 years	2,835,115	2,954,785
	3,339,179	3,473,277
Less: Amount due within 1 year (shown under current liabilities)	(89,137)	(126,833)
Amount shown under non-current liabilities	3,250,042	3,346,444

The loans were secured by the legal mortgage over the Group's leasehold land and property (Note 15). The loans bear floating interest rates with weighted average effective interest rate at 6.00% (2017: 6.00%) per annum as at 30 June 2018.

Subsequent to year end, the Group has repaid an amount of approximately S\$1.7 million and has entered into a revised bank loan agreement, converting the loan tenure of the remaining loan from 25 years (which is due for maturity on 11 June 2038) to 15 years (which is due for maturity on 11 June 2028) with the discounted interest rates for the first two years. The Group expects this revision to have significant impact on adoption of IFRS 9 and is currently performing the detailed assessment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 23 DEFERRED TAX LIABILITIES

	2018 S\$	2017 S\$
As at 1 July	260,905	244,456
(Credited) Charged to profit or loss for the year:		
Accelerated tax depreciation (Note 10)	(69,434)	16,449
As at 30 June	191,471	260,905

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.

### 24 SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Group Reorganisation in the consolidated statement of financial position, the balance as at 1 July 2016 and 30 June 2017 represented the share capital of the Singapore subsidiary as the Company was incorporated in the Cayman Islands on 21 July 2017.

The Company was successfully listed on GEM of the Stock Exchange on 16 January 2018.

	Number of shares	Par Value HK\$	Share capital HK\$
<b>Authorised share capital of the Company:</b>			
At date of incorporation of the Company on 21 July 2017 (Note a)	10,000,000	0.01	100,000
Increase on 14 December 2017 (Note c)	1,490,000,000	0.01	14,900,000
As at 30 June 2018	1,500,000,000	0.01	15,000,000

	Number of shares	Share capital S\$
<b>Issued and fully paid share capital of the Company:</b>		
At date of incorporation of the Company on 21 July 2017 (Note a)	1	–
Issue of shares pursuant to the reorganisation (Note b)	9,999	17
Issue of shares pursuant to the capitalisation issue (Note c)	599,990,000	1,034,483
Issue of shares under the Share Offer (Note d)	200,000,000	338,130
As at 30 June 2018	800,000,000	1,372,630

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 24 SHARE CAPITAL (continued)

Notes:

- a. On 21 July 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, of which one share was allotted and issued in nil-paid form to the initial subscriber, an independent third party. The said share was transferred to Express Ventures, a company not forming part of the Group and is controlled by Mr. Mong and Ms. Choon on the same date.
- b. On 8 December 2017, the Company issued and allotted 9,999 new shares of par value HK\$0.01 each to Express Ventures at the instructions of the Controlling Shareholders, all credited as fully paid.
- c. Pursuant to written resolution of the sole shareholder of the Company passed on 14 December 2017, it is resolved, among other things:
  - the authorised share capital of the Company was increased from HK\$100,000 to HK\$15,000,000 by the creation of an additional 1,490,000,000 ordinary shares of HK\$0.01 each; and
  - conditional upon the share premium account of the Company being credited as a result of the share offer, the Company was authorised to capitalise the amount of HK\$5,999,900 (equivalent to approximately S\$1,034,483) from the amount standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 599,990,000 ordinary shares for allotment, ranking *pari passu* in all respects with the existing shares.
- d. The shares of the Company were successfully listed on GEM of the Stock Exchange on 16 January 2018 by way of placing of 180,000,000 ordinary shares and public offer of 20,000,000 ordinary shares at the price of HK\$0.35 per share ("**Share Offer**"). The Company's share of net proceeds after deducting the underwriting commissions and estimated expenses paid or payable by the Company in relation to the Share Offer amounted to approximately HK\$44 million (S\$7 million).

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

### 25 OPERATING LEASE COMMITMENTS

#### *The Group as lessee*

	2018	2017
	S\$	S\$
Minimum lease payments paid during the year under operating lease in respect of office premises, staff dormitories and office equipment	<b>55,603</b>	39,590

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

	2018	2017
	S\$	S\$
Within 1 year	<b>16,650</b>	14,640

The leases have tenures ranging from 4 to 5 months (2017: 4 to 12 months) and no contingent rent provision included in the contracts. There is no restriction placed upon the Group by entering into these leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 26 RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund Board of Singapore, the Group's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. From 1 July 2017 to 30 June 2018, the Group contributes up to 17% of the eligible employees' salaries to the CPF scheme, with each employee's qualifying salary capped at S\$6,000 per month.

The total costs charged to profit or loss amounting to S\$80,985 for the year ended 30 June 2018 (2017: S\$66,362) represent contributions paid to the retirement benefits scheme by the Group.

As at 30 June 2018, contributions of S\$20,796 (2017: S\$17,827) were due respectively but had not been paid to the CPF. The amounts were paid subsequent to the end of the financial year.

## 27 RELATED PARTY TRANSACTIONS

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

### *Guarantees from directors*

The Controlling Shareholders provided personal guarantees in respect of performance bonds and security bonds in favour of the Group during the year, of which S\$nil remained outstanding as at 30 June 2018 (2017: S\$291,485).

### *Compensation of key management personnel*

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

	2018 S\$	2017 S\$
Short term benefits	574,980	480,840
Post-employment benefits	31,620	27,268
Total compensation	606,600	508,108

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 28 PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company as at 30 June 2018 are set out below.

Name of subsidiary	Place of incorporation/ operation	Paid up issued capital	Group's effective interest and voting rights	Held by the Company	Principal activities
<i>Directly held:</i>					
Holy Ark Limited	BVI	N/A	100%	100%	Investment holding
<i>Indirectly held:</i>					
ISPL Pte. Ltd.	Singapore	S\$525,000	100%		– Sale of Sound and Communication Systems and Related Services, provision of Integrated Services of Sound and Communication Systems, and provision of Alert Alarm System Services
Crosswins Group Holding Limited	BVI	US\$1	100%		– Investment holding

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

### 29 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings (Note 22) S\$	Accrued interest payables (Note 21) S\$	Total S\$
1 July 2017	3,473,277	–	3,473,277
Financing cash flows	(134,098)	(67,567)	(201,665)
<i>Non-cash changes</i>			
Interest on bank borrowings (Note 9)	–	77,660	77,660
30 June 2018	<b>3,339,179</b>	<b>10,093</b>	<b>3,349,272</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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

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

### 31 CAPITAL MANAGEMENT

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

The capital structure of the Group consists of debt, which includes borrowings as disclosed in Note 22, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital and reserves.

The management of the Group reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### *Categories of financial instruments*

##### The Group

	2018	2017
	S\$	S\$
<b>Financial assets</b>		
– <i>Loans and receivables</i>		
Trade receivables	2,115,645	1,708,213
Other receivables and deposits	59,418	34,089
Pledged bank deposits	206,947	206,947
Bank balances and cash	11,187,116	3,709,286
<b>Total</b>	<b>13,569,126</b>	<b>5,658,535</b>
	2018	2017
	S\$	S\$
<b>Financial liabilities</b>		
– <i>Amortised cost</i>		
Trade and other payables (Note)	860,785	1,568,745
Borrowings	3,339,179	3,473,277
<b>Total</b>	<b>4,199,964</b>	<b>5,042,022</b>

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

#### *Financial risk management objectives and policies*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

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

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

###### *Interest rate risk*

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

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

###### *Sensitivity analysis*

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

###### Variable-rate borrowings

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2018 would increase/decrease by approximately S\$13,900 (2017: the Group's profit for the year would decrease/increase by approximately S\$14,400).

###### Variable-rate bank balances

If interest rates of variable-rate bank balances had been 10 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2018 would increase/decrease by approximately S\$9,500 (2017: the Group's profit for the year would decrease/increase by approximately S\$3,300).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

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

##### **(b) Currency risk**

Certain bank balances (Note 20) and trade payables (Note 21) are denominated in US\$, HK\$ or EURO other than the functional currency of respective group entities, which expose the Group to foreign currency risk.

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

Assuming that all other variables remain constant at year end, a 10% depreciation/appreciation of the S\$ against US\$ would result in a decrease/increase in the Group's loss for the year by approximately S\$181,000 for the year ended 30 June 2018 (2017: the Group's profit for the year would decrease/increase by S\$14,000).

Assuming that all other variables remain constant at year end, a 10% depreciation/appreciation of the S\$ against HK\$ would result in a decrease/increase in the Group's loss for the year by approximately S\$540,000 for the year ended 30 June 2018 (2017: S\$nil).

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

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

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

Included in financial assets as at 30 June 2018 as a component of bank balances and cash is S\$5,397,710, placed in a bank in Hong Kong. The remaining bank deposits and balances are placed in four banks (2017: three) in Singapore. All these counterparties have been assessed by management to be financially sound.

Other than the concentration of credit risk of bank balances and cash in Hong Kong, the Group's concentration of credit risk by geographical locations is mainly in Singapore, which accounted for 100% of the total financial assets as at 30 June 2018 (2017: 100%).

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

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

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

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

Approximately 39% of total trade receivables outstanding at 30 June 2018 (2017: 26%) were due from top 5 debtors which exposed the Group to concentration of credit risk.

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

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

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

#### **(d) Liquidity risk**

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

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

All financial assets of the Group as at 30 June 2018 and 2017 are non-interest bearing and repayable on demand or due within one year, except for bank deposits as disclosed in Note 20.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

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

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

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

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

#### The Group

	Weighted average effective interest %	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	1 to 5 years S\$	Over 5 years S\$	Total undiscounted cash flow S\$	Carrying amount S\$
<b>As at 30 June 2017</b>								
<i>Non-interest bearing</i>								
Trade and other payables	-	1,568,745	-	-	-	-	1,568,745	1,568,745
<i>Interest bearing</i>								
Borrowings	6.00	48,615	48,615	97,230	1,151,245	4,604,982	5,950,687	3,473,277
Total		1,617,360	48,615	97,230	1,151,245	4,604,982	7,519,432	5,042,022
<b>As at 30 June 2018</b>								
<i>Non-interest bearing</i>								
Trade and other payables	-	860,785	-	-	-	-	860,785	860,785
<i>Interest bearing</i>								
Borrowings	6.00	71,769	71,769	143,538	1,435,983	4,020,752	5,743,811	3,339,179
Total		932,554	71,769	143,538	1,435,983	4,020,752	6,604,596	4,199,964

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

### 32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

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

##### **(e) Fair value**

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

### 33 EVENTS AFTER THE REPORTING PERIOD

In July 2018, the Group repaid its bank loan partially and entered into a revised bank loan agreement as disclosed in Note 22.

On 26 July 2018, Express Ventures, the ultimate holding company of the Group, disposed its 26,300,000 shares of the Company to certain independent investors at HK\$1.90 per share. Subsequent to the share placement, total number of shares of the Company held by Express Ventures decreased from 600,000,000, representing approximately 75% of the issued share capital of the Company, to 573,700,000, representing approximately 71.71% of the issued share capital of the Company.

## SUMMARY FINANCIAL INFORMATION

	2018	2017	2016
	S\$	S\$	S\$
<b>Revenue</b>	<b>9,081,860</b>	8,632,027	7,997,834
Costs of sales / services	<b>(5,843,773)</b>	(5,457,763)	(5,210,411)
<b>Gross profit</b>	<b>3,238,087</b>	3,174,264	2,787,423
Other income	<b>48,463</b>	10,248	26,328
Administrative expenses	<b>(1,894,603)</b>	(1,246,788)	(1,161,762)
Other gains and losses	<b>121,907</b>	(33,251)	(58,828)
Listing expenses	<b>(2,665,816)</b>	(209,598)	-
Finance costs	<b>(77,660)</b>	(60,089)	(97,937)
<b>(Loss) Profit before taxation</b>	<b>(1,229,622)</b>	1,634,786	1,495,224
Income tax expense	<b>(411,931)</b>	(284,190)	(202,896)
<b>(Loss) Profit and total comprehensive (loss) income for the year</b>	<b>(1,641,553)</b>	1,350,596	1,292,328
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<b>5,818,811</b>	6,331,112	6,903,982
Pledged bank deposits	<b>206,947</b>	206,947	206,947
Total non-current assets	<b>6,025,758</b>	6,538,059	7,110,929
<b>Current assets</b>			
Inventories	<b>5,130</b>	19,735	-
Trade receivables	<b>2,115,645</b>	1,708,213	1,864,851
Other receivables, deposits and prepayments	<b>163,704</b>	281,473	129,216
Amounts due from customers for contract works	<b>72,905</b>	416	55,781
Bank balances and cash	<b>11,187,116</b>	3,709,286	1,157,585
Total current assets	<b>13,544,500</b>	5,719,123	3,207,433
Total assets	<b>19,570,258</b>	12,257,182	10,318,362

## SUMMARY FINANCIAL INFORMATION

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