Interim Report 2018

Chuan Holdings Limited
川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1420

* For identification purposes only

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Lim Kui Teng *(Chairman)*
Mr. Quek Sze Whye
Mr. Bijay Joseph
Mr. Lau Yan Hong
Mr. Wong Kee Chung

Independent Non-executive Directors

Mr. Lee Cheung Yuet, Horace
Mr. Phang Yew Kiat
Mr. Ng Ka Lok

AUDIT COMMITTEE

Mr. Lee Cheung Yuet, Horace *(Chairman)*
Mr. Phang Yew Kiat
Mr. Ng Ka Lok

NOMINATION COMMITTEE

Mr. Lim Kui Teng *(Chairman)*
Mr. Phang Yew Kiat
Mr. Lee Cheung Yuet, Horace

REMUNERATION COMMITTEE

Mr. Phang Yew Kiat *(Chairman)*
Mr. Lim Kui Teng
Mr. Lee Cheung Yuet, Horace

COMPANY SECRETARY

Ms. Ngan Chui Wan Judy

AUTHORIZED REPRESENTATIVES

Mr. Lim Kui Teng
Ms. Ngan Chui Wan Judy

AUDITOR

BDO Limited
Certified Public Accountant
25th Floor, Wing On Centre,
111 Connaught Road Central,
Central, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

57/F, The Center
99 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

20 Senoko Drive
Singapore 758207

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Malayan Banking Berhad
Standard Chartered Bank (Singapore) Limited
DBS Bank Ltd (Singapore)

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 1420

COMPANY WEBSITE

www.chuanholdings.com

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

		Six months ended 30 June	
	Notes	**2018** **S$'000** **(Unaudited)**	2017 S$'000 (Unaudited)
Revenue	5	**51,132**	39,342
Direct costs		**(45,235)**	(34,216)
Gross profit		**5,897**	5,126
Other income and gains	5	**864**	675
Administrative and other operating expenses		**(3,195)**	(2,829)
Other expenses		**(682)**	(556)
Finance costs	6	**(223)**	(150)
Profit before income tax	7	**2,661**	2,266
Income tax expense	8	**(442)**	(387)
Profit for the period		**2,219**	1,879
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Gains in revaluation of available-for-sale financial assets		**–**	13
Exchange differences arising on translation		**469**	(1,261)
		469	(1,248)
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		**(36)**	–
Other comprehensive income for the period, net of tax		**433**	(1,248)
Total comprehensive income for the period attributable to the owners of the Company		**2,652**	631
Earnings per share attributable to owners of the Company – basic and diluted (S cents/share)	9	**0.21**	0.18

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 S$'000 (Unaudited)	31 December 2017 S$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**25,608**	21,314
Investment property		**1,341**	1,346
Other assets		**373**	373
Deposits and other receivables		**1,345**	346
Available-for-sale financial assets		**–**	1,957
Financial assets at fair value through other comprehensive income		**1,771**	–
Deferred tax assets		**52**	52
		30,490	25,388
Current assets			
Due from customers for contract work		**–**	21,862
Contract assets		**21,563**	–
Trade receivables	*12*	**19,498**	24,116
Deposits, prepayments and other receivables		**14,053**	13,543
Pledged deposits	*13*	**3,314**	3,307
Cash and cash equivalents	*13*	**36,179**	34,309
		94,607	97,137
Current liabilities			
Due to customers for contract work		**–**	2,381
Contract liabilities		**1,745**	–
Trade payables	*15*	**8,742**	9,970
Other payables, accruals and deposits received		**4,188**	6,078
Bank borrowings	*16*	**–**	62
Finance lease obligations		**11,534**	6,048
Income tax payable		**758**	632
		26,967	25,171
Net current assets		**67,640**	71,966
Total assets less current liabilities		**98,130**	97,354

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 S$'000 (Unaudited)	31 December 2017 S$'000 (Audited)
Non-current liabilities			
Deposits received		–	11
Bank borrowings	*16*	–	65
Finance lease obligations		5,454	7,254
		5,454	7,330
Net assets		92,676	90,024
EQUITY			
Share capital	*14*	1,807	1,808
Reserves		90,869	88,216
Total equity		92,676	90,024

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Share capital S$'000 (Note 14)	Share premium S$'000	Treasury shares reserve S$'000	Merger reserve S$'000	Translation reserve S$'000	Investment revaluation reserve S$'000	Fair value through other comprehensive income reserve S$'000	Retained profits S$'000	Total S$'000
At 1 January 2017	**1,808**	**27,929**	**–**	**5,166**	**1,606**	**(348)**	**–**	**50,958**	**87,119**
Profit for the period	–	–	–	–	–	–	–	1,879	1,879
Other comprehensive income									
Gains in revaluation of available-for-sale financial assets	–	–	–	–	–	13	–	–	13
Exchange differences arising on translation	–	–	–	–	(1,261)	–	–	–	(1,261)
Total comprehensive income for the period	–	–	–	–	(1,261)	13	–	1,879	631
At 30 June 2017 (unaudited)	**1,808**	**27,929**	**–**	**5,166**	**345**	**(335)**	**–**	**52,837**	**87,750**
At 1 January 2018	**1,808**	**27,929**	**(70)**	**5,166**	**(913)**	**(411)**	**–**	**56,515**	**90,024**
Initial application of HKFRS 9	–	–	–	–	–	411	(411)	–	–
As restated	1,808	27,929	(70)	5,166	(913)	–	(411)	56,515	90,024
Shares repurchased	(1)	(70)	70	–	1	–	–	–	–
Profit for the period	–	–	–	–	–	–	–	2,219	2,219
Other comprehensive income									
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(36)	–	(36)
Exchange differences arising on translation	–	–	–	–	469	–	–	–	469
Total comprehensive income for the period	–	–	–	–	469	–	(36)	2,219	2,652
At 30 June 2018 (unaudited)	**1,807**	**27,859**	**–**	**5,166**	**(443)**	**–**	**(447)**	**58,734**	**92,676**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	**2,566**	1,611
Income tax paid, net	**(316)**	(842)
Net cash generated from operating activities	**2,250**	769
Cash flows from investing activities		
Decrease in time deposits with maturity over three months	**–**	2,185
Proceeds from disposal of property, plant and equipment	**771**	197
Proceed of disposal of AFS	**150**	–
Purchases of property, plant and equipment	**(1,137)**	(524)
Interest received	**20**	125
Dividend received	**12**	1
Net cash (used in)/generated from investing activities	**(184)**	1,984
Cash flows from financing activities		
Interest element on finance lease payments	**(220)**	(146)
Capital element of finance lease obligations	**(308)**	(2,532)
Repayment of bank borrowings	**(127)**	(239)
Increase in pledged deposits	**(7)**	–
Interests paid	**(3)**	(4)
Net cash (used in) financing activities	**(665)**	(2,921)
Net increase/(decrease) in cash and cash equivalents	**1,401**	(168)
Cash and cash equivalents at beginning of the period	**34,309**	42,073
Effect of foreign exchange rate changes, net	**469**	(1,261)
Cash and cash equivalents at end of the period	**36,179**	40,644
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**34,179**	27,266
Time deposits with maturity less than three months	**2,000**	13,378
	36,179	40,644

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2018

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 August 2015. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding while the principal activities of the Company's subsidiaries are engaged in provision of earthworks and related services and general construction in Singapore.

The Company had listed its shares on the Main Board The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 8 June 2016.

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated statements for the six months ended 30 June 2018 were approved and authorised for issue by the directors on 29 August 2018.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2017 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

The condensed consolidated financial statements of the Group are presented in Singapore dollars ("**S$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the 2017 annual financial statements, except for the adoption of new and amended standards effective for annual periods beginning on or after 1 January 2018 as set out below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3(A) below) and HKFRS 15 Revenue from Contracts with Customers (see note 3(B) below) have been summarised below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

(A) HKFRS 9 – Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income ("**FVOCI**") or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2018

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(A) HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified as at amortised cost or FVOCI as described above are classified as at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(A) HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets:

Financial assets at FVTPL	Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Financial assets at amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
Financial assets at FVOCI (equity investments)	Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(a) As at 1 January 2018, certain listed equity securities were reclassified from available-for-sale financial assets to financial assets at FVOCI. The Group intends to hold these listed equity securities for long term strategic purposes. Under HKFRS 9, the Group has designated these listed equity securities at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value of approximately S$584,000 were reclassified from available-for-sale financial assets at fair value to financial assets at FVOCI and fair value gains of approximately S$29,000 were reclassified from the investment revaluation reserve to the FVOCI reserve on 1 January 2018.

(b) As at 1 January 2018, the investment in life insurance policy which was classified under unlisted equity investment was reclassified from available-for-sale financial assets at fair value to financial assets at FVOCI. These unlisted equity investment has no quoted price in an active market. The Group intends to hold these unlisted equity investment for long term strategic purposes. In addition, the Group has designated these unlisted equity investment at the date of initial application as measured at FVOCI. As at 1 January 2018, the fair value loss of approximately S$440,000 has been included in the opening FVOCI reserve.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(A) HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39	Carrying amount as at 1 January 2018 under HKFRS 9
			S$'000	S$'000
Listed equity securities	Available-for-sale (at fair value) *(note 3A(i)(a))*	FVOCI	584	584
Unlisted equity investment	Available-for-sale (at fair value) *(note 3A(i)(b))*	FVOCI	1,373	1,373
Trade receivables	Loans and receivables *(note 3A(ii)(a))*	Amortised cost	24,116	24,116
Other receivables	Loans and receivables *(note 3A(ii)(a))*	Amortised cost	434	434
Cash and cash equivalents	Loans and receivables	Amortised cost	34,309	34,309

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise ECLs for trade and other receivables, contract assets and financial assets at amortised cost earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; or (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(A) HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(A) HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model

(a) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the number of days past due. No additional impairment for trade receivables and contact assets as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables. Applying the ECLs model, no additional impairment for other receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(A) HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(iii) Transition (Continued)

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(B) HKFRS 15 – Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The Directors consider that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised for contracts from (i) provision of earthworks and related services; and (ii) provision of general construction works in the respective reporting periods upon its initial adoption because the Directors are of the view that the Group's inputs are expected to be proportionate, in material aspect, to the progress in satisfying the performance obligation in rendering the services with reference to the Group's typical contracts.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2018

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(B) HKFRS 15 – Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Based on the current assessment of the Group, no adjustments to the opening balance of equity at 1 January 2018 have been made on the initial application of HKFRS 15. Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various services are set out below:

Services	Nature of the services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
Provision of Earthworks and related services and Provision of General Construction works	For the performance obligation related to the provision of earthwork and provision of general construction work, the Group determines that the customers controls all the work in progress when the earthwork and general construction work is provided, in the course of the construction, the work in progress is being enhanced during the terms of the contracts. Therefore, revenue from these contracts are recognised over time. Invoices are issued according to contractual terms and are usually payable within 30 days. Uninvoiced amounts are presented as contract assets. The Group has determined that for contracts with customers under provision of earthworks and related services, there may be one or more than one performance obligation, which include the rental of machinery, motor vehicles and labour where we rent from time to time and when there is available capacity. For the provision of these rental services, the group recognised the revenue at a point in time when the services are provided. Invoices are usually payable within 30 days.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of HKFRS 15, the Group has to made reclassification from due from customers for contract works to contract assets since under HKFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise a contract asset. Upon the adoption of HKFRS 15, the Group has also made reclassification from due to customers for contract works to contract liabilities.

4. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group determines its operating segments based on reports reviewed by the executive directors of the Company, being the chief operating decision-marker ("**CODM**") that are used to make strategic decisions. Financial statements reported to the CODM, based on the following segments:

(i) Provision of earthworks and related services, mainly include excavation, earth disposal, demolition and various ancillary services (collectively referred as "**Earthworks**"); and

(ii) Provision of general construction works, mainly include construction of new buildings, alternation and addition works (collectively referred as "**General Construction Works**").

(a) Segment revenue and results

Segment revenue below represents revenue from external customers. There were no inter-segment revenue during the respective periods. Operating revenue, direct costs, gains on disposal of property, plant and equipment, interest expenses on finance leases, provision for impairment of trade receivables and bad debts recovered, are allocated to different segments to assess corresponding performance.

The corporate and unallocated expenses mainly includes director's emoluments, employee benefit expenses, depreciation of office equipment, operating lease expenses and other centralized administrative cost for the Group's headquarter.

4. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results (Continued)

The segment revenue and results, and totals presented for the Group's operating segments, reconcile to the Group's key financial figures as presented in the financial statements are as follows:

For the six months ended 30 June 2018 (unaudited)

	Earthworks S$'000	General Construction Works S$'000	Total S$'000
Revenue from external customers	**41,856**	**9,276**	**51,132**
Reportable segment results	**4,995**	**431**	**5,426**
Unallocated other income and gains			**433**
Corporate and other unallocated expenses			**(3,195)**
Interest on bank loans			**(3)**
Profit before income tax			**2,661**

For the six months ended 30 June 2017 (unaudited)

	Earthworks S$'000	General Construction Works S$'000	Total S$'000
Revenue from external customers	31,525	7,817	39,342
Reportable segment results	4,176	371	4,547
Unallocated other income and gains			552
Corporate and other unallocated expenses			(2,829)
Interest on bank loans			(4)
Profit before income tax			2,266

4. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

The following is an analysis of the Group's segment assets by reportable and operating segment:

Reportable segment assets

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Earthworks	**60,257**	56,632
General Construction Works	**6,211**	10,623
Total	**66,468**	67,255

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Reportable segment assets	**66,468**	67,255
Corporate and unallocated assets	**58,629**	55,270
Group assets	**125,097**	122,525

Corporate and other unallocated assets mainly included deposit, prepayments paid for operating leases and office expenses, other receivables due from related parties and deposit paid for acquisition of a company.

4. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities (Continued)

The following is an analysis of the Group's segment liabilities by reportable and operating segment:

Reportable segment liabilities

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Earthworks	**25,043**	20,525
General Construction Works	**2,432**	5,128
Total	**27,475**	25,653

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Reportable segment liabilities	**27,475**	25,653
Corporate and unallocated liabilities	**4,946**	6,848
Group Liabilities	**32,421**	32,501

Corporate and other unallocated liabilities mainly include accruals for employee benefit expenses, and payable of office operating expenses and utilities.

5. REVENUE, OTHER INCOME AND GAINS

(a) Revenue, which is also the Group's turnover, represents the income from Earthworks and General Construction Works. Revenue recognised during the respective periods is as follows:

	Six months ended 30 June	
	2018	2017
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Earthworks	**41,856**	31,525
General Construction Works	**9,276**	7,817
Total	**51,132**	39,342

The timing of revenue recognition for the respective periods is as follows:

	Six months ended 30 June	
	2018	2017
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Transferred over time		
Earthworks	**39,414**	26,646
General Construction Works	**9,276**	7,817
	48,690	34,463
At a point in time		
Earthworks	**2,442**	4,879
Total	**51,132**	39,342

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(b) Other income and gains recognised during the respective period is as follows:

	Six months ended 30 June	
	2018	2017
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Other income		
Management service income	**80**	99
Interest income on financial assets carried at amortised cost	**20**	125
Bad debts recovered	**139**	115
Rental income from investment property	**59**	66
Dividend income from available-for-sale financial assets	**12**	1
Sales of scrap materials and consumables	**137**	49
Others	**114**	212
	561	667
Gains		
Gains on disposals of property, plant and equipment	**292**	8
Net foreign exchange gain	**11**	–
	303	8
	864	675

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on finance leases	**220**	146
– Interest on bank loans wholly repayable within five years	**3**	4
	223	150

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment *	**3,384**	2,676
Depreciation of investment property **	**6**	6
Direct operating expenses arising from investment property that generated rental income	**12**	12
Operating lease rental expenses in respect of:		
– Office equipment and machineries	**9,139**	3,919
– Warehouses, premises, dormitories and workshops	**1,118**	816
	10,257	4,735
Employee benefit expenses (including directors' remuneration)		
– Salaries, wages and bonuses	**7,797**	7,286
– Defined contribution	**311**	267
– Other short-term benefits	**1,489**	1,131
	9,597	8,684
Provision for impairment of trade and other receivables	**682**	556

* *Depreciation of property, plant and equipment amounted to approximately S$3,298,000 (six months ended 30 June 2017: approximately S$2,607,000) has been included in direct costs and approximately S$86,000 (six months ended 30 June 2017: approximately S$69,000) in administrative and other operating expenses.*

** *Depreciation of investment property has been included in administrative and other operating expenses in the respective periods.*

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2018

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Current tax - Singapore income tax		
Tax for the period	**442**	387

Singapore income tax has been provided at the rate of 17% on the estimated assessable profits for each of the financial periods. No provision for Hong Kong profits tax has been made as the Group did not derive any assessable profits for the six months ended 30 June 2018 and 2017.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profits attributable to the owners of the Company of approximately S$2,219,000 (six months ended 30 June 2017: approximately: S$1,879,000), and on the weighted average number of 1,036,456,000 (six months ended 30 June 2017: 1,037,500,000) ordinary shares in issue during the period.

Dilutive earnings per share is the same as the basic earnings per share because the Group has no dilutive potential ordinary shares during the periods.

10. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group incurred capital expenditures of approximately S$4,170,000 (six month ended 30 June 2017: approximately S$1,055,000) in plant and machinery, approximately S$242,000 (six month ended 30 June 2017: approximately S$16,000) in furniture, fixtures and office equipment, and approximately S$3,745,000 (six month ended 30 June 2017: approximately S$1,423,000) in motor vehicles.

Items of property, plant and equipment with net book value amounting to approximately S$479,000 were disposed of during the six months ended 30 June 2018 (six month ended 30 June 2017: approximately S$189,000), resulting in a gain on disposal of S$292,000 (six month ended 30 June 2017: S$8,000).

12. TRADE RECEIVABLES

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Trade receivables	**17,412**	20,632
Retention sum receivables	**5,642**	6,497
	23,054	27,129
Less: Provision for impairment of trade receivables	**(3,556)**	(3,013)
	19,498	24,116

Retention sum receivables refer to retention sum which will be partially billed upon the practical completion, and the balance shall be billed upon the final completion. Retention sum receivables are non-interest bearing and on terms based on the respective contract's retention period.

The credit period granted to the Group's customers generally within 30 days from invoice date of the relevant contract revenue. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually 1 year) after completion of the contract.

Based on invoices date, ageing analysis of the Group's trade receivables as at the end of each of the respective periods is as follows:

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
0 to 30 days	**6,102**	7,212
31 to 90 days	**1,421**	5,044
91 to 180 days	**2,757**	3,574
181 to 365 days	**2,901**	2,492
Over 365 days	**6,317**	5,794
	19,498	24,116

12. TRADE RECEIVABLES (CONTINUED)

Ageing analysis of the Group's trade receivables that are not impaired is as follows:

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Neither past due nor impaired	**6,158**	8,374
0 to 30 days past due	**661**	2,979
31 to 90 days past due	**1,765**	3,859
91 to 180 days past due	**2,468**	2,063
181 to 365 days past due	**3,152**	5,423
Over 365 days past due	**5,294**	1,418
	19,498	24,116

The Group's trade receivables as at the reporting dates that were neither past due no impaired for whom there was no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. The Group does not hold any collateral in respect of trade receivables past due but not impaired.

Movement in the provision for impairment of trade receivables:

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Opening balance	**3,013**	2,016
Impairment losses	**682**	1,059
Bad debts recovered	**(139)**	(62)
Closing balance	**3,556**	3,013

For these past due trade receivables, the Group has assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information. Based on the assessment, expected credit loss rate of trade receivables is close to zero. Therefore, the loss allowance provision for these trade receivables balances was not material.

13. CASH AND CASH EQUIVALENTS

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Cash and bank balances	**37,493**	27,488
Time deposits with an original maturity of less than three months	**2,000**	10,128
	39,493	37,616
Less: Pledged deposits *(note)*	**(3,314)**	(3,307)
Cash and cash equivalents	**36,179**	34,309

Note:

As at 30 June 2018 and 31 December 2017, pledged deposits are restricted bank balances to secure:

(i) the guarantee arrangement and the issuance of performance bonds (Note 21); and

(ii) the banking facilities including letter of credits, overdraft and bank guarantee amounting to approximately S$20.5 million (31 December 2017: approximately S$20.5 million).

14. SHARE CAPITAL

	Number of shares		Share capital	
	As at 30 June 2018	As at 31 December 2017	**As at 30 June 2018 S$'000**	As at 31 December 2017 S$'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and end of the period/year	**10,000,000,000**	10,000,000,000	**17,430**	17,430
Issued and fully paid				
At beginning of the period/year	**1,037,500,000**	1,037,500,000	**1,808**	1,808
Shares repurchased and cancelled	**(1,044,000)**	–	**(1)**	–
At end of the period/year	**1,036,456,000**	1,037,500,000	**1,807**	1,808

As at 31 December 2017, 1,044,000 shares were repurchased but not cancelled and still recognised as treasury shares, the consideration was HK$412,000 (equivalent to approximately S$70,000). These shares were cancelled during the six months ended 30 June 2018.

15. TRADE PAYABLES

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Trade payables	**8,289**	9,250
Retention payables	**453**	720
	8,742	9,970

The Group's trade payables are non-interest bearing and generally have payment terms of 30 days.

15. TRADE PAYABLES (CONTINUED)

Ageing analysis of trade payables as at the reporting dates is as follows:

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
0 to 30 days	**3,399**	5,312
31 to 90 days	**2,331**	2,498
91 to 180 days	**986**	451
Over 180 days	**2,026**	1,709
	8,742	9,970

16. BANK BORROWINGS

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Current liabilities		
Amounts payable within one year		
– Secured mortgage loan	**–**	62
Non-current liabilities		
Amounts payable in second to fifth year		
– Secured mortgage loan	**–**	65
Total balance of bank borrowings	**–**	127

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2018

16. BANK BORROWINGS (CONTINUED)

The summary of pledged assets and pledged deposits to bank borrowings are as follows:

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Investment property	1,341	1,346
Pledged deposits	3,314	3,307

17. COMMITMENTS

The Group has the following commitments as at the reporting dates in respect of:

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Contracted but not provided for, in respect of acquisition of:		
– property, plant and equipment	7,443	4,439
– a company	65,937	65,937

18. OPERATING LEASE ARRANGEMENTS

(a) As Lessor

Future minimum rental receivables under non-cancellable operating lease of the Group as at the reporting dates are as follows:

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Within one year	**68**	87
Within second to fifth year	**–**	31
	68	118

The Group leases its investment property under operating lease. The leases run for an initial period of 1 to 2 years. None of these leases includes any contingent rentals.

(b) As Lessee

Future minimum rental payables under non-cancellable operating lease of the Group as at the reporting dates are as follows:

	As at 30 June 2018 S$'000 (Unaudited)	As at 31 December 2017 S$'000 (Audited)
Within one year	**901**	1,802

The Group leases office premises, office equipments, workshops and warehouses and a dormitory under operating leases. The leases run for an initial period 1 to 3 years, with options to renew the lease terms upon expiry when all terms are re-negotiated. None of these leases includes any contingent rentals.

19. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the condensed consolidated interim financial statements, the following material transactions were carried out with related parties at terms mutually agreed by both parties:

	Six months ended 30 June	
	2018	2017
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Construction contract work and ancillary services income received from related parties	**710**	3,052
Sales of scrap materials and consumables to related parties	**1**	18
Sales of property, plant and equipment to related parties	**269**	–
Purchase of property, plant and equipment from a related party	**–**	7
Construction costs and related supporting service fees charged by related parties	**2,083**	1,327
Rental expenses charged by a related party	**48**	48

20. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management for the six months ended 30 June 2018 and 2017 were as follows:

	Six months ended 30 June	
	2018	2017
	S$'000	S$'000
	(unaudited)	(unaudited)
Short-term employee benefits	**1,005**	1,018

21. CONTINGENT LIABILITIES

Performance bonds and guarantees provided for ordinary course of business

As at 30 June 2018, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business with utilised amount of approximately S$8,672,000 (31 December 2017: approximately S$7,177,000). The guarantees in respect of performance bonds issued by banks are secured by pledged deposits *(Note 13)*.

22. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after 30 June 2018.

23. APPROVAL OF THE INTERIM REPORT

The unaudited condensed consolidated interim financial statements for six months ended 30 June 2018 were approved and authorised for issue by the board of Directors on 29 August 2018.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a prominent earthworks contractor in Singapore. Our two major business segments are earthworks and related services, and general construction works. Our earthworks and related services can provide a plethora of solutions including land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation and backfilling, and earth disposal. Possessing over 20 years of experience in the construction industry in Singapore, we are dedicated to delivering prompt and reliable service with integrity and excellent craftsmanship that satisfy the needs of our customers while complying with all safety and regulatory requirements.

Industry Review

The Singapore Government has launched the property curbs to control housing prices recently, leading to a decline in the number of projects in the construction market. The competition over each contract intensified, thus affecting the general outlook and performance of the construction industry. The Group believes these negative impacts have contributed to the continued contraction present in the industry, as construction output has dropped by 14.0% and 5.6% in the first and second quarters of 2018, respectively.

However, with the economy of Singapore growing steadily, the number of construction contracts awarded increased by 46.0% and 15.0% in the first and second quarters, respectively, fueled by a rise in demand for public construction by 69.0% and 39.0% in the first and second quarters. Public sector projects, especially large infrastructure projects have been often considered as the primary driver of growth in the construction industry in recent years. The gradual recovery in public construction demand has contributed to the encouraging results of the Group during the period.

Overall Performance

During the six months ended 30 June 2018 ("**the period under review**"), earthworks and related services segment maintained its status as the largest contributor to the Group's revenue. Benefiting from the rising demand from the public sector, our ability to secure relatively valuable public projects for earthworks and related services, and our diversified efforts in also growing the general construction segment; the Group recorded a significant increase in revenue from approximately S$39.3 million to approximately S$51.1 million, a year-on-year increase of 30.0%. The outstanding performance proved that our efforts in enhancing the performances of the earthworks and related services and general construction segments have paid off.

Adhering to our strict measures on controlling both costs and risks and our continuous efforts in tendering relatively profitable projects to sustain profitability strategically, the Group recorded a 15.0% increase in gross profit from approximately S$5.1 million for the six months ended 30 June 2017 to approximately S$5.9 million for the period under review. Similarly, the Group also reported a notable growth in profit for the period from approximately S$1.9 million to approximately S$2.2 million for the period under review, representing a surge in 18.1% when comparing with the same period last year.

However, due to the rise in diesel prices triggered by geopolitical risks, the operation costs of the Group have inexorably increased, partially offsetting our cost control measures and leading to a slight decrease in gross profit margin from approximately 13.0% for the last corresponding period to approximately 11.5%. The net profit margin was 4.3% for the period under review (for the six months ended 30 June 2017: 4.8%).

Earthworks and related services

During the period under review, the segmental revenue of earthworks and related services totaled approximately S$41.9 million, representing a year-on-year growth of 32.8%. This segment was the major contributor to the Group's revenue, contributing approximately 81.9% of the Group's total revenue. The segmental profit increased by approximately S$0.7 million or 15.0% to approximately S$5.5 million.

To combat the challenging market environment, the Group has continued to target public sector projects, which are relatively low risks but have relatively long approval processes and durations. In the meantime, the Group has stepped up its efforts to secure private sector projects with shorter completion periods to efficiently manage cash flow and workforce to aid in acquiring more projects. Also, the Group has been searching for new development opportunities within the segment and allocating additional resources towards purchasing excavation machines and tipper trucks at a total cost of approximately S$7.9 million to enhance its operational capacity.

Our leading position and rich expertise, along with our substantial investments in machinery, have awarded us an edge when competing for projects, securing 13 new earthworks and related services projects during the period under review. As of 30 June 2018, the Group had accumulated a total of 95 ongoing earthworks and related services projects.

The Group has secured four new earthworks and related services projects since 1 July 2018, with a total contract value of approximately S$15.9 million.

General construction

While the Group continued to primarily focus on consolidating its market share in earthworks and related services segment, it has also placed specific efforts in tendering general construction projects. Considering the reduction in the number of general construction projects available in the market in the first half of the year, the Group decided to raise our efficiency in allocating and utilising resources, by adopting a strategic tendering policy for the general construction segment that exclusively targeted projects with relatively high profit margin.

These efforts have contributed to a year-on-year growth of the segmental revenue of 18.7% to approximately S$9.3 million. The segmental profit was approximately S$432,000, representing an increase of approximately S$59,000 or 15.8% when compared to the same period last year.

As a result of the factors above, the Group has secured two new general construction projects with a total contract value of approximately S$47,800 during the period under review. The Group had 12 ongoing projects in the general construction segment as of 30 June 2018.

PROSPECTS

The economy of Singapore continued its growth momentum in the first half of 2018 which has convinced the Ministry of Trade and Industry ("**MTI**") to forecast the Gross Domestic Product to grow 2.5% to 3.5% this year. The positive economic outlook is partially offset by the mediocre performance of the construction sector due to the earlier weakness in the public sector construction output. Fortunately, the construction demand is steadily on the rise as the MTI has recorded an increase in construction contracts awarded as a result of the growing number of infrastructural projects launched by the Singapore Government. In view of gradual recovery, the Group remains cautiously optimistic towards the future development of the construction industry.

As the second half of the year is conventionally the peak season of the construction industry, the Group expects an increase in the number of construction projects. With our experience and proven track record in obtaining projects, this would provide us with an excellent opportunity to bolster our business performance. As the construction demand is gradually increasing, the Group will double its efforts and allocate additional resources to secure more projects, particularly in the earthworks and related services segment, which generates most of the Group's revenue and profit. Meanwhile, the Group will also continue to tender projects with relatively high profit margin in the general construction segment. To seize any arising opportunities in the market, the Group is determined to increase its capacity to handle a greater number of projects by raising capital commitments in acquiring tipper trucks, excavators, and other relevant equipment. Extending from our previous efforts, the Group also expects to complete the upgrading of the Group's general contractor grade from level B1 to A2 by year 2019. This would raise our tendering limit from S$40 million to S$85 million, thus enlarge our capacity.

In addition, the Group entered into an acquisition agreement ("**Acquisition Agreement** ") for acquiring an investment holding company – Cosmic Achiever Holdings Limited ("**Cosmic Achiever**") on 11 December 2017. Upon completion of the acquisition, the Group will receive stable rental income from the property owned by Cosmic Achiever, a shopping complex located in Yangjiang City, Guangdong Province, China. Since it is the only shopping complex in the area, the Group is confident about its growth potential, both in value and rental income. The Group will announce timely if there is any update regarding the acquisition. Upon the completion of the acquisition, the Group believes it can strengthen our financial position and provide more resources to develop our businesses in the long term.

FINANCIAL REVIEW

Revenue and gross profit

	For six months ended 30 June 2018			For six months ended 30 June 2017		
	Revenue recognised S$'000	Gross profit S$'000	Gross profit margin	Revenue recognised S$'000	Gross profit S$'000	Gross profit margin
Earthworks and related services	**41,856**	**5,465**	**13.1%**	31,525	4,753	15.1%
General construction works	**9,276**	**432**	**4.7%**	7,817	373	4.8%
Total	**51,132**	**5,897**	**11.5%**	39,342	5,126	13.0%

For the six months ended 30 June 2018, the Group recorded an unaudited revenue of approximately S$51.1 million, representing a year-on-year increase of approximately S$11.8 million or 30.0% from approximately S$39.3 million. The increase was mainly attributable to the growth in both earthworks and related services and general construction segments.

Attributable to the rise in revenue, gross profit of the Group increased by approximately S$771,000 or 15.0%, from approximately S$5.1 million to approximately S$5.9 million. However, the gross profit margin showed a slight adjustment from approximately 13.0% for the last corresponding period to approximately 11.5%, as a result of the increase in operating costs mainly due to the 24.5% surge in diesel price during the first half of 2018, and the higher than proportionate increase in direct costs.

For the six months ended 30 June 2018, earthworks and related services segment contributed approximately 81.9% of our revenue, a modest increase compared to approximately 80.1% in the last corresponding period. Whereas, general construction segment accounted for the remaining approximately 18.1% of our revenue.

Earthworks and related services

As at 30 June 2018, the Group had 95 ongoing earthworks and related services projects compared to 92 projects for the year ended 31 December 2017, with an aggregate contract sum of approximately S$214.0 million, increased from approximately S$193.3 million for the year ended 31 December 2017. Approximately S$169.5 million of the aggregate contract sum has been recognised as revenue, with an estimated remaining balance of approximately S$44.6 million to be recognised in the second half of 2018 onwards.

Management Discussion and Analysis

The revenue generated from the earthworks and related services recorded an increase of approximately S$10.3 million or 32.8% during the six months ended 30 June 2018, from approximately S$31.5 million for the last corresponding period to approximately S$41.9 million, due to the Group's relentless efforts in securing projects from both public and private sectors.

The segmental profit has also increased by approximately S$0.7 million or 15.0% to approximately S$5.5 million as a result of our flexible policy in acquiring projects between public and private sectors, which allowed us to seize new development opportunities and tendered projects that were relatively profitable.

General Construction Works

As at 30 June 2018, the Group had 12 ongoing general construction projects compared to 13 projects for the year ended 31 December 2017, with an aggregate contract sum improving to approximately S$109.4 million, from approximately S$107.8 million for the year ended 31 December 2017. Approximately S$89.8 million of the aggregate contract sum has been recognised as revenue, with an estimated remaining balance of approximately S$19.6 million to be recognised in the second half of 2018 onwards.

The revenue generated from the general construction segment has increased from approximately S$7.8 million for the last corresponding period to approximately S$9.3 million, representing a year-on-year growth of 18.7%, thanks to the Group's flexible strategy to tender general construction projects during the period under review.

As a result of the Group's measures in adopting a strategic tendering policy to exclusively targeted projects with relatively high profit margin, the segmental profit increased by approximately S$59,000 or 15.8% to approximately S$432,000 when compared to the same period last year.

Other income and gains

For the six months ended 30 June 2018, other income and gains increased by approximately S$189,000 or 28.0%, from approximately S$675,000 for the last corresponding period to approximately S$864,000. The increase was attributable to the significant increase in gains on disposals of property, plant and equipment along with sales of scrap materials and consumables.

Administrative and other operating expenses

For the six months ended 30 June 2018, administrative and other operating expenses increased by approximately S$366,000 or 12.9%, from approximately S$2,829,000 for the last corresponding period to approximately S$3,195,000. The increase was mainly attributable to the rise in staff expenses including workforce expansion and professional fee.

Other expenses

For the six months ended 30 June 2018, other expenses increased by approximately S$126,000 or 22.7%, from approximately S$556,000 during the last corresponding period to approximately S$682,000, as a result of the increase in bad debt and provision for impairment of trade and other receivables.

Finance costs

For the six months ended 30 June 2018, finance costs increased by approximately S$73,000 or 48.7%, from approximately S$150,000 for the last corresponding period to approximately S$223,000. This increase was principally due to the increase in interest of finance lease for the acquisition of machinery.

Income tax expenses

For the six months ended 30 June 2018, income tax expenses increased by approximately S$55,000 or 14.2%, from approximately S$387,000 to approximately S$442,000, as our profit before income tax increased from approximately S$2,266,000 for the last corresponding period to approximately S$2,661,000.

Profit after tax and net profit margin

Combining the effects of the above factors, the Group recorded profit after tax amounted to approximately S$2,219,000, an increase of approximately S$340,000 or 18.1% from approximately S$1,879,000 for the six months ended 30 June 2017. Net profit margin was approximately 4.3% for the six months ended 30 June 2018, compared with approximately 4.8% in the last corresponding period.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

The Group usually meets its working capital requirements and maintains a healthy financial position with internal financial resources. During the period under review, the Group relied on internal generated funds, net proceeds from the global offering, and borrowings as the major sources of liquidity. For the six months ended 30 June 2018, the Group generated a net cash inflow from operating activities of approximately S$2.3 million, representing an increase of 1.93 times from approximately S$0.8 million in the last corresponding period, mainly attributable to the drop in net income tax paid.

As at 30 June 2018, the Group had cash and cash equivalents of approximately S$36.2 million, increased from approximately S$34.3 million for the year ended 31 December 2017; out of which approximately S$34.2 million was cash and bank balances and S$2.0 million was time deposits with original maturity of less than three months.

Use of proceeds

The net proceeds from the global offering was approximately S$26.5 million (after deducting underwriting fees, commissions and listing expenses), out of which approximately S$13 million has been utilised as at 31 July 2018.

Intended applications	Net actual proceeds	Amount utilised as at 31 July 2018	Balance as at 31 July 2018
	S$'000	S$'000	S$'000
Purchase of excavation machines and tipper trucks	11,129	5,890	5,239
Purchase of softwares	2,085	424	1,661
Secure earth filling projects	6,607	–	6,607
Expand workforce	4,414	4,414	–
Working capital	2,247	2,247	–
	26,482	12,975	13,507

Borrowings and gearing ratio

As at 30 June 2018, The Group had no current and non-current bank borrowings. The Group had an aggregate of current and non-current finance lease obligations of approximately S$17.0 million, increased from approximately S$13.4 million for the year ended 31 December 2017. The increase in our finance lease obligation was mainly due to the purchase of plant and equipment under finance lease arrangements. As at 30 June 2018, we had unutilised credit facilities of approximately S$20.9 million, slightly increased from approximately S$20.8 million for the year ended 31 December 2017.

As at 30 June 2018, the Group's gearing ratio was approximately 0.18 times, slightly increased from approximately 0.15 times for the year ended 31 December 2017. Gearing ratio is calculated by dividing total borrowings (bank borrowings and finance lease obligations) by total equity as at the end of the respective period.

Foreign exchange exposure

As the Group's operations are mainly in Singapore, most transactions arising from its businesses were usually settled in Singapore Dollars which was the functional currency of the Group. Except for a portion of the cash and cash equivalents generated from the global offering was denominated in Hong Kong Dollars and a small portion denominated in United States Dollars, the Group was not exposed to any significant foreign currency risk nor had employed any financial instrument for hedging.

Charges on Group's assets

As at 30 June 2018, the Group's bank borrowings were secured by (i) the pledge of the Group's deposit of approximately S$3.3 million, same amount as at 31 December 2017; and (ii) the investment property of the Group with net book amount of approximately S$1.3 million, the same amount as at 31 December 2017. The Group's finance lease obligations were secured by the charge over leased assets with a net book value of approximately S$19.8 million, compared to approximately S$15.3 million for the year ended 31 December 2017.

Contingent liabilities

As at 30 June 2018, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$8.7 million compared to approximately S$7.2 million for the year ended 31 December 2017.

Capital expenditures and capital commitments

For the six months ended 30 June 2018, the Group invested approximately S$8.2 million in the purchase of property, plant and equipment, which was mainly funded by our finance lease obligations and proceeds from listing.

As at 30 June 2018, the Group's capital commitments in respect of the acquisition of property, plant and equipment amounted to approximately S$7.4 million compared to approximately S$4.4 million for the year ended 31 December 2017. The Group's capital commitments in respect of a company maintained at approximately S$65.9 million which was the same amount as for the year ended 31 December 2017.

Significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures

Advanced Data Global Limited, a wholly-owned subsidiary of the Group entered into an Acquisition Agreement to purchase the entire issued share capital of Cosmic Achiever at a consideration of RMB380,000,000 (the "**Acquisition**") on 11 December 2017. Upon completion, Cosmic Achiever will become a wholly-owned subsidiary of the Group, and the financial results, assets and liabilities of Cosmic Achiever will be consolidated into the financial statements of the Group.

As at 30 June 2018, the completion of the Acquisition is subject to the fulfillment of certain conditions. Hence, on 11 July 2018, the Group has further extended the Long Stop Date and the date of payment of the Second Deposit to a date on or before 11 October 2018 or such other date as the Group and the vendor may otherwise agree.

EMPLOYEES

As at 30 June 2018, the Group had 521 (31 December 2017: 506) employees including foreign workers.

The employees of the Group were remunerated according to their job duties. All employees were also entitled to discretionary bonus depending on their respective performance. The foreign workers were typically employed on one-year basis depending on the period of their work permits, and subject to renewal based on their performance and were remunerated according to their work skills.

Total staff costs including Directors' emoluments amounted to approximately S$9.6 million for the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately S$8.7 million).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN EQUITY OR DEBT SECURITIES

As at 30 June 2018, the interests of the directors (the "**Directors**") and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("**SFO**"), or as otherwise notified to the Company and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**"), The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") were as follows:

Aggregate long positions (L) in the shares and underlying shares of the Company

Name of Director/ Chief Executive	Nature of interest and capacity	Number of shares of the Company	Approximate percentage of interest in the issued share capital of the Company as at 30 June 2018
Mr. Lim Kui Teng ("**Mr. Alan Lim**")	Interest of controlled corporation *(Note 1)*	529,125,000 (L)	51.05%
Ms. Yee Say Lee ("**Ms. Yee**")	Interest of spouse *(Notes 1 and 2)*	529,125,000 (L)	51.05%

Note(s):

(1) The entire issued share capital of Brewster Global Holdings Limited ("**Brewster Global**") is beneficially owned by Mr. Alan Lim who is deemed to be interested in all the shares of the Company held by Brewster Global by virtue of the SFO. Mr. Alan Lim is a substantial shareholder and Executive Director of the Company.

(2) Ms. Yee is the spouse of Mr. Alan Lim and deemed to be interested in the shares of the Company indirectly held by Mr. Alan Lim through Brewster Global.

Save as disclosed above, none of the directors or chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2018.

SHARE OPTION SCHEME

Pursuant to the shareholders resolutions passed on 10 May 2016, the Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") by the shareholders of the Company. During the six months ended 30 June 2018 ("**Interim Period**"), the Company has not issued any option to any participant under the Share Option Scheme.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN EQUITY OR DEBT SECURITIES" and in the section headed "SHARE OPTION SCHEME" above:

(a) at no time during the Interim Period was the Company, any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate; and

(b) none of the Directors; or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the Interim Period.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SECURITIES OF THE COMPANY

As at 30 June 2018, so far as is known to any Director or chief executive of the Company, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had interest, or short positions in the shares or underlying shares in respect of equity derivatives of the company as regarded in the register of substantial shareholders required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Aggregate long positions (L) in the shares and underlying shares of the Company

Name of shareholder(s)	Nature of interest and capacity	Number of shares of the Company	Approximate percentage of interest in the issued share capital of the Company as at 30 June 2018
Brewster Global	Beneficial owner *(Note 1)*	529,125,000 (L)	51.05%
Mr. Alan Lim	Interest of controlled corporation *(Note 1)*	529,125,000 (L)	51.05%
Ms. Yee	Interest of spouse *(Notes 1 and 2)*	529,125,000 (L)	51.05%

Note(s):

(1) The entire issued share capital of Brewster Global is beneficially owned by Mr. Alan Lim who is deemed to be interested in all the shares of the Company held by Brewster Global by virtue of the SFO. Mr. Alan Lim is a substantial shareholder and Executive Director of the Company.

(2) Ms. Yee is the spouse of Mr. Alan Lim and deemed to be interested in the shares of the Company indirectly held by Mr. Alan Lim through Brewster Global.

Save as disclosed herein, as at 30 June 2018, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares in respect of equity derivatives of the Company which had been recorded in the register of substantial shareholders required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the issued shares.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Interim Period, none of the Directors or the controlling shareholders of the Company or controlling shareholder of their respective associates of the Company (as defined in the Listing Rules) has any interest in a business which competed with or might compete with the business of the Group. In particular, Mr. Lim Kui Teng, being a Chairman, executive Director and the controlling shareholder of the Company, declared that he did not engage in business competed or might compete with the business of the Group during the Interim Period and he has complied with the undertaking given under the Deed of Non-Competition as disclosed in the prospectus of the Company dated 25 May 2016. The independent non-executive Directors did not notice any incident of non-compliance of such undertaking.

CORPORATE GOVERNANCE

In the opinion of the directors, except below, the Company has complied with the applicable code provisions (the "**Code Provision(s)**") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2018.

The roles of the chairman (the "**Chairman**") and the chief executive officer (the "**Chief Executive Officer**") of the Company are served by Mr. Lim Kui Teng and have not segregated as repaired under Code Provision A.2.1. However, the Company considers that the combination of the roles of the Chairman and the Chief Executive Officer will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company.

CODES FOR SECURITIES TRANSACTION BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. All Directors, following specific enquiries made by the Company, have confirmed that they have complied with the required standard as set out in the Model Code during the Interim Period.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees who, because of office or employment, are likely to be in possession of inside information in relation to the Company's securities has been requested to follow such code when dealing in the securities of the Company.

CHANGES IN DIRECTOR' INFORMATION

There is no change in information on Directors since the date of the Annual Report 2017 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company established on 10 May 2016, which comprised of three independent non-executive directors namely, Mr. Lee Cheung Yuet, Horace (Chairman), Mr. Phang Yew Kiat and Mr. Ng Ka Lok.

At the request of the audit committee of the Company (the "**Audit Committee**"), BDO Limited, the auditor of the Company, has performed certain agreed-upon procedures on the Group's interim condensed consolidated financial statements for the Reporting Period in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**").

The agreed-upon procedures were performed solely to assist the Audit Committee to review the interim results of the Reporting Period of the Group. Because the agreed-upon procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, the auditor of the Company does not express any assurance on the interim results of the Company. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial information of the Group for the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the Interim Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its shares as required under the Listing Rules throughout the Interim Period.

On behalf of the Board

Mr. Lim Kui Teng
Chairman

29 August 2018