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

Interim Report 2021

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Lim Kui Teng
Mr. Quek Sze Whye
Mr. Bijay Joseph
Mr. Lau Yan Hong

Non-executive Director

Mr. Phang Yew Kiat *(Chairman)*

Independent Non-executive Directors

Mr. Chan Po Siu
Mr. Wee Hian Eng Cyrus
Mr. Xu Fenglei

AUDIT COMMITTEE

Mr. Chan Po Siu *(Chairman)*
Mr. Wee Hian Eng Cyrus
Mr. Xu Fenglei

NOMINATION COMMITTEE

Mr. Phang Yew Kiat *(Chairman)*
(appointed on 19 April 2021)
Mr. Lim Kui Teng *(Chairman)*
(resigned on 19 April 2021)
Mr. Chan Po Siu
Mr. Xu Fenglei

REMUNERATION COMMITTEE

Mr. Xu Fenglei *(Chairman)*
Mr. Chan Po Siu
Mr. Lim Kui Teng

COMPANY SECRETARY

Mr. Ho Kai Tak *(appointed on 1 May 2021)*
Ms. Ngan Chui Wan, Judy *(resigned on 1 May 2021)*

AUTHORISED REPRESENTATIVES

Mr. Lim Kui Teng
Mr. Ho Kai Tak

AUDITOR

Ernst & Young LLP
Certified Public Accountant
One Raffles Quay, North Tower,
Level 18 Singapore 048583

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2102-03, 21/F, 299QRC
Nos. 287-299 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

20 Senoko Drive
Singapore 758207

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. 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

Maybank Singapore Limited
DBS Bank Ltd (Singapore)
The Hongkong and Shanghai Banking Corporation Limited

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 2021

	Notes	Six months ended 30 June 2021 S$'000 (Unaudited)	2020 S$'000 (Unaudited)
Revenue	5	**41,388**	32,528
Direct costs		**(39,611)**	(36,527)
Gross profit/(loss)		**1,777**	(3,999)
Other income and gains	5	**2,059**	2,453
Administrative and other operating expenses		**(3,079)**	(2,713)
Other expenses		**–**	(2,652)
Finance costs	6	**(240)**	(289)
Share of result of associate		**(8)**	–
Profit/(Loss) before income tax	7	**509**	(7,200)
Income tax (expense)/credit	8	**(87)**	17
Profit/(Loss) for the period		**422**	(7,183)
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**25**	1,012
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		**7**	(77)
Other comprehensive income for the period, net of tax		**32**	935
Total comprehensive income/(expense) for the period attributable to the owners of the Company		**454**	(6,248)
Earnings/(Loss) per share attributable to owners of the Company – basic and diluted (S cents)	9	**0.04**	(0.69)

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30 June 2021 S$'000 (Unaudited)	31 December 2020 S$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11, 12*	**18,715**	20,465
Investment property		**1,304**	1,310
Other assets		**367**	367
Deposits and other receivables		**1,090**	302
Investment in associate		**2,292**	–
Financial assets at fair value through profit or loss		**1,383**	1,383
Financial assets at fair value through other comprehensive income		**676**	669
Financial assets at amortised costs		**4,156**	–
Deferred tax assets		**825**	825
		30,808	25,321
Current assets			
Contract assets		**24,025**	28,685
Trade receivables	*13*	**11,230**	13,288
Deposits, prepayments and other receivables		**8,935**	3,935
Financial assets at amortised costs		**1,250**	1,250
Pledged deposits	*14*	**3,392**	3,392
Cash and cash equivalents	*14*	**33,014**	46,238
		81,846	96,788
Current liabilities			
Contract liabilities		**2,252**	4,316
Trade payables	*16*	**6,764**	11,297
Other payables, accruals and deposits received		**2,641**	2,541
Bank borrowings	*17*	**1,215**	704
Lease liabilities		**6,069**	7,973
Income tax payable		**121**	203
		19,062	27,034
Net current assets		**62,784**	69,754
Total assets less current liabilities		**93,592**	95,075

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30 June 2021 S$'000 (Unaudited)	31 December 2020 S$'000 (Audited)
Non-current liabilities			
Bank borrowings	*17*	**3,685**	4,296
Lease liabilities		**4,304**	5,963
		7,989	10,259
Net assets		**85,603**	84,816
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*15*	**1,807**	1,807
Share premium		**27,860**	27,860
Reserves		**55,936**	55,149
Total equity		**85,603**	84,816

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Share capital S$'000 *(Note 15)*	Share premium S$'000	Merger reserve S$'000	Share option reserve S$'000	Translation reserve S$'000	Fair value through other comprehensive income reserve S$'000	Retained profits S$'000	Total S$'000
At 1 January 2020	1,807	27,860	5,166	–	(556)	(304)	59,370	93,343
Loss for the period	–	–	–	–	–	–	(7,183)	(7,183)
Other comprehensive income								
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(77)	–	(77)
Exchange differences arising on translation	–	–	–	–	1,012	–	–	1,012
Total comprehensive expense for the period	–	–	–	–	1,012	(77)	(7,183)	(6,248)
At 30 June 2020 (unaudited)	1,807	27,860	5,166	–	456	(381)	52,187	87,095
At 1 January 2021	**1,807**	**27,860**	**5,166**	**167**	**(611)**	**(574)**	**51,001**	**84,816**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**422**	**422**
Other comprehensive income								
Changes in fair value of financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**7**	**–**	**7**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**25**	**–**	**–**	**25**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**25**	**7**	**422**	**454**
Equity-settled share option arrangements	**–**	**–**	**–**	**333**	**–**	**–**	**–**	**333**
At 30 June 2021 (unaudited)	**1,807**	**27,860**	**5,166**	**500**	**(586)**	**(567)**	**51,423**	**85,603**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from/(used in) operations	**19**	(5,322)
Income tax paid, net	**(169)**	(442)
Net cash used in operating activities	**(150)**	(5,764)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**462**	–
Proceeds from disposal of right-of-use assets	**–**	489
Purchases of property, plant and equipment	**(3,142)**	(48)
Purchases of right-of-use assets	**–**	(206)
Purchases of financial assets at amortised cost	**(4,156)**	–
Investment in associate	**(2,300)**	–
Interest received	**32**	155
Dividend received	**26**	4
Net cash (used in)/generated from investing activities	**(9,078)**	394
Cash flows from financing activities		
Interest portion of the lease liabilities	**(190)**	(278)
Repayment of principal portion of the lease liabilities	**(3,681)**	(3,427)
Proceed from bank borrowings	**–**	5,000
Repayment of bank borrowings	**(100)**	–
Interests paid	**(50)**	(11)
Net cash (used in)/generated from financing activities	**(4,021)**	1,284
Net decrease in cash and cash equivalents	**(13,249)**	(4,086)
Cash and cash equivalents at beginning of the period	**46,238**	44,772
Effect of foreign exchange rate changes, net	**25**	1,012
Cash and cash equivalents at end of the period	**33,014**	41,698
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**33,014**	28,756
Time deposits with maturity less than three months	**–**	12,942
	33,014	41,698

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

Chuan Holdings Limited (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 ancillary services and general construction in Singapore.

The Company had listed its shares on the Main Board of 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 "**Audit Committee**"). The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 were approved and authorised for issue by the board (the "**Board**") of directors (the "**Directors**") on 30 August 2021.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the "**Group**") have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("**IAS 34**") as well as with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

For all periods up to and including the year ended 31 December 2020, the Group prepared its financial statements in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). The condensed consolidated interim financial statements for the financial period ended 30 June 2021 are the first financial statements which have been prepared by the Group in accordance with International Financial Reporting Standards ("**IFRSs**"). The adoption of IFRS does not result in any changes in prior period comparatives or opening balances as the differences between IFRS and HKFRS are not significant to the Group and accordingly, no reconciliation of its equity and total comprehensive income to the comparable interim period has been presented in the condensed consolidated interim financial statements.

These 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 2020.

These condensed consolidated interim financial statements are presented in Singapore Dollars ("**S$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 annual financial statements of the Group for the year ended 31 December 2020.

The Group has applied for the first-time the following standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standards, interpretation or amendments that has been issued but is not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the above amendment has no material impact on the Group's results and financial position for the current or prior periods. The Group has not early applied any new standards or interpretation that is not yet effective for the current accounting period.

4. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group determines its operating segments based on the 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 which were 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, alteration 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 lease liabilities, provision for impairment of trade receivables and bad debts recovered were allocated to different segments to assess corresponding performance.

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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 2021 (unaudited)

	Earthworks & ancillary services S$'000	**General construction works S$'000**	**Total S$'000**
Revenue from external customers	**33,741**	**7,647**	**41,388**
Reportable segment results	**1,792**	**358**	**2,150**
Unallocated other income and gains			**1,496**
Corporate and other unallocated expenses			**(3,079)**
Interest on bank borrowings			**(50)**
Share of result of associate			**(8)**
Profit before income tax			**509**

For the six months ended 30 June 2020 (unaudited)

	Earthworks & ancillary services S$'000	General construction works S$'000	Total S$'000
Revenue from external customers	25,282	7,246	32,528
Reportable segment results	(4,212)	(44)	(4,256)
Unallocated other income and gains			1,931
Corporate and other unallocated expenses			(4,864)
Interest on bank borrowings			(11)
Loss before income tax			(7,200)

4. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

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

Reportable segment assets

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Earthworks & ancillary services	46,003	49,079
General construction works	8,116	12,515
Total	54,119	61,594
Additions to non-current segment assets		
Earthworks & ancillary services	3,260	2,565
General construction works	–	–
Total	3,260	2,565

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Reportable segments assets	54,119	61,594
Corporate and other unallocated assets	58,535	60,515
Group assets	112,654	122,109

Corporate and other unallocated assets mainly included deposit, prepayments, and other receivable due from related parties and advance payment to supplier.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities (Continued)

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

Reportable segment liabilities

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Earthworks & ancillary services	**18,211**	24,404
General construction works	**874**	4,801
Total	**19,085**	29,205

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Reportable segments liabilities	**19,085**	29,205
Bank borrowings	**4,900**	5,000
Corporate and other unallocated liabilities	**3,066**	3,088
Group liabilities	**27,051**	37,293

Corporate and other unallocated liabilities mainly included 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 & ancillary services and General construction works. Revenue recognised during the respective periods is as follows:

	Six months ended 30 June	
	2021	2020
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Earthworks & ancillary services *(Note)*	**33,741**	25,282
General construction works	**7,647**	7,246
Total	**41,388**	32,528

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

	Six months ended 30 June	
	2021	2020
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Transferred over time:		
Earthworks & ancillary services *(Note)*	**33,741**	25,282
General construction works	**7,647**	7,246
	41,388	32,528

Note:

Earthworks & ancillary services included revenue of approximately of S$31,135,000 from earthworks and approximately S$2,606,000 from ancillary services.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

	Six months ended 30 June	
	2021	2020
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Other income		
Management service income	**117**	117
Interest income on financial assets carried at amortised cost	**32**	155
Bad debts recovered	**199**	342
Rental income from investment property	**56**	56
Dividend income from financial assets at FVOCI	**26**	4
Sales of scrap materials and consumables	**97**	201
Government grant	**810**	1,398
	1,337	2,273
Gains		
Gains on disposals of property, plant and equipment	**364**	–
Gain on disposals of right-of-use assets	**–**	180
Net foreign exchange gain	**358**	–
	722	180
	2,059	2,453

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on lease liabilities	**190**	278
– Interest on bank borrowings wholly repayable within five years	**50**	11
	240	289

7. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(Loss) before income tax is derived after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment *	**4,436**	608
Depreciation of right-of-use assets **	**476**	4,096
Depreciation of investment property ***	**6**	6
Direct operating expenses arising from investment property that generated rental income	**9**	6
Employee benefit expenses (including directors' remuneration)		
– Salaries, wages and bonuses	**8,487**	6,798
– Equity-settled share option expense	**333**	–
– Defined contribution	**313**	315
– Other short-term benefits	**1,346**	617
	10,479	7,730
Reversal for impairment of contract assets	**–**	(148)
Provision for impairment of trade receivables	**–**	648
Provision for impairment of other receivables	**–**	2,151

* *Depreciation of property, plant and equipment amounted to approximately S$4,330,000 (30 June 2020: approximately S$517,000) has been included in direct costs and approximately S$106,000 (30 June 2020: approximately S$91,000) in administrative and other operating expenses.*

** *Depreciation of right-of-use assets amounted to approximately S$435,000 (30 June 2020: approximately S$4,040,000) has been included in direct costs and approximately S$41,000 (30 June 2020: approximately S$56,000) in administrative and other operating expenses.*

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

8. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2021	2020
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Current tax – Singapore income tax		
Tax for the period	**87**	15
Deferred tax		
Credit to profit or loss	**–**	(32)
Income tax expense/(credit)	**87**	(17)

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 2021 and 2020.

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the profit attributable to owners of the Company of approximately S$422,000 (six months ended 30 June 2020: loss of approximately S$7,183,000) and on the weighted average number of 1,036,456,000 (six months ended 30 June 2020: 1,036,456,000) ordinary shares in issue during the Reporting Period.

The calculation of diluted earnings per share for the six months ended 30 June 2021 is based on the profit attributable to owners of the Company of S$422,000 and on the weighted average number of ordinary shares adjusted for the effects of dilution from the Group's share options of 1,115,680,000. For the six months ended 30 June 2020, diluted earnings per share is the same as the basic earnings per share because the Group had no dilutive potential ordinary shares.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class.

During the six months ended 30 June 2021, the Group incurred capital expenditures of approximately S$1,434,000 (six months ended 30 June 2020: S$48,000) in furniture, fixtures and office equipment. The Group also incurred capital expenditures of S$1,602,000 in plant and machinery and approximately S$224,000 in motor vehicles for the six months ended 30 June 2021.

Items of property, plant and equipment with net book value amounting to approximately S$98,000 were disposed of during the six months ended 30 June 2021, resulting in a gain on disposal of S$364,000.

12. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group did not incur any capital expenditure in right-of-use assets (six months ended 30 June 2020: approximately S$811,000).

13. TRADE RECEIVABLES

	Notes	**As at 30 June 2021 S$'000 (Unaudited)**	As at 31 December 2020 S$'000 (Audited)
Trade receivables	*(a)*	**12,110**	14,252
Retention receivables	*(b)*	**397**	441
		12,507	14,693
Less: Provision for impairment of trade receivables		**(1,277)**	(1,405)
	(c)	**11,230**	13,288
Total trade receivables, net			
– Third parties		**9,514**	11,719
– Related parties	*(d)*	**1,716**	1,569
		11,230	13,288

Notes:

(a) During the Reporting Period, the credit period granted to the Group's customers was generally within 30 days (31 December 2020: 30 days) from invoice date of the relevant contract revenue.

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

13. TRADE RECEIVABLES (CONTINUED)

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

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
0 to 30 days	**6,519**	7,552
31 to 90 days	**2,325**	3,834
91 to 180 days	**728**	775
181 to 365 days	**613**	23
Over 365 days	**914**	932
	11,099	13,116
Retention receivables	**131**	172
	11,230	13,288

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

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Neither past due nor impaired	**6,519**	7,552
1 to 30 days past due	**1,974**	2,864
31 to 90 days past due	**593**	1,258
91 to 180 days past due	**577**	488
181 to 365 days past due	**522**	942
Over 365 days past due	**914**	12
	11,099	13,116
Retention receivables	**131**	172
	11,230	13,288

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.

13. TRADE RECEIVABLES (CONTINUED)

(c) (Continued)

Movement in the provision for impairment of trade receivables is as follows:

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Balance at beginning of the period/year	**1,405**	2,362
(Reversal)/provision of impairment losses	**(15)**	363
Bad debts recovered	**(113)**	(1,320)
	1,277	1,405

(d) The trading transactions with these related parties with the Group are detailed in Note 20.

14. CASH AND CASH EQUIVALENTS

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Cash and bank balances	**36,406**	49,630
Less: Pledged deposits *(Note)*	**(3,392)**	(3,392)
Cash and cash equivalents	**33,014**	46,238

Note:

As at 30 June 2021 and 31 December 2020, pledged deposits were restricted bank balances to secure:

(i) the guarantee arrangement and the issuance of performance bonds (Note 22); and

(ii) the banking facilities including letter of credits, overdraft and bank guarantee amounting to approximately S$21,500,000 (31 December 2020: S$21,500,000).

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

15. SHARE CAPITAL

	Number of shares		Share capital	
	As at 30 June 2021	As at 31 December 2020	**As at 30 June 2021 S$'000**	As at 31 December 2020 S$'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 and end of the period/year	**1,036,456,000**	1,036,456,000	**1,807**	1,807

16. TRADE PAYABLES

	Notes	**As at 30 June 2021 S$'000 (Unaudited)**	As at 31 December 2020 S$'000 (Audited)
Trade payables	*(a)*	**6,199**	10,705
Retention payables		**565**	592
	(b)	**6,764**	11,297
Total trade payables, net			
– Third parties		**6,117**	10,213
– Related parties	*(c)*	**647**	1,084
		6,764	11,297

Notes:

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

16. TRADE PAYABLES (CONTINUED)

Notes: (Continued)

(b) Ageing analysis of trade payables, based on invoices date, is as follows:

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
0 to 30 days	**3,738**	8,869
31 to 90 days	**1,631**	1,818
91 to 180 days	**675**	49
Over 180 days	**720**	561
	6,764	11,297

(c) The trading transactions with these related parties with the Group are detailed in Note 20.

17. BANK BORROWINGS

As at 30 June 2021, the Group's bank borrowings amounted to S$4.9 million (31 December 2020: S$5 million).

18. COMMITMENTS

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

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Contracted but not provided for, in respect of acquisition of property, plant and equipment	**2,211**	2,991

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

19. OPERATING LEASE ARRANGEMENTS

As Lessor

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

	As at 30 June 2021 S$'000 (Unaudited)	As at 31 December 2020 S$'000 (Audited)
Within one year	48	31
Within second to fifth year	23	–
	71	31

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.

20. 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	
	2021 S$'000 (Unaudited)	2020 S$'000 (Unaudited)
Construction contract works and ancillary services income received from related parties *(Note)*	860	1,090
Construction costs and related supporting service fees charged by related parties *(Note)*	3,035	2,864
Rental expenses charged by related party	48	48

Note:

These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Directors are of the opinion that the above related party transactions 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.

21. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors and other members of key management for the six months ended 30 June 2021 and 2020 are as follows:

	Six months ended 30 June	
	2021	2020
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**1,126**	909

22. CONTINGENT LIABILITIES

Performance bonds and guarantees provided for ordinary course of business

As at 30 June 2021, 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$4,206,000 (31 December 2020: approximately S$2,551,000). The guarantees in respect of performance bonds issued by banks are secured by pledged deposits (Note 14).

23. EVENTS AFTER THE REPORTING PERIOD

On 11 August 2021, the Company was served a writ of summons issued in the High Court of the Hong Kong Special Administration Region by the solicitors acting for Chau Kwok Ming as plaintiff (the "**Plaintiff**") against the Company as defendant involving restitution of an alleged loan in the total principal sum of HK$20,000,000 (the "**Loan**") pursuant to certain agreements (the "**Agreements**") entered into between the Plaintiff and Mr. Lo Tak Wing Benson ("**Mr. Lo**"), who was alleged to have been acting for and on behalf of the Company. The Plaintiff claimed against the Company, inter alia, restitution of the sum of Loan, interests and costs. Please refer to the announcement of the Company dated 12 August 2021 for details.

The Company has filed on 16 August 2021 its Acknowledgement of Service and intends to contest the case.

24. APPROVAL OF THE INTERIM REPORT

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 were approved and authorised for issue by the Board on 30 August 2021.

Management Discussion and Analysis

BUSINESS REVIEW

The Board is pleased to present the interim results of the Group for the six months ended 30 June 2021 (the **"period under review**" or the "**Reporting Period**") together with its comparative figures for the previous period ended 30 June 2020.

Industry Review

In the first half of 2021, while global economy was poised to stage a rebound, the spread of variants of Coronavirus Disease 2019 ("**COVID-19**" or "**pandemic**") across countries threatened the world's prospects for recovery. With the roll-out of vaccination programmes, businesses in Singapore started picking up at a faster pace in the first quarter of 2021. According to the Ministry of Trade and Industry ("**MTI**"), the country's economy expanded by 1.3% on a year-on-year basis in the first quarter of 2021, a reversal from the 2.4% contraction in the preceding quarter. Nonetheless, Singapore experienced a new surge of COVID-19 cases in the second quarter of 2021, leading the local economy to shrink by 2.0% on a quarter-on-quarter seasonally-adjusted basis. The sequential decline was mainly attributable to the implementation of the Phase Two Heightened Alert (P2HA) measures within the country to contain the spread of COVID-19.

Given the emergence of more contagious virus strains, the Singapore government tightened its border control in April and May by cancelling migrant workers' applications, especially those from South Asian countries, to minimise the importation risk of COVID-19 from inbound workers. Further tightening of border control measures led to manpower crunch and interruption of projects in construction sector during the period under review, which in turn weighed down on the sector's performance as well as narrowed its progressive growth in the first quarter. The construction sector shrank by 11.0% in the second quarter of 2021 on quarter-on-quarter seasonally-adjusted basis, a reversal from the 4.5% growth in the first quarter.

Although the market showed signs of picking up in the first quarter, overall construction demand continued to slump. Labour shortage, material disruption, alongside the suspension of construction projects and the slow recovery of construction activities had adversely affected the progress of all ongoing projects. With construction of mega public infrastructure projects and private projects not resumed in full, contractors across the industry continued to suffer from cash flow problems and encounter difficulties to meet project timeline.

In view of market headwinds, the Singapore government announced additional fiscal package and relief measures to support the construction sector in late April, including the grant of an additional 60-day extension of time for project completion for public sector and quicker payouts under the cost-sharing arrangement. The Singapore government also extended several existing schemes to subsidise wages and provide financing to companies in the construction sector, with the aim to help construction businesses preserve capacity, capability, and protect jobs.

In response to the challenging yet evolving environment, the Group continued to draw on its expertise and experience to devise effective strategies in a prudent manner to restore its profitability.

Management Discussion and Analysis

Overall Performance

As a leading earthworks contractor in Singapore for over two decades, the Group has continued to grow in the mission of delivering quality services on a timely and reliable basis with integrity and fine workmanship, while adhering to the safety and regulatory requirements.

Although COVID-19 caused a lingering effect on the Singapore construction industry, there were encouraging signs as the sector witnessed improved performance since the first quarter of 2021, following the phased resumption of construction activities with the stabilising situation. Notwithstanding, as the Group's operations were not fully resumed to pre-COVID-19 levels, the management promptly formulated new operation plans and adopted effective work measures to ramp up its productivity during the period under review. By doubling its efforts in catching up projects that had been halted or had lagged behind the proposed timeline, the Group managed to complete more projects during the Reporting Period as compared to the corresponding period in 2020 when "circuit breaker" measures were implemented by the Singapore government. With more income recognised upon the completion of projects, the Group's total revenue increased by approximately 27.2% to approximately S$41.4 million as compared to the same period last year.

Given the construction industry grappled with shortage of labour supply owing to the pandemic-related travel restrictions, more incentives and pay rise were offered to labours. Coupled with diesel price hike, operating costs of the Group remained persistently high during the period under review. Gross profit amounted to approximately S$1.8 million (30 June 2020: gross loss of approximately S$4.0 million), while gross profit margin was 4.3% (30 June 2020: negative gross margin of approximately 12.3%). The Group reported a business turnaround with profit for the period of approximately S$422,000 (30 June 2020: loss for the period of approximately S$7.2 million), thanks to the increased revenue, as well as the financial aid from the Singapore government which helped alleviate the Group's financial burden.

Besides, to safeguard its profitability amidst the intense competition within the industry, the Group adopted a more prudent approach in new project tendering by strategically focusing on mega-sized projects of higher contract value and margins, as well as collaborating with reputable companies for joint tendering.

During the period under review, the Group invested in the re-development of property projects to better diversify its business. The investments are expected to generate a new and sustainable income stream, and potential capital gains. Details of the investments are covered in the "SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES" section.

Earthworks & ancillary services

Earthworks & ancillary services segment remained the primary revenue source of the Group, accounting for approximately 81.5% of total revenue. During the period under review, the segmental revenue amounted to approximately S$33.7 million (six months ended 30 June 2020: approximately S$25.3 million), which was mainly contributed by the increased number of projects completed following the progressive resumption of the Group's operations.

Faced with challenging business conditions, the Group persevered with its strategic tendering approach to obtain sizeable public infrastructure projects of higher value. In spite of the slumping construction demand during the Reporting Period, the Group managed to secure 12 projects, including the mega public infrastructure projects of Tengah Park and Tuas Water Reclamation Plant, with an aggregate contract sum of approximately S$16.2 million. The Group had 74 ongoing Earthworks & ancillary services projects during the Reporting Period, compared to 83 projects as at 30 June 2020.

General construction works

During the period under review, the General construction works contributed S$7.6 million or 18.5% to the Group's total revenue (six months ended 30 June 2020: approximately S$7.2 million).

Given the highly competitive tendering process, the Group decided to reserve its resources to strategically focus on highly profitable projects of the Earthworks & ancillary services segment. Therefore, no additional General construction works was secured during the period under review. The Group was engaged in 8 ongoing General construction works projects during the Reporting Period, compared to 7 projects as at 30 June 2020.

PROSPECTS

Although the COVID-19 vaccination programmes are well underway across major economies in the world, an end to the pandemic is far from assured with the emergence of new COVID-19 variants which will possibly impede the global economic recovery. In Singapore, as vaccinations are gaining pace, the MTI upgraded the country's GDP for 2021 to grow by 6.0% to 7.0%. Yet, the pace of recovery is heavily dependent on the containment efforts of the pandemic.

In construction industry, the Building and Construction Authority ("**BCA**") predicted that the Singapore construction demand in 2021 will recover to between S$23 billion and S$28 billion, primarily driven by the stronger demand for public housing and infrastructure projects. Although construction demand may not return to pre-pandemic levels in near term, the Singapore government expects a sustained recovery in construction demand over the next five years with notable projects in the pipeline, including subsequent phases of major MRT infrastructure projects, new healthcare facilities as well as new regional centres. Following the government's plan to relax the pandemic-related border restrictions starting from mid-August, which will help ease the labour shortage within the industry, the Group expects that the construction sector will embrace a gradual revival. Currently, the Group's operations are progressing well with project schedule remaining on good track. It will continue to seize new market opportunities and reinforce its market leadership.

In July 2021, the Group was upgraded to an A2 grade contractor for Civil Engineering and General Building under the Contractors Registry administered by BCA, enabling the Group to tender for public sector construction projects with contract value of up to S$95 million each. This upgrade bears testimony to the Group's strong capability, proven track record, seasoned personnel as well as financial strength. The Group will continue to leverage its strong fundamentals and business resilience, and adopt its strategic tendering approach to shift its focus on mega infrastructure projects with higher profitability, with a view to securing more high-value contracts in time to come. The Group is pleased that it has secured 11 sizeable infrastructure and residential projects including Jurong Region Line in the second half of 2021.

In near term, it is likely that the Group's operations will continue to see a challenging landscape where the operating costs from manpower remain consistently high. It also anticipates greater efforts to ensure compliance with the stringent safety requirements at work sites and to withstand the intense competition within the industry. The management will observe closely the market conditions and adapt to the "new normal" of business while formulating effective operation plans which align with the government's regulations. The Group will adhere to its versatile and adaptable strategies, with an aim to become the go-to strategic partner of its clients in the industry, and strengthen its partnership with subcontractors and suppliers. As part of the Group's unwavering endeavours and steadfast determination to better control costs and enhance operational efficiency, more capital will be allocated to replenish advanced and environmentally friendly machineries and equipment.

Guided by its People, Process and Technology approach, the Group is dedicated to advancing its transformation to excel in such a highly competitive environment. To achieve this, the Group is undergoing the Human Resource Transformation Project that is designed to build up the capabilities of its employees and improve employee engagement. Besides, the Group is developing an APP to digitise its operating processes while monitoring the performance on human resources and construction activities, in order to increase efficiency and productivity.

In a move to further strengthen its presence in Singapore construction and property market, the Group has sought to expand its business into property re-development to diversify its operational risk. Through setting up joint ventures and collaborating with prominent and reputable listed companies in Singapore, the Group will be able to invest in landmark projects in the central business district in Singapore to further diversify its investment. It is expected that the Group will be able to generate favourable returns in the long run with stable and recurring rental income, while being in the vanguard of change to differentiate itself from other industry players at the same time.

The business turnaround in the first half of 2021 has demonstrated the Group's unfaltering dedication and commitment to recovering its business and restoring profitability despite economic headwinds. Looking ahead, the Group will relentlessly scale up its business and continue to consolidate its position in the market riding on its expertise and professionalism, thereby maximising returns for its shareholders.

FINANCIAL REVIEW

Revenue and gross profit/(loss)

	For six months ended 30 June 2021			For six months ended 30 June 2020		
	Revenue recognised S$'000	**Gross profit S$'000**	**Gross profit margin**	Revenue recognised S$'000	Gross profit/ (loss) S$'000	Gross profit/ (loss) margin
Earthworks & ancillary services	**33,741**	**1,493**	**4.4%**	25,282	(4,250)	(16.8%)
General construction works	**7,647**	**284**	**3.7%**	7,246	251	3.5%
Total	**41,388**	**1,777**	**4.3%**	32,528	(3,999)	(12.3%)

The total revenue of the Group for the six months ended 30 June 2021 amounted to approximately S$41.4 million, representing an increase of approximately S$8.9 million or 27.2% as compared to the corresponding period in 2020. The increase was mainly attributable to the recognition of revenue from projects secured prior to and during the pandemic, as well as the Group's good progress in ramping up its productivity upon progressive resumption of its business during the Reporting Period. Accordingly, the Group recorded a positive gross profit of approximately S$1.8 million (six months ended 30 June 2020: gross loss of approximately S$4.0 million), despite that operating costs remained relatively fixed and hefty due to the increased staff costs as well as the diesel price hike. Gross profit margin stood at approximately 4.3% (six months ended 30 June 2020: negative gross margin of approximately 12.3%).

Management Discussion and Analysis

Earthworks & ancillary services

During the period under review, Earthworks & ancillary services segment remained the key revenue contributor for the Group, accounting for approximately 81.5% of its total revenue. Thanks to the Group's ceaseless efforts in completing projects from both public and private sectors after the phased resumption of construction activities, segmental revenue increased by approximately 33.5% year-on-year to approximately S$33.7 million (six months ended 30 June 2020: approximately S$25.3 million). Although the operating costs increased along with the resumption of operations, the increase in recognised revenue drove the segmental gross profit to approximately S$1.5 million (six months ended 30 June 2020: gross loss of approximately S$4.3 million).

General construction works

For the six months ended 30 June 2021, the total revenue of General construction works segment increased by 5.5% to approximately S$7.6 million as compared to the corresponding period in 2020. This was a result of the progressive fulfillment of contracts that were secured before or during the pandemic. Following the growth in revenue, segmental gross profit subsequently increased to approximately S$284,000 (six months ended 30 June 2020: approximately S$251,000).

Other income and gains

Other income and gains amounted to approximately S$2.1 million for the six months ended 30 June 2021, representing a decrease of approximately S$394,000 or 16.1% as compared to the previous period. Such decline was mainly attributable to the decrease in bad debts recovered as well as financial relief from the Singapore government.

Administrative and other operating expenses

For the six months ended 30 June 2021, administrative and other operating expenses increased by approximately 13.5% to approximately S$3.1 million (six months ended 30 June 2020: S$2.7 million), primarily due to the increase in staff cost as well as employee benefit expenses which was in line with the improved performance of the Group.

Other expenses

Owing to the reversal of impairment losses on receivables and contract assets recognised as at 31 December 2020 due to bad debts recovered by the Group during the Reporting Period, there were no other expenses for the six months ended 30 June 2021 (six months ended 30 June 2020: expenses of approximately S$2.7 million).

Finance costs

For the six months ended 30 June 2021, finance costs decreased by approximately 17.0% from approximately S$289,000 in the previous period to approximately S$240,000, principally due to the decrease in interest on lease liabilities.

Share of result of associate

Share of result of associate recorded a loss of S$8,000 for the six months ended 30 June 2021, representing the investment on joint venture established on 7 May 2021.

Income tax (expense)/credit

For the six months ended 30 June 2021, income tax expense amounted to S$87,000, while tax credit of approximately S$17,000 was recorded in the previous period.

Profit/(Loss) for the period and net profit margin

Combining the aforementioned factors, the Group achieved a business turnaround for the six months ended 30 June 2021. Profit for the period amounted to approximately S$422,000, while loss for the period of approximately S$7.2 million was recorded in the last corresponding period. Net profit margin was approximately 1.0% for the six months ended 30 June 2021 (six months ended 30 June 2020: negative net profit margin of approximately 22.1%).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

During the Reporting Period, the financial position of the Group remained sound and healthy, with working capital mainly financed by its internally generated funds, net proceeds from global offering and bank borrowings. As at 30 June 2021, the Group had cash and cash equivalents of approximately S$33.0 million (30 June 2020: approximately S$41.7 million). The year-on-year decline was mainly attributable to the acquisition of property, plant and equipment, the investment in a joint ventures for re-development and construction of private properties, settlement to amount payables, lease liabilities as well as borrowing repayments.

In managing liquidity risk, the Group continued to closely monitor its level of cash and cash equivalents which was deemed adequate to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

Use of proceeds

The net proceeds from global offering was approximately S$26.5 million (after deducting underwriting fees, commissions and listing expenses) (the "**Net Proceeds**"), out of which approximately S$25.5 million has been utilised as at 30 June 2021.

Management Discussion and Analysis

Intended applications	Planned use of Net Proceeds	Amount utilised up to 31 December 2020	Amount utilised during the period ended 30 June 2021	Amount utilised up to 30 June 2021	Unutilised balance up to 30 June 2021	Expected timeline of full utilisation of the remaining unutilised amount
	S$'000	S$'000	S$'000	S$'000	S$'000	*(Note 2)*
Purchase of excavation machines and tipper trucks *(Note 1)*	17,736	16,477	1,259	17,736	–	
Purchase of software	2,085	1,049	81	1,130	955	On or before 31 December 2022
Secure earth filling projects *(Note 1)*	–	–	–	–	–	
Expand workforce	4,414	4,414	–	4,414	–	
Working capital	2,247	2,247	–	2,247	–	
Total	26,482	24,187	1,340	25,527	955	

Notes:

1. As disclosed in the prospectus of the Company dated 25 May 2016 (the "**Prospectus**") and the circular of the Company dated 7 March 2018, since the Company did not enter into any agreement for securing earth filling project by 31 October 2017, the unutilised Net Proceeds of approximately S$6,607,000 originally assigned to securing earth filling project (the "**Reallocated Proceeds**") would be reassigned to the purchase of additional excavation machines and tipper trucks. After taking into the business scale and projects of the Company, the number of tipper trucks and excavators acquired by the Group since the listing of shares of the Company in 2016 and the average replacement cycle of tipper trucks and excavators, the Group decided to reassign the Reallocated Proceeds to partially finance the second deposit for the acquisition of the entire issued share capital of Cosmic Achiever Holdings Limited (the "**Major Transaction**") in March 2018. As disclosed in the announcement of the Company dated 23 January 2019, since the Major Transaction subsequently lapsed on 31 December 2018, the Reallocated Proceeds were further reassigned to the purchase of excavation machines and tipper trucks in January 2019.

2. The expected timeline for utilising the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

As at 30 June 2021, the Group did not fully utilise the planned Net Proceeds to purchase softwares, the Group had purchased softwares from a vendor which charged the Group at a price lower than originally quoted, resulting in a huge saving to the Company. As a result, there was a delay in fully utilising the Net Proceeds assigned to purchase softwares. It is expected the unutilised amount will be fully utilised on or before 31 December 2022.

The Net Proceeds were used in accordance with the intended purposes as previously disclosed and there was no material change in the use of Net Proceeds. The unutilised amount is expected to be used in accordance with the intended purposes as disclosed.

The balance of the Net Proceeds is deposited in licensed financial institutions in Singapore.

Borrowings and gearing ratio

As at 30 June 2021, the Group had an aggregate of current and non-current bank borrowings and lease liabilities of approximately S$15.3 million, a decrease from approximately S$18.9 million as at 31 December 2020. As at 30 June 2021, the Group's gearing ratio was approximately 0.18 times (31 December 2020: approximately 0.22 times). Gearing ratio was calculated by dividing total borrowings (bank borrowings and lease liabilities) by total equity as at the end of the respective period.

Foreign exchange exposure

The Group mainly operated in Singapore with most of the transactions settled in Singapore Dollars, which was the functional currency of the Group. Nonetheless, a portion of the cash and cash equivalents generated from global offering was converted to Hong Kong Dollars with a small portion denominated in United States Dollars. The Group has no significant foreign exchange risk due to limited foreign currency transactions other than the functional currency of respective entities. The Group would closely monitor this risk exposure from time to time.

Charges on Group's assets

As at 30 June 2021, the Group's banking facilities were secured by the pledge of the Group's deposits of approximately S$3.4 million (31 December 2020: approximately S$3.4 million), while the Group's lease liabilities were secured by the charge over the leased assets of net book value of approximately S$11.6 million (31 December 2020: approximately S$14.7 million).

Contingent liabilities

As at 30 June 2021, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business in the amount of approximately S$4.2 million as compared to approximately S$2.6 million for the year ended 31 December 2020.

Capital expenditures and capital commitments

For the six months ended 30 June 2021, the Group invested approximately S$3.3 million in the purchase of property, plant and equipment and right-of-use assets, which was mainly funded by finance lease liabilities and the Net Proceeds.

As at 30 June 2021, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$2.2 million (31 December 2020: approximately S$3.0 million).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

I. Major transaction in relation to the formation of joint venture

On 7 May 2021, Longlands Holdings Limited ("**Longlands**"), a wholly-owned subsidiary of the Company, entered into a shareholders' agreement ("**Shareholders' Agreement**") with independent third parties, Mr. Tng Kay Lim ("**Mr. Tng**"), Mr. Yang Tse Pin ("**Mr. Yang**") as well as Chuan Investments Pte. Ltd. (the "**JV Company**") for the establishment, operation and management of the JV Company, whose main purpose is to further invest in a project (the "**Project Joint Venture**") of which up to two joint venture companies will be established by the JV Company, CEL Development Pte. Ltd., ("**CEL**") and SingHaiyi Investments Pte. Ltd., ("**SHIPL**") for the acquisition and re-development of Maxwell House (the "**Property**") and the JV Company would own 30% of interest. The Project Joint Venture is intended to separately own and carry out the re-development of the residential portion and commercial portion of the Property.

The JV Company was incorporated in Singapore with limited liability on 4 May 2021, which is an investment holding company to hold shares of the company(ies) that will engage in the business of investment holding, property investment and/or re-development in Singapore. The JV Company is owned as to one-third each by Longlands, Mr. Tng, and Mr. Yang, respectively.

Pursuant to the Shareholders' Agreement, among other things, each of Longlands, Mr. Tng and Mr. Yang, agreed to provide a capital commitment in a sum of not more than S$17,000,000 based on their pro-rata interest in the JV Company, which comprised a combination of paid-up share capital and provision of shareholders' loans to the JV Company.

On 6 May 2021, the JV Company, CEL and SHIPL together submitted a joint tender to acquire the Property at a tender price of S$276.8 million and were successfully awarded the tender on 7 May 2021.

The Board believes that its participation in the JV Company has offered the Group with the opportunity to invest in an iconic site in the central business district in Singapore, which acts as a further step to diversify its investment to generate a stable, strong and recurring cash flow of rental income in the long run. Through working with prominent listed companies in Singapore with established property development track record in Singapore such as SHIPL and Chip Eng Seng Corporation Ltd., of which CEL is the wholly-owned subsidiary, on the re-development of the Property, the Group believes that the re-development works would enhance the image and attractiveness of the Property, which would allow it to deliver an enhanced retail experience and new leisure facilities together with residential units.

For further details, please refer to the announcement of the Company dated 7 May 2021 and the circular of the Company dated 25 June 2021.

II. Disclosable Transaction in relation to investments on the proposed re-development of properties

On 3 June 2021, Chuan Lim Construction Pte. Ltd. ("**Chuan Lim**"), an indirect wholly-owned subsidiary of the Group, entered into two investment agreements ("**Investment Agreements**") with Mr. Yang in which Chuan Lim agreed to invest a sum of S$2,625,000 and S$1,371,520 respectively through Mr. Yang for the re-development and construction of two properties (the "**Projects**"). Mr. Yang agreed to provide a certainty of investment return of at least a minimum annual investment return of 3% regardless of whether the Projects generate any profit in the future.

The Board considers that both properties have attractive development potentials, the entering into of the Investment Agreements is consistent with the Group's recent strategy to diversify its investments, and provide a good opportunity to the Group riding on Mr. Yang's experience in property development and building constructions.

For further details, please refer to the announcements of the Company dated 3 June 2021 and 21 June 2021 respectively.

Except as disclosed above, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021, the Group had 507 (31 December 2020: 489) employees including foreign workers. The Group's total remuneration including Directors' emoluments for the six months ended 30 June 2021 amounted to approximately S$10.5 million (six months ended 30 June 2020: approximately S$7.7 million).

Employees of the Group were remunerated according to their job duties and market trends. All employees were also entitled to discretionary bonus depending on their respective performance. 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.

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

As at 30 June 2021, the interests of the Directors and the chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

Aggregate long positions in the shares and underlying shares of the Company

	Number of shares held					
Name of Directors/ Chief Executive	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Sub-total	Number of underlying shares held under equity derivatives *(Note 2)*	Total	Approximate percentage of interest in the issued share capital of the Company as at 30 June 2021
Lim Kui Teng ("**Mr. Lim**")	17,044,000	529,125,000 *(Note 1)*	546,169,000	–	546,169,000	52.70%
Quek Sze Whye	–	–	–	8,000,000	8,000,000	0.77%
Bijay Joseph	–	–	–	8,000,000	8,000,000	0.77%
Lau Yan Hong	–	–	–	8,000,000	8,000,000	0.77%
Phang Yew Kiat	–	–	–	10,364,000	10,364,000	1.00%

Notes:

1. As explained below, Mr. Lim is deemed to be interested in all the 529,125,000 shares held by Brewster Global Holdings Limited ("**Brewster Global**") by virtue of the SFO.

2. These interests represented the interests in the underlying shares in respect of share options granted by the Company to these Directors as beneficial owners under its share option scheme, details of which are set out in the section headed "SHARE OPTION SCHEME" below.

Save as disclosed above, none of the Directors or chief executives 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 2021.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company (the "**Shareholders**") passed on 10 May 2016, the Company adopted a share option scheme (the "**Share Option Scheme**") which became effective on 10 May 2016 and will expire on 9 May 2026. Under the Share Option Scheme, the Board may grant options to employees and other eligible persons, including suppliers and customers, to subscribe for the shares of the Company.

(1) Purpose

The purpose of the Share Option Scheme is to enable the Board to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group.

(2) Eligible participants

Eligible participants include any employee or proposed employee (whether full time or part time, including any director) of any member of the Group or invested entity; and any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of the Group or any invested entity.

(3) Total number of the shares of the Company available for issue

The maximum number of the shares of the Company in respect of which options may be granted under the Share Option Scheme is 100,000,000 shares, representing approximately 9.65% of the issued share capital of the Company as at the date of this interim report.

(4) Total maximum entitlement of each eligible participant

No option shall be granted to any eligible participant if any further grant of options would result in the shares of the Company issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of the shares of the Company in issue from time to time (the "**Participant Limit**"), unless: (i) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the eligible participant and his close associates shall abstain from voting; (ii) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the eligible participant, the number and terms of the options to be granted and options previously granted to such eligible participant); and (iii) the number and terms (including the subscription price) of such option are fixed before the Shareholders' approval is sought.

(5) Option period and payment on acceptance of the option

An offer of grant of an option may be accepted by an eligible participant within 21 days from the date of grant upon payment of HK$1.00 dollar. Option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than 10 years commencing on the date of the offer letter and expiring on the last day of such ten-year period.

(6) Minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board at the time of grant.

(7) Subscription price of shares

The subscription price of a share of the Company in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant (the "**Offer Date**"), which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a share of the Company on the Offer Date. Where an option is to be granted, the date of the Board meeting at which the grant was proposed shall be taken to be the Offer Date.

Details of the movements in the share options granted by the Company under the Share Option Scheme during the Reporting Period are summarised as follows:

	Date of grant	Exercise price per share HK$	Balance as at 1 January 2021	Number of shares over which options are exercisable Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2021	Exercise Period
Name of Directors									
Quek Sze Whye	28 October 2020	0.090	8,000,000 (L)	–	–	–	–	8,000,000 (L)	10 May 2021 to 9 May 2026
Bijay Joseph	28 October 2020	0.090	8,000,000 (L)	–	–	–	–	8,000,000 (L)	10 May 2021 to 9 May 2026
Lau Yan Hong	28 October 2020	0.090	8,000,000 (L)	–	–	–	–	8,000,000 (L)	10 May 2021 to 9 May 2026
Phang Yew Kiat	28 October 2020	0.090	10,364,000 (L)	–	–	–	–	10,364,000 (L)	16 October 2021 to 9 May 2026
Employees of the Group	28 October 2020	0.090	44,860,000 (L)	–	–	–	–	44,860,000 (L)	10 May 2021 to 9 May 2026
Total			79,224,000	–	–	–	–	79,224,000	

Note: The letter "L" denotes a long position in the shares of the Company.

No share option has been granted by the Company under the Share Option Scheme during the Reporting Period.

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 or any of its holding companies, subsidiaries or fellow 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 2021, so far as it 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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial Shareholders required to be kept under Section 336 of the SFO:

Aggregate long positions in the shares and underlying shares of the Company

Name of substantial shareholder(s)	Nature of interest and capacity	Number of shares	Approximate percentage of interest in the issued share capital of the Company as at 30 June 2021
Brewster Global	Beneficial owner *(Note 1)*	529,125,000	51.05%
Ms. Yee Say Lee ("**Ms. Yee**")	Interest of spouse *(Note 2)*	546,169,000	52.70%

Notes:

(1) The entire issued share capital of Brewster Global is beneficially owned by Mr. Lim. Accordingly, Mr. Lim is deemed to be interested in the same 529,125,000 shares held by Brewster Global by virtue of the SFO. Mr. Lim is a substantial Shareholder and an executive Director of the Company.

(2) Ms. Yee is the spouse of Mr. Lim. Accordingly, Ms. Yee is deemed to be interested in the shares of the Company in which Mr. Lim is interested in under the SFO.

Save as disclosed herein, as at 30 June 2021, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which had been recorded in the register of substantial Shareholders required to be kept under Section 336 of the SFO or who was directly or indirectly interested in 5% or more of the issued share capital of the Company.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or the controlling Shareholders nor their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete with the business of the Group. In particular, Mr. Lim, being an executive Director and a controlling Shareholder, declared that he did not engage in business which 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. The independent non-executive Directors did not notice any incident of non-compliance of such undertaking.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the Reporting Period.

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 standards 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 standards as 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 have 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 2020 of the Group 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. Wee Hian Eng Cyrus (“**Mr. Wee**”), an independent non-executive Director of the Company, resigned as executive director and deputy chief executive officer of ZACD Group Ltd. (Stock Code: 8313), which shares are listed on the GEM of the Stock Exchange, with effect from 8 April 2021.

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 was established on 10 May 2016, which comprises three independent non-executive Directors namely, Mr. Chan Po Siu (Chairman), Mr. Wee and Mr. Xu Fenglei.

At the request of the Audit Committee, Ernst & Young LLP, the auditor of the Company (the "**Auditor**"), has performed certain agreed-upon procedures on the Group's condensed consolidated interim financial statements for the six months ended 30 June 2021 in accordance with International Standards on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information".

The agreed-upon procedures were performed solely to assist the Audit Committee to review the interim results of the Group for the Reporting Period. Because the agreed-upon procedures did not constitute an assurance engagement performed in accordance with International Standards on Auditing or International Standards on Review Engagements, the Auditor does not express any assurance on the interim results of the Group. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the 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 2021.

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

There was no purchase, sale or redemption of the Company's listed securities 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 the shares of the Company as required under the Listing Rules throughout the Reporting Period.

On behalf of the Board

Mr. Phang Yew Kiat
Chairman

30 August 2021