

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Chuan Holdings Limited

川 控 股 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

The Board of Directors (the “**Board**”) of Chuan Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 (the “**Reporting Period**”) together with the comparative figures as follows:

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	S\$'000	S\$'000
		(Unaudited)	(Unaudited)
Revenue	5	32,968	51,132
Direct costs		<u>(29,214)</u>	<u>(45,235)</u>
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	<u>(575)</u>	<u>(223)</u>
Profit before income tax	7	1,481	2,661
Income tax expense	8	<u>(250)</u>	<u>(442)</u>
Profit for the period		<u>1,231</u>	<u>2,219</u>
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		<u>(158)</u>	<u>469</u>
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		<u>(18)</u>	<u>(36)</u>
Other comprehensive income for the period, net of tax		(176)	433
Total comprehensive income for the period attributable to the owners of the Company		<u>1,055</u>	<u>2,652</u>
Earnings per share attributable to owners of the Company			
– Basic and diluted (S cents)	9	<u>0.12</u>	<u>0.21</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019 S\$'000 (Unaudited)	31 December 2018 S\$'000 (Audited)
	Notes		
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		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
		<u>42,096</u>	<u>31,886</u>
Current assets			
Contract assets		18,959	18,292
Trade receivables	12	14,693	20,142
Deposits, prepayments and other receivables		9,973	13,845
Pledged deposits	13	3,328	3,328
Cash and cash equivalents	13	42,873	36,664
		<u>89,826</u>	<u>92,271</u>
Current liabilities			
Contract liabilities		1,775	2,124
Trade payables	15	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
		<u>23,337</u>	<u>25,843</u>
Net current assets		<u>66,489</u>	<u>66,428</u>
Total assets less current liabilities		<u>108,585</u>	<u>98,314</u>

		30 June	31 December
		2019	2018
	<i>Note</i>	S\$'000	S\$'000
		(Unaudited)	(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	14	1,807	1,807
Reserves		91,905	90,850
Total equity		93,712	92,657

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 of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 8 June 2016.

The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated statements for the six months ended 30 June 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 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.

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.

(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.

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.

(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 effect 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 continues 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 included director’s emoluments, employee benefit expenses, depreciation of office equipment, operating lease expenses and other centralised administrative cost for the Group’s headquarter.

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)

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

For the six months ended 30 June 2018 (unaudited)

	Earthwork & Ancillary Services S\$'000	General Construction Works S\$'000	Total S\$'000
Revenue from external customers	<u>41,856</u>	<u>9,276</u>	<u>51,132</u>
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			<u>(3)</u>
Profit before income tax			<u><u>2,661</u></u>

(b) **Segment assets and liabilities**

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

Reportable segment assets

	As at 30 June 2019 S\$'000 (Unaudited)	As at 31 December 2018 S\$'000 (Audited)
Earthworks & Ancillary Services	51,947	54,923
General Construction Works	<u>6,748</u>	<u>9,292</u>
Total	<u><u>58,695</u></u>	<u><u>64,215</u></u>
Additions to non-current segment assets		
Earthworks & Ancillary Services	3,555	12,233
General Construction Works	<u>—</u>	<u>—</u>
Total	<u><u>3,555</u></u>	<u><u>12,233</u></u>
	As at 30 June 2019 S\$'000 (Unaudited)	As at 31 December 2018 S\$'000 (Audited)
Reportable segment assets	58,695	64,215
Corporate and unallocated assets	<u>73,227</u>	<u>59,942</u>
Group assets	<u><u>131,922</u></u>	<u><u>124,157</u></u>

Corporate and other unallocated assets mainly included 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.

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	<u>531</u>	<u>1,881</u>
Total	<u>24,493</u>	<u>27,716</u>
	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	<u>13,717</u>	<u>3,784</u>
Group liabilities	<u>38,210</u>	<u>31,500</u>

Corporate and other unallocated liabilities mainly included 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 (<i>Note</i>)	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:		
Earthwork & Ancillary Services (<i>Note</i>)	28,945	41,856
General Construction Works	4,023	9,276
Total	32,968	51,132

Note:

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

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

	Six months ended 30 June	
	2019	2018
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
<u>Other income</u>		
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
	<u>1,534</u>	<u>561</u>
<u>Gains</u>		
Gains on disposals of property, plant and equipment	155	292
Net foreign exchange gain	4	11
	<u>159</u>	<u>303</u>
	<u>1,693</u>	<u>864</u>

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
	<u>575</u>	<u>223</u>

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	<u>12</u>	<u>12</u>
Operating lease rental expenses in respect of:		
– Office equipment and machineries	2,948	9,139
– Warehouses, premises, dormitories and workshops	<u>47</u>	<u>1,118</u>
	<u>2,995</u>	<u>10,257</u>
Employee benefit expenses (including Directors' remuneration)		
– Salaries, wages and bonuses	7,350	7,797
– Defined contribution	326	311
– Other short-term benefits	<u>1,186</u>	<u>1,489</u>
	<u>8,862</u>	<u>9,597</u>
Provision for impairment of trade and other receivables	<u>167</u>	<u>682</u>

* 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	<u>250</u>	<u>442</u>

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. TRADE RECEIVABLES

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

- (a) 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.
- (b) During the Reporting Period, the credit period granted to the Group's customers 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 of the respective periods 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	<u>–</u>	<u>753</u>
	11,001	13,786
Retention receivables	<u>3,692</u>	<u>6,356</u>
	<u>14,693</u>	<u>20,142</u>

13. 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	<u>19,398</u>	<u>–</u>
	46,201	39,992
Less: Pledged deposits (<i>Note</i>)	<u>(3,328)</u>	<u>(3,328)</u>
Cash and cash equivalents	<u><u>42,873</u></u>	<u><u>36,664</u></u>

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* 16); 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).

14. 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	<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>17,430</u>	<u>17,430</u>
Issued and fully paid				
At beginning and end of the period/year	<u>1,036,456,000</u>	<u>1,037,500,000</u>	<u>1,807</u>	<u>1,808</u>
Cancellation of shares	<u>—</u>	<u>(1,044,000)</u>	<u>—</u>	<u>(1)</u>
At end of the period/year	<u><u>1,036,456,000</u></u>	<u><u>1,036,456,000</u></u>	<u><u>1,807</u></u>	<u><u>1,807</u></u>

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

15. 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
	<u>4,402</u>	<u>6,236</u>

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
	<u>4,402</u>	<u>6,236</u>

16. 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 13).

17. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

FINANCIAL REVIEW

Revenue and gross profit

	For six months ended			For six months ended		
	30 June 2019			30 June 2018		
	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit
	recognised	Gross profit	margin	recognised	Gross profit	margin
	S\$'000	S\$'000		S\$'000	S\$'000	
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.

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 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 labor 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 activities of approximately S\$11.2 million, representing an increase of 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.

				Amount utilised as at 30 June 2019 S\$'000	Balance as at 30 June 2019 S\$'000
Intended applications	Net proceeds S\$'000	1st re-allocation S\$'000	Further re-allocation 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)	–	–
	<u>26,482</u>	<u>–</u>	<u>–</u>	<u>14,346</u>	<u>12,136</u>

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 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 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 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, A 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.

Revision of Annual Caps for Continuing Connected Transactions and New Continuing Connected Transactions (CCTs)

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 provision 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 revised 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 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 and its second supplemental agreement dated 29 March 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 revised annual caps for each of the three years ending 31 December 2021 is S\$1,800,000.

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 revised 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-Huatong Pte. Ltd. (“**Golden Empire-Huatong**”) and the Company entered into a rental services framework agreement (as supplemented by its supplemental agreement dated 31 December 2018 and its second supplemental agreement dated 29 March 2019) (the “**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-Huatong. The revised 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-Huatong was approximately S\$424,000.

5. The Earth Disposal Framework Agreement

On 29 March 2019, Golden Empire-Huatong and the Company entered into an earth disposal framework agreement (the “**Earth Disposal Framework Agreement**”), in relation to the disposal of excavated earth and the soil from the Group’s job sites. The original 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 disposal services from Golden Empire-Huatong was approximately S\$0.2 million.

6. The Subcontract Agreement

On 29 March 2019, Golden Empire and the Company entered into a subcontract agreement (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 original annual caps for the three years ending 31 December 2021 are S\$4,000,000, S\$7,000,000 and S\$1,000,000, 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 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 Services 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 Services 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 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.

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 and the Subcontract Agreement (collectively, the “**CCT Agreements**”), the Master Lease Agreement and the Machinery Rental Services Agreement, please refer to the announcements of the Company dated 10 December 2018, 31 December 2018 and 29 March 2019.

The Group proposed to (i) revise the annual caps for the continuing transactions under the Construction Materials Purchase Framework Agreement, the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2; and (ii) enter into new continuing connected transactions under the Earth Disposal Framework Agreement and the Subcontract Agreement.

Based on (i) the further revised proposed annual caps of the transactions contemplated under the Construction Materials Purchase Framework Agreement; (ii) the aggregated revised 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 revised 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 of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (other than the profit ratio) is more than 5% as specified under the Listing Rules 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 will issue a circular and seek approval from the independent shareholders in respect of the CCT Agreements, the transactions contemplated thereunder and the relevant annual caps (including revision thereof) in the extraordinary general meeting to be convened. An independent board committee comprising only the independent non-executive Directors has been formed to advise the independent Shareholders in respect of the CCT 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).

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, except below, the Company has complied with the applicable code provisions (the “**Code Provisions**”) of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2019 (“**Interim Period**”).

The roles of the chairman (the “**Chairman**”) and the chief executive officer (the “**Chief Executive Officer**”) of the Company are served by Mr. Lim Kui Teng and have not segregated as 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 for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) as its code of conduct regarding securities transactions by the Directors. All Directors, following specific enquiries made by the Company, have confirmed that they have complied with the required standard as set out in the Model Code during the Interim Period.

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

AUDIT COMMITTEE

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

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

The agreed-upon procedures were performed solely to assist the Audit Committee to review the interim results of the Reporting Period of the Group. Because the agreed-upon procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, the auditor of the Company does not express any assurance on the interim results of the Company. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial information of the Group for the six months ended 30 June 2019.

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited (“**HKEx**”) (<http://www.hkex.news.hk>) and on the website of the Company (<http://www.chuanholdings.com>). The 2019 Interim Report of the Company will be published on the website of HKEx (<http://www.hkex.news.hk>) and on the website of the Company (<http://www.chuanholdings.com>), and despatched to the shareholders of the Company in due course.

By order of the Board
Chuan Holdings Limited
Lim Kui Teng
Chairman and Executive Director

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises Mr. Lim Kui Teng, Mr. Quek Sze Whye, Mr. Bijay Joseph, Mr. Lau Yan Hong and Mr. Wong Kee Chung as executive Directors; and Mr. Lee Cheung Yuet, Horace, Mr. Phang Yew Kiat and Mr. Ng Ka Lok as independent non-executive Directors.