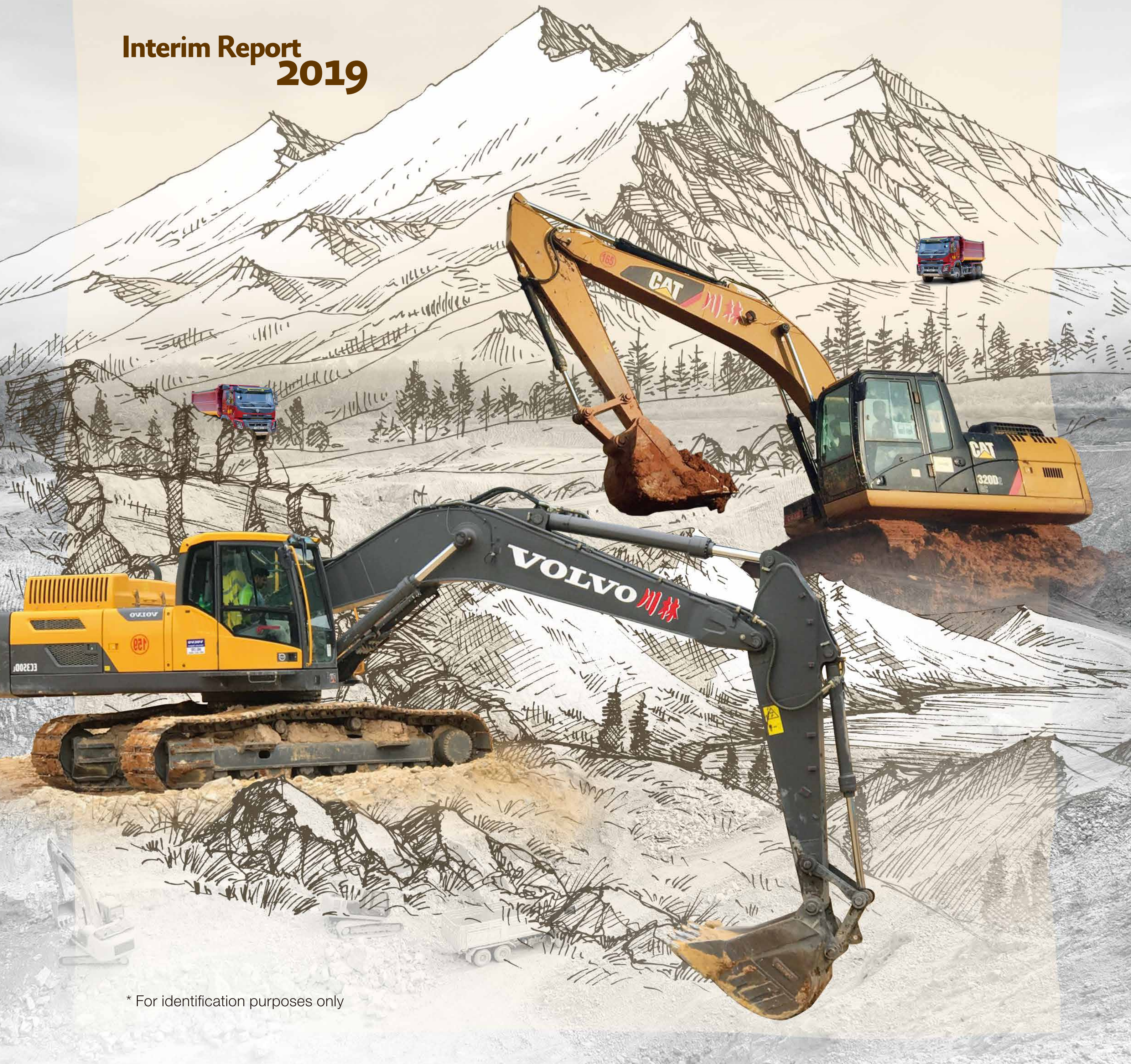
Chuan Holdings Limited
川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code：1420

Interim Report 2019



* 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

AUTHORISED 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 54, 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 2019

		Six months ended 30 June	
	Notes	**2019**	2018
		S$'000	S$'000
		(Unaudited)	(Unaudited)
Revenue	5	**32,968**	51,132
Direct costs		**(29,214)**	(45,235)
Gross profit		**3,754**	5,897
Other income and gains	5	**1,693**	864
Administrative and other operating expenses		**(3,224)**	(3,195)
Other expenses		**(167)**	(682)
Finance costs	6	**(575)**	(223)
Profit before income tax	7	**1,481**	2,661
Income tax expense	8	**(250)**	(442)
Profit for the period		**1,231**	2,219
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(158)**	469
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**(18)**	(36)
Other comprehensive income for the period, net of tax		**(176)**	433
Total comprehensive income for the period attributable to the owners of the Company		**1,055**	2,652
Earnings per share attributable to owners of the Company			
– Basic and diluted (S cents)	9	**0.12**	0.21

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 S$'000 (Unaudited)	31 December 2018 S$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**2,369**	26,139
Investment property		**1,329**	1,334
Right-of-use assets	*12*	**34,168**	–
Other assets		**373**	373
Deposits and other receivables		**143**	308
Financial assets at fair value through profit or loss		**1,409**	1,409
Financial assets at fair value through other comprehensive income		**1,055**	1,073
Financial assets at amortised costs		**1,250**	1,250
		42,096	31,886
Current assets			
Contract assets		**18,959**	18,292
Trade receivables	*13*	**14,693**	20,142
Deposits, prepayments and other receivables		**9,973**	13,845
Pledged deposits	*14*	**3,328**	3,328
Cash and cash equivalents	*14*	**42,873**	36,664
		89,826	92,271
Current liabilities			
Contract liabilities		**1,775**	2,124
Trade payables	*16*	**4,402**	6,236
Other payables, accruals and deposits received		**1,787**	2,990
Lease liabilities		**14,830**	–
Finance lease obligations		**–**	13,941
Income tax payable		**543**	552
		23,337	25,843
Net current assets		**66,489**	66,428
Total assets less current liabilities		**108,585**	98,314

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Note	30 June 2019 S$'000 (Unaudited)	31 December 2018 S$'000 (Audited)
Non-current liabilities			
Lease liabilities		**14,631**	–
Finance lease obligations		**–**	5,415
Deferred tax liabilities		**242**	242
		14,873	5,657
Net assets		**93,712**	92,657
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*15*	**1,807**	1,807
Reserves		**91,905**	90,850
Total equity		**93,712**	92,657

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital S$'000 (Note 15)	Share premium S$'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 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									
Change 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**
At 1 January 2019	**1,807**	**27,860**	**–**	**5,166**	**(378)**	**–**	**(170)**	**58,372**	**92,657**
Profit for the period	–	–	–	–	–	–	–	1,231	1,231
Other comprehensive income									
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(18)	–	(18)
Exchange differences arising on translation	–	–	–	–	(158)	–	–	–	(158)
Total comprehensive income for the period	–	–	–	–	(158)	–	(18)	1,231	1,055
At 30 June 2019 (unaudited)	**1,807**	**27,860**	**–**	**5,166**	**(536)**	**–**	**(188)**	**59,603**	**93,712**

* *HKFRS 9 – Financial Instruments*

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	**11,494**	2,566
Income tax paid, net	**(259)**	(316)
Net cash generated from operating activities	**11,235**	2,250
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**330**	771
Proceed of disposal of financial assets a fair value through other comprehensive income	**–**	150
Purchases of property, plant and equipment	**(201)**	(1,137)
Interest received	**177**	20
Dividend received	**51**	12
Net cash generated from/(used in) investing activities	**357**	(184)
Cash flows from financing activities		
Interest element on finance lease payments	**–**	(220)
Capital element of finance lease obligations	**–**	(308)
Interest element on lease liabilities	**(575)**	–
Capital element on lease liabilities	**(4,650)**	–
Repayment of bank borrowings	**–**	(127)
Increase in pledged deposits	**–**	(7)
Interests paid	**–**	(3)
Net cash (used in) financing activities	**(5,225)**	(665)
Net increase in cash and cash equivalents	**6,367**	1,401
Cash and cash equivalents at beginning of the period	**36,664**	34,309
Effect of foreign exchange rate changes, net	**(158)**	469
Cash and cash equivalents at end of the period	**42,873**	36,179
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**23,475**	34,179
Time deposits with maturity less than three months	**19,398**	2,000
	42,873	36,179

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

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 place of business is located at 20 Senoko Drive, Singapore 758207.

The principal activity of the Company is investment holding while the Company's subsidiaries are engaged in provision of earthworks and ancillary services and general construction works 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 interim financial statements for the six months ended 30 June 2019 were approved and authorised for issue by the Board on 30 August 2019.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group have been prepared in accordance with 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 disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The condensed consolidated interim financial statements do not include 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 2018 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 judgements, 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 the condensed consolidated interim financial statements are consistent with those followed in the preparation of the 2018 annual financial statements, except for the adoption of new and amended standards effective for annual periods beginning on or after 1 January 2019 as set out below. The Group has not early adopted any other standard, interpretation of amendment that has been issued but is not yet effective.

The impact of the adoption of HKFRS 16 Leases have been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(A) HKFRS 16 – Leases ("HKFRS 16")

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening interim condensed consolidated statement of financial position on 1 January 2019.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use asset and a lease liability, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to paragraphs (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits (if any) at the date of initial application. The comparatives for the 2018 reporting period have not been restated and continue to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(A) HKFRS 16 – Leases ("HKFRS 16") (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following tables summarised the impact of transition to HKFRS 16 on the condensed consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	S$'000
Condensed consolidated statement of financial position as at 1 January 2019:	
Right-of-use assets	**22,976**
Property, plant and equipment	**(22,976)**
Lease liabilities (non-current)	**5,415**
Lease liabilities (current)	**13,941**
Finance lease obligations (non-current)	**(5,415)**
Finance lease obligations (current)	**(13,941)**

There were no right-of-use assets nor lease liabilities relating to operating leases recognised as at 1 January 2019 because there was no operating lease commitment as at 31 December 2018. Lease liabilities, if any, were recognised based on the present value of the remaining lease payment, discounted using the incremental borrowing rate at 1 January 2019.

In relation to assets previously held under finance leases obligations, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 of approximately S$22,976,000 as right-of-use assets. In addition, the Group reclassified the finance lease obligations of approximately S$13,941,000 and S$5,415,000 to lease liabilities as current and non-current liabilities, respectively at 1 January 2019.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(A) HKFRS 16 – Leases ("HKFRS 16") (Continued)

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased mobile phones, laptop computers and photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(A) HKFRS 16 – Leases ("HKFRS 16") (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying assets during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, such as a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(A) HKFRS 16 – Leases ("HKFRS 16") (Continued)

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting requirements under HKFRS 16 for a lessor are substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have any significant impact on these condensed consolidated interim financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effects of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 January 2019). The comparatives for the 2018 reporting period have not been restated and continue to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has also leased majority of its plant and equipment which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

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 ancillary services, mainly include excavation, earth disposal, demolition and various earthwork ancillary services (collectively referred as "**Earthworks & Ancillary Services**"); 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, gain on disposals 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 include Director's emoluments, employee benefit expenses, depreciation of office equipment, operating lease expenses and other centralised 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 2019 (unaudited)

	Earthworks & Ancillary Services S$'000	**General Construction Works S$'000**	**Total S$'000**
Revenue from external customers	**28,945**	**4,023**	**32,968**
Reportable segment results	**3,415**	**705**	**4,120**
Unallocated other income and gains			**585**
Corporate and other unallocated expenses			**(3,224)**
Profit before income tax			**1,481**

For the six months ended 30 June 2018 (unaudited)

	Earthworks & Ancillary Services 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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

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

Reportable segment assets

	As at 30 June 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
Earthworks & Ancillary Services	**51,947**	54,923
General Construction Works	**6,748**	9,292
Total	**58,695**	64,215
Additions to non-current segment assets		
Earthworks & Ancillary Services	**3,555**	12,233
General Construction Works	**–**	–
Total	**3,555**	12,233

	As at 30 June 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
Reportable segments assets	**58,695**	64,215
Corporate and unallocated assets	**73,227**	59,942
Group assets	**131,922**	124,157

Corporate and other unallocated assets mainly include right-of-use assets, deposits, prepayments paid for operating leases and office expenses, other receivables due from related parties and vendor in respect of the 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 segments:

Reportable segment liabilities

	As at 30 June 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
Earthworks & Ancillary Services	**23,962**	25,835
General Construction Works	**531**	1,881
Total	**24,493**	27,716

	As at 30 June 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
Reportable segment liabilities	**24,493**	27,716
Corporate and unallocated liabilities	**13,717**	3,784
Group liabilities	**38,210**	31,500

Corporate and other unallocated liabilities mainly include lease liabilities, accruals for employee benefit expenses, and payables 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 & Ancillary Services and General Construction Works. Revenue recognised during the respective periods is as follows:

	Six months ended 30 June	
	2019	2018
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Earthworks & Ancillary Services *(Note)*	**28,945**	41,856
General Construction Works	**4,023**	9,276
Total	**32,968**	51,132

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

	Six months ended 30 June	
	2019	2018
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Transferred over time:		
Earthworks & Ancillary Services *(Note)*	**28,945**	41,856
General Construction Works	**4,023**	9,276
Total	**32,968**	51,132

Note:

Earthworks & Ancillary Services include revenue of approximately S$25,641,000 from earthworks and approximately S$3,304,000 from earthwork ancillary services.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

	Six months ended 30 June	
	2019	2018
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Other income		
Management service income	**80**	80
Interest income on financial assets carried at amortised cost	**177**	20
Bad debts recovered	**963**	139
Rental income from investment property	**53**	59
Dividend income from financial assets at fair value through other comprehensive income	**51**	12
Sales of scrap materials and consumables	**75**	137
Others	**135**	114
	1,534	561
Gains		
Gains on disposals of property, plant and equipment	**155**	292
Net foreign exchange gain	**4**	11
	159	303
	1,693	864

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on finance leases	**–**	220
– Interest on lease liabilities	**575**	–
– Interest on bank loans wholly repayable within five years	**–**	3
	575	223

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment *	**381**	3,384
Depreciation of investment property **	**6**	6
Depreciation of right-of-use assets ***	**4,642**	–
Direct operating expenses arising from investment property that generated rental income	**12**	12
Operating lease rental expenses in respect of:		
– Office equipment and machineries	**2,948**	9,139
– Warehouses, premises, dormitories and workshops	**47**	1,118
	2,995	10,257
Employee benefit expenses (including Directors' remuneration)		
– Salaries, wages and bonuses	**7,350**	7,797
– Defined contribution	**326**	311
– Other short-term benefits	**1,186**	1,489
	8,862	9,597
Provision for impairment of trade and other receivables	**167**	682

* *Depreciation of property, plant and equipment amounted to approximately S$300,000 (six months ended 30 June 2018: approximately S$3,298,000) has been included in direct costs and approximately S$81,000 (six months ended 30 June 2018: approximately S$86,000) in administrative and other operating expenses.*

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

*** *Depreciation of right-of-use assets amounted to approximately S$4,587,000 has been included in direct costs and approximately S$55,000 in administrative and other operating expenses.*

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Current tax – Singapore income tax		
Tax for the period	**250**	442

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 2019 and 2018.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2019 is based on the profit attributable to owners of the Company of approximately S$1,231,000 (six months ended 30 June 2018: approximately: S$2,219,000), and on the weighted average number of 1,036,456,000 (six months ended 30 June 2018: 1,036,456,000) 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 diluted potential ordinary shares during the periods.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group incurred capital expenditures of approximately S$1,014,000 (30 June 2018: approximately S$4,170,000) in plant and machinery, approximately S$18,000 (30 June 2018: approximately S$242,000) in furniture, fixtures and office equipment, and approximately S$2,541,000 (30 June 2018: approximately S$3,745,000) in motor vehicles.

Items of property, plant and equipment with net book value amounting to approximately S$175,000 were disposed of during the six months ended 30 June 2019 (30 June 2018: approximately S$479,000), resulting in a gain on disposal of approximately S$155,000 (30 June 2018: approximately S$292,000).

12. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group recognised right-of-use assets with a cost of approximately S$15,834,000 and the depreciation of right-of-use assets recognised in unaudited condensed consolidated statement of comprehensive income was approximately S$4,642,000.

13. TRADE RECEIVABLES

	Notes	**As at 30 June 2019 S$'000 (Unaudited)**	As at 31 December 2018 S$'000 (Audited)
Trade receivables		**12,674**	16,112
Retention receivables	*(a)*	**4,477**	7,284
		17,151	23,396
Less: Provision for impairment of trade receivables		**(2,458)**	(3,254)
		(14,693)	(20,142)

(a) Some construction contacts stipulated that the customers withhold a portion of the total contract sum (usually 5%) until a specified period (usually 1 year) after completion of the contract. Retention receivables are unsecured and interest-free.

(b) During the Reporting Period, the credit period granted to the Group's customers is generally within 30 days (31 December 2018: 30 days) from invoice date of the relevant contract revenue.

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

	As at 30 June 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
0 to 30 days	**5,399**	5,856
31 to 90 days	**3,132**	4,149
91 to 180 days	**1,751**	1,230
181 to 365 days	**719**	1,798
Over 365 days	**–**	753
	11,001	13,786
Retention receivables	**3,692**	6,356
	14,693	20,142

13. TRADE RECEIVABLES (CONTINUED)

(c) (Continued)

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

	As at 30 June 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
Neither past due nor impaired	**5,399**	5,856
0 to 30 days past due	**1,270**	1,717
31 to 90 days past due	**2,833**	3,202
91 to 180 days past due	**1,260**	485
181 to 365 days past due	**239**	1,791
Over 365 days past due	**–**	735
	11,001	13,786
Retention receivables	**3,692**	6,356
	14,693	20,142

The Group's trade receivables as at the reporting dates that were neither past due nor 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 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
Balance at beginning of the period/year	**3,254**	3,013
Impact of initial application of HKFRS 9 - financial instruments	**–**	787
Restated balance at 1 January	**3,254**	3,800
Impairment losses	**167**	922
Bad debts recovered	**(963)**	(1,468)
	2,458	3,254

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

14. CASH AND CASH EQUIVALENTS

	As at 30 June 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
Cash and bank balances	**26,803**	39,992
Time deposits with an original maturity of less than three months	**19,398**	–
	46,201	39,992
Less: Pledged deposits *(Note)*	**(3,328)**	(3,328)
Cash and cash equivalents	**42,873**	36,664

Note:

As at 30 June 2019 and 31 December 2018, 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$18,500,000 (31 December 2018: approximately S$20,500,000).

15. SHARE CAPITAL

	Number of shares		Share capital	
	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)	**As at 30 June 2019 S$'000 (Unaudited)**	As at 31 December 2018 S$'000 (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 and end of the period/year	**1,036,456,000**	1,037,500,000	**1,807**	1,808
Cancellation of shares	**–**	(1,044,000)	**–**	(1)
At end of the period/year	**1,036,456,000**	1,036,456,000	**1,807**	1,807

The Company cancelled 1,044,000 shares on 8 January 2018, which were repurchased on the Stock Exchange in October 2017.

16. TRADE PAYABLES

	As at 30 June 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
Trade payables	**4,263**	5,844
Retention payables	**139**	392
	4,402	6,236

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

Ageing analysis of trade payables, based on invoice date, is as follows:

	As at 30 June 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
0 to 30 days	**2,135**	2,765
31 to 90 days	**396**	1,223
91 to 180 days	**182**	498
Over 180 days	**1,689**	1,750
	4,402	6,236

17. COMMITMENTS

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

	As at 30 June 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
Contracted but not provided for, in respect of acquisition of property, plant and equipment	**782**	3,100

18. OPERATING LEASE ARRANGEMENTS

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 2019 S$'000 (Unaudited)	As at 31 December 2018 S$'000 (Audited)
Within one year	**109**	15
Within second to fifth year	**78**	–
	187	15

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.

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	
	2019	2018
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Construction contract work and ancillary services income received from related parties *(Note)*	**1,807**	710
Sales of scrap materials and consumables to related parties	**–**	1
Sales of property, plant and equipment to related parties	**–**	269
Construction costs and related supporting service fees charged by related parties *(Note)*	**1,580**	2,083
Rental expenses charged by a related party *(Note)*	**48**	48

Note:

These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. For details of the continuing connected transactions, please refer to the section headed "Major Connected Transactions" in the Management Discussion and Analysis. Apart from these transactions, none of the other related party transactions mentioned in Note 19 fall under the definition of continuing connected transactions as defined under Chapter 14A of the Listing Rules.

The Directors of the Company are of the opinion that the above related party transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the terms of the agreements governing such transactions.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

20. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of Directors and other members of key management for the six months ended 30 June 2019 and 2018 were as follows:

	Six months ended 30 June	
	2019	2018
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**988**	1,005

21. CONTINGENT LIABILITIES

Performance bonds and guarantees provided for ordinary course of business

As at 30 June 2019, 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$7,882,000 (31 December 2018: approximately S$8,791,000). The guarantees in respect of performance bonds issued by banks are secured by pledged deposits (Note 14).

22. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after 30 June 2019.

23. APPROVAL OF THE INTERIM REPORT

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 were approved and authorised for issue by the Board on 30 August 2019.

BUSINESS REVIEW

Overall Performance

The Group has built a formidable reputation on its quality works with safety, workmanship, on-time delivery and value-for-money. During the six months ended 30 June 2019, the Group recorded a revenue of approximately S$33.0 million (six months ended 30 June 2018: approximately S$51.1 million), representing an approximately 35.5% year-on-year decrease. The decrease was attributable to substantial completion of work relating to Kuala Lumpur-Singapore High Speed Rail **(HSR)** project in year 2018 and the poor market environment in the Reporting Period. Nevertheless, leveraging its vast experience and expertise, the Group successfully secured two sizable projects during the Reporting Period, namely the Tuas Water Reclamation project for the Earthworks & Ancillary Services segment; and the upgrading project by the Housing and Development Board for the General Construction Works segment, respectively.

Against the backdrop of external economic challenges and in the face of fierce market competition, the Group implemented several measures to safeguard profitability and improve efficiency, including adopting a flexible mechanism for diesel consumption and strategically giving up the tendering of projects with very minimal or no profit. However, the rising diesel prices emerged to partly offset the effectiveness of these cost control measures. Gross profit and gross profit margin were approximately S$3.8 million (six months ended 30 June 2018: approximately S$5.9 million) and approximately 11.4% (six months ended 30 June 2018: approximately 11.5%), respectively.

In order to gain greater core competence and capacity in fending off stiff competition to secure more projects, the Group has allocated additional resources to purchase excavation machines and tipper trucks at a total cost of approximately S$3.6 million. In particular, the Group acquired 18 tipper trucks with Euro 6 standards during the Reporting Period. The new environmentally friendly tipper trucks consume less fuel and help lower the impacts by the diesel price hike on operational costs.

Industry Review

The global economy continued to be undermined by uncertainties such as escalating China-U.S. trade dispute and political turmoil across the globe, including the stagnation in the denuclearisation process of North Korea and the Brexit deadlock. These factors continued to cloud the outlook with heightened downside risks. Singapore experienced a sharp economic slowdown in 2019. The Singapore economy grew at 1.2% on a year-on-year basis in the first quarter of 2019, slightly lower than the 1.3% in the previous quarter. The country's economic growth even slowed to a meager 0.1% in the second quarter, the lowest in a decade.

Management Discussion and Analysis

The construction sector, supported by demand for public sector construction work, outperformed the country's economy by growing at 2.8% and 2.9% year-on-year in the first and second quarters, respectively, a turnaround after three consecutive years of contraction. Nevertheless, the market environment was still challenging. The Singapore government's introduction of the cooling measures by raising the Additional Buyer's Stamp Duty rates and tightening loan-to-value (LTV) limits on residential property purchases in July 2018 dampened the growth of the property market. Home sales, including new sales, sub-sales and resales, fell by 11.5% in 2018 to 22,139 units, according to the Urban Redevelopment Authority of Singapore. The postponement of HSR project, subdued activity in private and public building projects, along with the abundant supply of completed private housing projects and offices, caused a decrease of 8.1% in number of contracts in the first quarter of 2019 and a further declined of 1.9% in the second quarter, thus intensifying competition and squeezing profit margins. Faced with severe market environment, the Group doubled its efforts in cost control and adopted competitive pricing approach to secure new projects.

Earthworks & Ancillary Services

Earthworks & Ancillary Services projects remained the primary revenue source of the Group, which accounted for approximately 87.8% of its total revenue. The Group strived to attain a stronger market position and secure more projects in this segment. During the Reporting Period, with its efforts in reallocating more resources on the tenders, strategically targeting public infrastructures with relatively higher gross profits and lower risks, the Group recorded segmental revenue of approximately S$28.9 million (six months ended 30 June 2018: approximately S$41.9 million). The Group remained steadfast prudential initiatives to match its cost structure and operating environment and managed to decrease operating costs, which, nonetheless, was offset by the rising diesel costs during the Reporting Period. Segmental gross profit was approximately S$3.1 million (six months ended 30 June 2018: approximately S$5.5 million).

With extra efforts, the Group successfully obtained 18 new Earthworks & Ancillary Services projects with a total contract value of approximately S$95.5 million during the six months ended 30 June 2019, and had secured six new projects since 1 July 2019, with a total contract value of approximately S$36.2 million, including a sizable project in relation to Design and Construction of North-South Corridor Tunnel. As at 30 June 2019, the Group had a total of 90 ongoing Earthworks & Ancillary Services projects.

General Construction Works

While focusing on the Earthworks & Ancillary Services segment, the Group continued to reserve resources and set sights on tendering for sizable projects in General Construction Works segment. For the six months ended 30 June 2019, segmental revenue in the General Construction Works segment saw a decline to approximately S$4.0 million (six months ended 30 June 2018: approximately S$9.3 million). However, the Group's strategic tendering approach bore fruits as both gross profit and profit margin soared during the Reporting Period by approximately 54.2% and 11.9 percentage points to approximately S$666,000 and 16.6%, respectively.

During the six months ended 30 June 2019, the Group secured two sizable projects with a total contract value of approximately S$31.8 million and had 10 ongoing General Construction Works projects as at 30 June 2019.

PROSPECTS

Singapore, as a small and open economy that is heavily dependent on exports, continues to face global economic headwinds, the MTI forecasted that the economy is clocking its slowest growth in nearly a decade, with an expected GDP growth of only 1.5% to 2.5% in 2019. Fortunately, the outlook for construction industry is positive, as government investment in infrastructure projects and civil engineering works remains high, which is estimated to amount to S$26 billion in total in 2019.

Entering the traditional peak season of the construction industry in the second half of the year, and boosted by the upcoming large infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5, the Group anticipates a pick-up in the number of construction projects. To grasp these opportunities, the Group strives to complete the upgrading of the contractor grade from level B1 to A2 and continues to put its focus on promising operations, including the possibility of working with other reputable companies on tendering for new projects with higher contract value. Riding on the advanced technology and development capabilities, the Group is able to navigate the confusing tides, to keep up with the trend and reinforce its market position as the front-runner earthwork contractor in Singapore.

FINANCIAL REVIEW

Revenue and gross profit

	For six months ended 30 June 2019			For six months ended 30 June 2018		
	Revenue recognised S$'000	**Gross profit S$'000**	**Gross profit margin**	Revenue recognised S$'000	Gross profit S$'000	Gross profit margin
Earthworks & Ancillary Services	**28,945**	**3,088**	**10.7%**	41,856	5,465	13.1%
General Construction Works	**4,023**	**666**	**16.6%**	9,276	432	4.7%
Total	**32,968**	**3,754**	**11.4%**	51,132	5,897	11.5%

Impacted by the global economic backdrop and the intensified market competition during the Reporting Period as well as the high percentage of project relating to HSR project substantially completed in 2018, the Group recorded unaudited revenue of approximately S$33.0 million for the six months ended 30 June 2019, a year-on-year decrease of approximately S$18.1 million or 35.5% from approximately S$51.1 million. Accordingly, the gross profit and gross profit margin dropped by approximately 36.3% and 0.1 percentage points, respectively compared to the last corresponding period to approximately S$3.8 million and 11.4% respectively. The decrease was recognised as a lesser extent attributable to the Group's relentless efforts in controlling costs and improving operational efficiency.

Management Discussion and Analysis

Earthworks & Ancillary Services

For the six months ended 30 June 2019, Earthworks & Ancillary Services segment contributed approximately 87.8% of the revenue, a slight increase compared to approximately 81.9% in the last corresponding period. Despite the Group's continuous efforts in securing projects from both public and private sectors, the segmental revenue decreased by approximately 30.8% on a year-on-year basis to approximately S$28.9 million. Due to the significant decrease in revenue but not fully compensated by the decrease in direct costs during the Reporting Period as compare to 2018, the Group recorded segmental gross profit of approximately S$3.1 million, an approximately 43.5% decrease over the corresponding period in 2018.

As at 30 June 2019, the Group had 90 ongoing Earthworks & Ancillary Services projects compared to 82 projects for the year ended 31 December 2018, with an aggregate contract sum of approximately S$306.4 million. Approximately S$178.5 million of the aggregate contract sum has been recognised as revenue, with an estimated remaining balance of approximately S$128.0 million to be recognised in the second half of 2019 onward. The Group has also secured six new Earthworks & Ancillary Services projects with an aggregate contract sum of S$36.2 million since 1 July 2019.

General Construction Works

For the six months ended 30 June 2019, the General Construction Works segment accounted for the remaining approximately 12.2% of the revenue. The segment has generated approximately S$4.0 million revenue during the Reporting Period, a year-on-year decrease of 56.6%. Despite a decrease in revenue compared to the corresponding period in 2018, the gross profit experienced a growth of approximately 54.2% to approximately S$666,000, which was attributable to the strategic tendering policy to exclusively target highly profitable projects.

As at 30 June 2019, the Group had 10 ongoing General Construction Works projects compared to 10 projects for the year ended 31 December 2018, with an aggregate contract sum of approximately S$100.3 million. Approximately S$66.5 million of the aggregate contract sum has been recognised as revenue, with an estimated remaining balance of approximately S$33.8 million to be recognised in the second half of 2019 onward.

Other income and gains

For the six months ended 30 June 2019, other income and gains increased by approximately S$829,000 or 95.9%, from approximately S$864,000 to approximately S$1,693,000, primarily due to the significant increase in bad debts recovered and interest income on financial assets carried at amortised cost, which amounted to approximately S$963,000 and approximately S$177,000 respectively.

Administrative and other operating expenses

For the six months ended 30 June 2019, administrative and other operating expenses slightly increased by approximately S$29,000 or 0.9% to approximately S$3,224,000. The increase was primarily due to the rise in labour costs and hence increase in staff expenses.

Other expenses

For the six months ended 30 June 2019, other expenses decreased by approximately S$515,000 or 75.5%, from approximately S$682,000 for the last corresponding period to approximately S$167,000, primarily attributable to the decrease in the amount of loss allowance.

Finance costs

For the six months ended 30 June 2019, finance costs increased by approximately S$352,000 or 1.6 times, from approximately S$223,000 for the last corresponding period to approximately S$575,000. This increase was principally due to the increase in interest on lease liabilities.

Income tax expense

For the six months ended 30 June 2019, income tax expense decreased by approximately S$192,000 or 43.4%, from approximately S$442,000 to approximately S$250,000, in line with the trend of its profit before income tax.

Profit after tax and net profit margin

As a result of the above factors, the Group recorded a profit after tax of approximately S$1,231,000 for the six months ended 30 June 2019, a decline of approximately S$988,000 or 44.5% year-on-year. Net profit margin was approximately 3.7% for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately 4.3%).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

The Group generally meets its working capital requirements from its internally generated funds, net proceeds from the global offering and borrowings, and maintained a healthy financial position. For the six months ended 30 June 2019, the Group generated net cash inflow from operating activates of approximately S$11.2 million, representing an increase of approximately 4.0 times from approximately S$2.3 million in the last corresponding period, which was mainly due to the decrease in both trade receivables and deposits, prepayments and other receivables.

As at 30 June 2019, the Group had cash and cash equivalents of approximately S$42.9 million, increased from approximately S$36.7 million for the year ended 31 December 2018; out of which approximately S$23.5 million was cash and bank balances and approximately S$19.4 million was time deposits with maturity 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$14.3 million has been utilised as at 30 June 2019.

Intended applications	Net proceeds	1st re-allocation	Further re-allocation	Amount utilised as at 30 June 2019	Balance as at 30 June 2019
	S$'000	S$'000	S$'000	S$'000	S$'000
Purchase of excavation machines and tipper trucks	11,129	–	6,607	7,107	10,629
Purchase of software	2,085	–	–	578	1,507
Secure earth filling projects	6,607	(6,607)	–	–	–
Expand workforce	4,414	–	–	4,414	–
Working capital	2,247	–	–	2,247	–
Acquisition	–	6,607	(6,607)	–	–
	26,482	–	–	14,346	12,136

The balance of net proceeds is deposited in licensed financial institutions in Hong Kong.

Borrowings and gearing ratio

As at 30 June 2019, the Group had no current and non-current bank borrowings but had lease liabilities of approximately S$29.5 million (31 December 2018: finance lease obligations of approximately S$19.4 million). As at 30 June 2019, the Group had unutilised credit facilities of approximately S$20.5 million, increased from approximately S$19.5 million for the year ended 31 December 2018.

As at 30 June 2019, the Group's gearing ratio was approximately 0.31 times, increased from approximately 0.21 times for the year ended 31 December 2018. Gearing ratio is calculated by dividing total borrowings (bank borrowings and lease liabilities/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 that 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 instruments for hedging.

Charges on Group's assets

As at 30 June 2019, the Group's banking facilities were secured by the pledge of the Group's deposits of approximately S$3.3 million, same amount as at 31 December 2018. The Group's finance lease obligations, included in lease liabilities, were secured by charge over leased assets with a net book value of approximately S$23.1 million, compared to approximately S$23.0 million for the year ended 31 December 2018.

Contingent liabilities

As at 30 June 2019, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$7.9 million compared to approximately S$8.8 million for the year ended 31 December 2018.

Capital expenditures and capital commitments

For the six months ended 30 June 2019, the Group invested approximately S$3.6 million in the purchase of property, plant and equipment, which was mainly funded by its finance lease obligations and proceeds from listing.

As at 30 June 2019, the Group's capital commitments in respect of the acquisition of property, plant and equipment amounted to approximately S$0.8 million compared to approximately S$3.1 million for the year ended 31 December 2018.

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

The proposed acquisition agreement dated 11 December 2017 ("**Acquisition Agreement**") on the purchase of the entire issued share capital of Cosmic Achiever Holdings Limited at a consideration of RMB380,000,000 (the "**Acquisition**") has lapsed on 31 December 2018, as certain conditions were not fulfilled.

The first refundable deposit of RMB60,000,000 (the "**First Deposit**") would be returned to the Group by the Vendor. During the Reporting Period, HKD20,000,000 (approximately RMB17,100,000) has been returned as partial repayment of the First Deposit under Acquisition Agreement.

The amount of S$6,607,000 which was originally designated to be the partial settlement of the second refundable deposit (the "**Security Deposit**") was reallocated for the purpose of acquiring excavation machines and tipper trucks.

The Board considers that the lapse of the Acquisition has no material adverse impact on the business or financial position of the Group and the shareholders as a whole.

Major Connected Transactions

Continuing Connected Transactions

During the Reporting Period, the following continuing connected transactions were carried out by the Company pursuant to Chapter 14A of the Listing Rules.

1. The Construction Materials Purchase Framework Agreement

On 10 December 2018, the Company and United E&P Pte. Ltd. ("**United E&P**") entered into a construction materials purchase framework agreement (as supplemented by its supplemental agreement dated 29 March 2019) (the "**Construction Materials Purchase Framework Agreement**"), in relation to the supply of construction materials such as asphalt premix and related products and the provision of related services including supply and lay, mill and patch and road paving works to the Group. The annual caps for the three years ending 31 December 2021 are S$770,000, S$770,000 and S$1,460,000 respectively.

For the Reporting Period, the total amount of construction materials purchased by the Group from United E&P was approximately S$22,000.

2. The Transportation Framework Agreement

On 10 December 2018, the Company and United E&P entered into a transportation framework agreement (as supplemented by its first supplemental agreement dated 31 December 2018, its second supplemental agreement dated 29 March 2019 and its third supplemental agreement dated 6 September 2019) (the "**Transportation Framework Agreement**"), in relation to the provision of transportation services such as rental of trucks and supply of labour to United E&P. The annual caps for each of the three years ending 31 December 2021 is S$1,275,000.

For the Reporting Period, the total amount of transportation services provided by the Group to United E&P was approximately S$30,000.

3. The Rental Services Framework Agreement 1

On 10 December 2018, Golden Empire Civil Engineering Pte. Ltd. ("**Golden Empire**") and the Company entered into the rental services framework agreement (as supplemented by its first supplemental agreement dated 31 December 2018 and its second supplemental agreement dated 29 March 2019) (the "**Rental Services Framework Agreement 1**"), in relation to the provision of construction-related services such as rental of trucks and supply of labour to Golden Empire. The annual caps for each of the three years ending 31 December 2021 is S$3,000,000.

For the Reporting Period, the total amount of rental services and labour supply provided by the Group to Golden Empire was approximately S$1.3 million.

4. The Rental Services Framework Agreement 2

On 10 December 2018, Golden Empire-Huationg Pte. Ltd. ("**Golden Empire-Huationg**") and the Company entered into a rental services framework agreement (as supplemented by its first supplemental agreement dated 31 December 2018 and its second supplemental agreement dated 29 March 2019) (the "**Rental Services Framework Agreement 2**"), in relation to the provision of construction-related services such as rental of trucks and supply of labour to Golden Empire-Huationg. The annual caps for each of the three years ending 31 December 2021 is S$1,000,000.

For the Reporting Period, the total amount of rental services and labour supply provided by the Group to Golden Empire-Huationg was approximately S$424,000.

5. The Earth Disposal Framework Agreement

On 29 March 2019, Golden Empire-Huationg and the Company entered into an earth disposal framework agreement (as supplemented by its supplemental agreement dated 6 September 2019) (the "**Earth Disposal Framework Agreement**"), in relation to the disposal of excavated earth and the soils from the Group's job sites at Golden Empire-Huationg's job sites. The annual caps for the three years ending 31 December 2021 are S$770,000, S$1,000,000 and S$1,000,000, respectively.

For the Reporting Period, the total amount of disposal services from Golden Empire-Huationg was approximately S$168,000.

6. *The Subcontract Agreement*

On 29 March 2019, Golden Empire and the Company entered into a subcontract agreement (as supplemented by its supplemental agreement dated 6 September 2019) (the "**Subcontract Agreement**"), in relation to surcharge rehandling works for reclamation and marine work at Tuas Western Coast Project to the Group including the supply of manpower and construction equipment resources including maintenance provisions and a stock of spare parts and consumables, procurement of materials and equipment, spare parts/components and consumables as necessary, checking the operability of the works (as applicable), inspecting and testing resources, making good any deficiencies during the construction period, for the successful completion of the facilities and its operation as well as the provision everything whether of a temporary or permanent nature to permit the successful completion and maintenance of the work. The annual caps for the three years ending 31 December 2021 are S$3,170,000, S$7,567,000 and S$1,263,000, respectively.

From 9 March 2019 to 30 June 2019, the Group recognised subcontract services of approximately S$255,000 from Golden Empire.

7. *The Master Lease Agreement*

On 10 December 2018, Hulett Construction (S) Pte. Ltd. ("**Hulett Construction**") entered into a master lease agreement (the "**Master Lease Agreement**") in relation to the lease of offices and related management services and workers dormitory and workshop, both situated at No. 20 Senoko Drive, Singapore to the Company. The annual caps for the rental services for each of the three years ending 31 December 2021 is S$2,600,000.

For the Reporting Period, the total amount of rental services provided by Hulett Construction to the Group was approximately S$1.1million.

8. *The Machinery Rental Framework Agreement*

On 29 March 2019, Cheng Yap Construction Pte. Ltd. ("**Cheng Yap**") and the Company entered into a machinery rental framework agreement (the "**Machinery Rental Framework Agreement**") in relation to the lease of construction machinery such as tipper trucks, excavators and hydraulic breakers to the Group. The annual caps for the rental services and labour supply from Cheng Yap for each of the three years ending 31 December 2021 is S$1,000,000.

For the Reporting Period, the total amount of rental services and labour supply provided by Cheng Yap was approximately S$44,945.

For details of the Construction Materials Purchase Framework Agreement, the Transportation Framework Agreement, the Rental Services Framework Agreement 1, the Rental Services Framework Agreement 2, the Earth Disposal Framework Agreement, the Subcontract Agreement, the Master Lease Agreement and the Machinery Rental Framework Agreement, please refer to the announcements of the Company dated 10 December 2018, 31 December 2018, 29 March 2019 and 6 September 2019.

Based on (i) the proposed annual caps of the transactions contemplated under the Construction Materials Purchase Framework Agreement; (ii) the aggregated proposed annual caps of the transactions contemplated under the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2; and (iii) the aggregated proposed annual caps of the transactions contemplated under the Earth Disposal Framework Agreement and the Subcontract Agreement, the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules (other than the profit ratio) is more than 5% on an annual basis. Accordingly, such continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has issued a circular to shareholders on 13 September 2019. and will seek approval from the independent shareholders in respect of the Construction Materials Purchase Framework Agreement, the Transportation Framework Agreement, the Rental Services Framework Agreement 1, the Rental Services Framework Agreement 2, the Earth Disposal Framework Agreement and the Subcontract Agreement, the transactions contemplated thereunder and the relevant annual caps (including revision thereof) in the extraordinary general meeting to be convened on or about 16 October 2019. An independent board committee comprising only the independent non-executive Directors has been formed to advise the independent Shareholders in respect of these continuing connected transaction agreements, the transactions contemplated thereunder and the relevant annual caps (including revision thereof). Vinco Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the independent financial adviser to advise the independent board committee and the independent shareholders in this regard.

EMPLOYEES

As at 30 June 2019, the Group had 463 (31 December 2018: 504) 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.

The staff costs including Directors' emoluments amounted to approximately S$8.9 million for the six months ended 30 June 2019 (for six months ended 30 June 2018: approximately S$9.6 million).

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

As at 30 June 2019, the interests of 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 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 2019
Mr. Lim Kui Teng ("**Mr. Alan Lim**")	Interest of controlled corporation *(Note 1)*	529,125,000 (L)	51.05%
	Beneficially owner *(Note 2)*	364,000 (L)	0.04%

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) During the Reporting Period, Mr. Alan Lim has bought 364,000 shares in his personal capacity, representing approximately 0.04% of total issued share capital of the Company. As a result, his total deemed interest in all the shares of the Company has increased to 529,489,000 shares, representing approximately 51.09% of the approximately percentage of interest in the issued shares capital of the Company.

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 2019.

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 Reporting 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 Reporting 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 Reporting Period.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SECURITIES OF THE COMPANY

As at 30 June 2019, so far as is known to any directors 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 2019
Brewster Global	Beneficial owner *(Note 1)*	529,125,000 (L)	51.05%
Ms. Yee Say Lee ("**Ms. Yee**")	Interest of spouse *(Notes 1 and 2)*	529,489,000 (L)	51.09%
Excel Precise International Limited ("**EPI**")	Person having a security interest in shares *(Note 3)*	529,125,000 (L)	51.05%
True Promise Investments Limited ("**TPI**")	Interest in controlled corporation *(Note 3)*	529,125,000 (L)	51.05%
Mr. Law Fei Shing ("**Mr. Law**")	Person having a security interest in shares *(Note 3)*	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 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 held by Mr. Alan Lim.

(3) According to the corporate substantial shareholder notices filed on 22 December 2017 by each of EPI and TPI and the individual substantial shareholder notice filed on 22 December 2017 by Mr. Law, EPI is interested in 529,125,000 Shares by way of a security interest in those Shares. EPI is owned as to 73.5% by TPI and 25.0% by Mr. Law, while TPI is in turn wholly owned by Mr. Law. Therefore, in pursuant to SFO, TPI and Mr. Law are deemed to be interested in 529,125,000 Shares of the Company held by EPI and are substantial shareholders of the Company.

Save as disclosed herein, as at 30 June 2019, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares 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 Reporting 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. Alan Lim, being the Chairman, an 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 Reporting 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 2019.

The roles of the chairman (the "**Chairman**") and the chief executive officer (the "**Chief Executive Officer**") of the Company are served by Mr. Alan Lim and have not segregated as required 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 Reporting 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 DIRECTORS' INFORMATION

Change in information on Directors since the date of the Annual Report 2018 of the Company and up to the date of this interim report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Lee Cheung Yuet Horace, an independent non-executive Director of the Company, resigned as an executive director of Aurum Pacific (China) Group Limited (Stock code: 8148) (a company which shares are listed on the GEM of the Stock Exchange) on 1 April 2019.

Save as disclose above, there is no other information 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 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 2019.

Other Information and Corporate Governance

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 Reporting 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 Reporting Period.

On behalf of the Board

Mr. Lim Kui Teng
Chairman

30 August 2019