



**Second Quarter and
Half Year Financial
Statement for the Period
Ended 30 June 2016**

1 August 2016

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Second Quarter and Half Year Financial Statement for the Period Ended 30 June 2016
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS
1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year

| | The Group | | | The Group | | |
|---|------------------------------|--------------|-------------------------|-------------------------|--------------|-------------------------|
| | Second Quarter ended 30 June | | Increase/ (Decrease) | Half Year ended 30 June | | Increase/ (Decrease) |
| | 2016 | 2015 | | 2016 | 2015 | |
| | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| Revenue | 24,034 | 27,187 | (11.6) | 48,588 | 54,586 | (11.0) |
| Cost of works | (19,924) | (22,987) | (13.3) | (41,517) | (47,680) | (12.9) |
| Gross profit | 4,110 | 4,200 | (2.1) | 7,071 | 6,906 | 2.4 |
| Other income | 835 | 890 | (6.2) | 1,881 | 1,476 | 27.4 |
| Expenses | | | | | | |
| - Administrative | (2,120) | (2,080) | 1.9 | (4,330) | (4,036) | 7.3 |
| - Finance | (16) | (16) | - | (32) | (31) | 3.2 |
| Share of results of associated companies and joint ventures | 181 | 134 | 35.0 | 268 | 104 | 157.7 |
| Profit before income tax | 2,990 | 3,128 | (4.4) | 4,858 | 4,419 | 9.9 |
| Income tax expense | (501) | (180) | 178.3 | (516) | (346) | 49.1 |
| Net profit | 2,489 | 2,948 | (15.6) | 4,342 | 4,073 | 6.6 |
| Gross profit margin | 17.1% | 15.4% | | 14.6% | 12.7% | |
| Net profit margin | 10.4% | 10.8% | | 8.9% | 7.5% | |
| Effective tax rate | 16.8% | 5.8% | | 10.6% | 7.8% | |
| Net profit attributable to: | | | | | | |
| Equity holders of the Company | 2,489 | 2,948 | (15.6) | 4,342 | 4,074 | 6.6 |
| Non-controlling interests | - | - | - | - | (1) | n.m. |
| | 2,489 | 2,948 | (15.6) | 4,342 | 4,073 | 6.6 |

n.m. – not meaningful



1(a)(i)

Consolidated Statement of comprehensive income for the second quarter and half-year ended 30 June 2016

| Note | The Group | | | The Group | | |
|--|------------------------------|--------------|-------------------------|-------------------------|--------------|-------------------------|
| | Second Quarter ended 30 June | | Increase/ (Decrease) | Half Year ended 30 June | | Increase/ (Decrease) |
| | 2016 | 2015 | | 2016 | 2015 | |
| | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| Net profit | 2,489 | 2,948 | (15.6) | 4,342 | 4,073 | 6.6 |
| Other comprehensive income: | | | | | | |
| Financial assets, available-for-sale | | | | | | |
| - Fair value gains, i | 25 | 11 | 127.3 | 23 | 10 | 130.0 |
| - net of tax | | | | | | |
| Total comprehensive income, net of tax | 2,514 | 2,959 | (15.0) | 4,365 | 4,083 | 6.9 |
| Total comprehensive income attributable to: | | | | | | |
| Equity holders of the Company | 2,514 | 2,959 | (15.0) | 4,365 | 4,084 | 6.9 |
| Non-controlling interests | - | - | - | - | (1) | n.m. |
| | 2,514 | 2,959 | (15.0) | 4,365 | 4,083 | 6.9 |

Note:

(i) Fair value gains were mainly attributable to higher quoted prices of financial assets, available-for-sale.

n.m. – not meaningful



(i) Additional disclosures

Profit before income tax was arrived at:

| | The Group | | | The Group | | |
|--|---------------------------------|--------|-------------------------|----------------------------|--------|-------------------------|
| | Second Quarter ended 30 June | | Increase/ (Decrease) | Half Year ended 30 June | | Increase/ (Decrease) |
| | 2016 | 2015 | | 2016 | 2015 | |
| | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| <u>After charging:-</u> | | | | | | |
| Non-audit fee paid to the auditors of the Company | 8 | 5 | 60.0 | 17 | 13 | 30.8 |
| Amortisation of intangible assets | 3 | 2 | 50.0 | 6 | 4 | 50.0 |
| Depreciation of property, plant and equipment | 159 | 163 | (2.5) | 318 | 321 | (0.9) |
| Non-trade receivables written off | 2 | - | n.m. | 2 | - | n.m. |
| Directors' remuneration | | | | | | |
| - Directors of the Company | 839 | 829 | 1.2 | 1,593 | 1,529 | 4.2 |
| - Other directors | 104 | 108 | (3.7) | 214 | 218 | (1.8) |
| Directors' fee | 45 | 45 | - | 90 | 90 | - |
| Interest paid and payable | | | | | | |
| - Finance lease liabilities | 16 | 16 | - | 32 | 31 | 3.2 |
| Employees compensation cost | 637 | 540 | 18.0 | 1,419 | 1,084 | 30.9 |
| <u>Included in the cost of works are the following:-</u> | | | | | | |
| Depreciation of property, plant and equipment | 527 | 615 | (14.3) | 1,018 | 1,171 | (13.1) |
| Amortisation of intangible assets | 16 | 15 | 6.7 | 32 | 31 | 3.2 |
| Employees compensation cost | 6,409 | 5,903 | 8.6 | 12,493 | 11,312 | 10.4 |

n.m. – not meaningful



| Note | The Group | | | The Group | | |
|---|---------------------------------|--------|-------------------------|----------------------------|--------|-------------------------|
| | Second Quarter ended 30 June | | Increase/ (Decrease) | Half Year ended 30 June | | Increase/ (Decrease) |
| | 2016 | 2015 | | 2016 | 2015 | |
| | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| <u>After crediting:-</u> | | | | | | |
| Interest income | | | | | | |
| - Bank deposits | 142 | 52 | 173.1 | 282 | 89 | 216.9 |
| - Financial asset, available-for-sale | 13 | 12 | 8.3 | 26 | 25 | 4.0 |
| - Other receivables (non- current) | - | - | - | - | 88 | n.m. |
| Gain on disposal of property, plant and equipment (net) | 32 | 42 | (23.8) | 36 | 43 | (16.3) |
| Non-trade payables written off | - | 438 | n.m. | - | 438 | n.m. |
| Rental income from investment properties | 47 | 47 | - | 95 | 95 | - |
| Technical management consultancy fee | 585 | - | n.m. | 1,229 | - | n.m. |
| Government grant | 32 | 33 | (3.0) | 348 | 174 | 100.0 |
| (Loss)/gain on foreign exchange | (33) | (63) | (47.6) | (158) | 73 | (316.4) |

Notes:

(i) (Loss)/gain on foreign exchange mainly arose from the revaluation of assets denominated in United States dollar and Indonesian Rupiah to Singapore dollar.

n.m. - not meaningful.



(ii) Extraordinary/Exceptional items

Nil

(iii) Adjustments for under or over-provision of tax in respect of prior periods

| The Group | |
|--------------|--------------|
| 30 June 2016 | 30 June 2015 |
| \$'000 | \$'000 |

Tax expense attributable to profit is made up of:

- Profit from current financial period:

- Current income tax - Singapore
- Deferred income tax

| | |
|------|------|
| 543 | 338 |
| (27) | (27) |

516

311

- Under provision of deferred income tax in prior financial periods

- Current income tax - Singapore
- Deferred income tax

| | |
|---|----|
| - | 35 |
| - | - |

-

35

516

346



1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Statements of Financial Position

| | | The Group | | The Company | |
|---|------|----------------|----------------|---------------|---------------|
| Note | | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS | | | | | |
| Current assets | | | | | |
| | | 68,272 | 54,689 | 3,111 | 3,283 |
| | i | 19,365 | 24,454 | 5,158 | 6,629 |
| | | 1,216 | 4,238 | - | - |
| | | 88,853 | 83,381 | 8,269 | 9,912 |
| Non-current assets | | | | | |
| | ii | - | - | 17,522 | 17,522 |
| | iii | 2,988 | 2,988 | - | - |
| | iv | 873 | 651 | - | - |
| | v | 5,250 | 5,250 | - | - |
| | vi | 24,738 | 24,532 | 18,019 | 17,844 |
| | vii | 1,013 | 990 | - | - |
| | | 17,743 | 18,205 | 5,375 | 5,512 |
| | viii | 1,752 | 1,771 | 15 | 20 |
| | | 54,357 | 54,387 | 40,931 | 40,898 |
| | | 143,210 | 137,768 | 49,200 | 50,810 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| | ix | 33,448 | 29,314 | 6,211 | 6,867 |
| | | 948 | 950 | - | - |
| | | 839 | 549 | 52 | 65 |
| | | 35,235 | 30,813 | 6,263 | 6,932 |
| Non-current liabilities | | | | | |
| | | 1,403 | 1,637 | - | - |
| | | 604 | 631 | 27 | 49 |
| | | 2,007 | 2,268 | 27 | 49 |
| | | 37,242 | 33,081 | 6,290 | 6,981 |
| | | 105,968 | 104,687 | 42,910 | 43,829 |
| EQUITY | | | | | |
| Capital and reserves attributable to equity holders of the Company | | | | | |
| | x | 36,832 | 36,832 | 36,832 | 36,832 |
| | | 1,371 | 1,348 | - | - |
| | | 67,765 | 66,507 | 6,078 | 6,997 |
| | | 105,968 | 104,687 | 42,910 | 43,829 |
| | | 104,216 | 102,916 | 42,895 | 43,809 |



Notes to Statements of Financial Position:

(i) Trade and other receivables

| | The Group | | The Company | |
|--|---------------|---------------|--------------|--------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade receivables | | | | |
| - Non-related parties | 3,396 | 2,364 | - | - |
| - Subsidiary corporations | - | - | 5,110 | 6,517 |
| | 3,396 | 2,364 | 5,110 | 6,517 |
| Construction contracts | | | | |
| - Due from customers | 11,681 | 15,901 | - | - |
| - Retentions | 2,120 | 4,533 | - | - |
| | 13,801 | 20,434 | - | - |
| Non-trade receivables | | | | |
| - Subsidiary corporations | - | - | 716 | 767 |
| - Joint venture partner | 3 | 3 | - | - |
| - Non-related parties | 218 | 76 | 6 | 6 |
| | 221 | 79 | 722 | 773 |
| Less: Allowance for impairment of receivables | - | - | (688) | (688) |
| Non-trade receivables - net | 221 | 79 | 34 | 85 |
| Deposits | 921 | 577 | 6 | 7 |
| Prepayments | 1,026 | 1,000 | 8 | 20 |
| | <u>19,365</u> | <u>24,454</u> | <u>5,158</u> | <u>6,629</u> |

The non-trade amounts due from subsidiary corporations, associated company and joint venture partner are unsecured, interest-free and repayable on demand.



(ii) Investments in subsidiary corporations

| The Company | |
|-------------|-------------|
| 30 Jun 2016 | 31 Dec 2015 |
| \$'000 | \$'000 |

Equity investments at cost

17,522

17,522

| Name of Subsidiary corporations | Principal activities | Country of incorporation | Equity holding | |
|---------------------------------|----------------------|--------------------------|----------------|-------------|
| | | | 30 Jun 2016 | 31 Dec 2015 |

Held by the Company

| | | | | |
|--|--|-----------|------|------|
| Or Kim Peow Contractors (Pte) Ltd ^(@) | Business of road and building construction and maintenance | Singapore | 100% | 100% |
| Eng Lam Contractors Co. (Pte) Ltd ^(@) | Business of road construction and maintenance | Singapore | 100% | 100% |
| OKP Technical Management Pte Ltd ^{(@)(*)} | Provision of technical management and consultancy services | Singapore | 100% | 100% |
| OKP Investments (China) Pte Ltd ^{(@)(*)} | Investment holding | Singapore | 100% | 100% |
| OKP (Oil & Gas) Infrastructure Pte Ltd ^{(@)(&)} | Business of carrying out civil engineering projects in respect of oil, petrochemical and gas related businesses in Singapore | Singapore | 100% | 100% |
| United Pavement Specialists Pte Ltd ^{(@)(*)} | Provision of rental services and investment holding | Singapore | 100% | 100% |
| OKP Land Pte Ltd ^(@) | Investment holding and property development | Singapore | 100% | 100% |
| OKP Transport & Trading Pte Ltd ^{(@)(*)} | Provision of transport and logistics services | Singapore | 100% | 100% |

(@) Audited by Nexia TS Public Accounting Corporation.

(*) Dormant company.

(&) On 14 July 2015, OKP (Oil & Gas) Infrastructure Pte Ltd was granted a licence to operate a representative foreign construction service company in Jakarta, Indonesia.



(iii) Investments in joint ventures

| The Group | |
|-------------|-------------|
| 30 Jun 2016 | 31 Dec 2015 |
| \$'000 | \$'000 |

Interests in joint ventures

| | | |
|--|-------|-------|
| Beginning of financial period/year | 2,988 | 3,262 |
| Share of profit of investments accounted for using the equity method | 46 | 48 |
| Notional fair value of loan (net) | (46) | (322) |
| End of financial period/year | 2,988 | 2,988 |

| Name of joint ventures | Principal activities | Country of incorporation | Equity holding | |
|------------------------|----------------------|--------------------------|----------------|-------------|
| | | | 30 Jun 2016 | 31 Dec 2015 |

Held by subsidiary corporations

| | | | | |
|---|--|-----------|-----|-----|
| CS-OKP Construction and Development Pte Ltd ^{(@)(1)} | Design, construction and execution of urban developments (including road infrastructure) | Singapore | 50% | 50% |
| Forte Builder Pte Ltd ^{(#)(2)} | Business of general construction | Singapore | 50% | 50% |
| Lakehomes Pte Ltd ^{(^)(3)} | Property development | Singapore | 10% | 10% |

Unincorporated joint venture

| | | | | |
|---|----------------------------------|--------------------|-----|-----|
| Chye Joo – Or Kim Peow JV ^{(*)(4)} | Business of general construction | Singapore | 50% | 50% |
| ACSET-OKP ^{(&)(5)} | Business of general construction | Indonesia, Jakarta | - | 50% |

(@) Audited by Heng Lee Seng LLP.

(#) Audited by Nexia TS Public Accounting Corporation.

(^) Audited by Ernst & Young LLP.

(*) Registered on 4 May 2015 and not required to be audited in the country of establishment.

(&) Established on 21 September 2015 and not required to be audited in the country of establishment.

(1) CS-OKP Construction and Development Pte Ltd ("CS-OKP"), incorporated in Singapore on 1 December 2009, remained inactive as at 30 June 2016. CS-OKP is a joint venture company of OKP Technical Management Pte Ltd ("OKPTM"), a wholly-owned subsidiary corporation, and CS Mining Pte Ltd, a subsidiary corporation of China Sonangol International Limited, with a share capital of \$100,000 consisting of 100 ordinary shares. OKPTM has a 50% equity interest at a cost of \$50,000 (2015: \$50,000) in CS-OKP.

(2) On 8 December 2010, Or Kim Peow Contractors (Pte) Ltd ("OKPC"), a wholly-owned subsidiary corporation, entered into a joint venture agreement with Soil-Build (Pte) Ltd ("SBPL"), incorporated in Singapore and a subsidiary corporation of Soilbuild Group Holdings Ltd., to form a 50:50 joint venture company. On the same date, the joint venture company, Forte Builder Pte. Ltd. ("FBPL") was incorporated in Singapore with a share capital of \$1,000,000 consisting of 1,000,000 ordinary shares. OKPC has a 50% equity interest at a cost of \$500,000 in FBPL. The principal activity of FBPL is the construction of the condominium housing development, comprising one (1) 36-storey block of 54 residential units at Angullia Park.



- (3) On 15 August 2013, an associated company, Lakehomes Pte Ltd ("LH") was incorporated in Singapore with a share capital of \$1,000,000 consisting of 1,000,000 ordinary shares. OKP Land Pte Ltd ("OKPL"), a wholly-owned subsidiary, has a 10% equity interest at a cost of \$100,000 in LH. The principal activity of LH is to develop a land parcel at Yuan Ching Road/Tao Ching Road into an executive condominium. On 13 September 2013, OKPL entered into a joint venture agreement with BBR Development Pte Ltd, Evia Real Estate (5) Pte Ltd, CNH Investment Pte Ltd and Ho Lee Group Pte Ltd for the aforesaid executive condominium development.
- (4) On 4 May 2015, a joint venture partnership, Chye Joo - Or Kim Peow JV was registered to execute the improvement to Bukit Timah First Diversion Canal Contract 3 (Holland Green to Clementi Road) awarded by the Public Utilities Board.
- (5) On 21 September 2015, OKP (Oil & Gas) Infrastructure Pte Ltd ("OKP O&G"), a wholly-owned subsidiary corporation, had through its Jakarta representative office entered into a joint operation agreement with PT Acset Indonusa Tbk, pursuant to which OKP O&G and PT Acset Indonusa Tbk constituted themselves as a joint venture in the name of "ACSET-OKP" in accordance with the joint operation scheme under the laws of the Republic of Indonesia. The joint venture has been established to carry out building and construction works in Jakarta, Indonesia. The joint operation agreement was terminated on 3 May 2016.

The Group has joint control over these joint ventures as unanimous consent is required from all parties to the arrangements for all relevant activities under the contractual agreements.

The Group's joint arrangements are structured as limited companies and partnerships such that the Group and the parties to the agreements have the rights to the net assets of the limited companies and partnerships under the arrangements. Therefore, these arrangements are classified as joint ventures.

The following amounts represent the summarised financial information of the joint ventures:

| The Group | | |
|---------------------------|-------------|-------------|
| | 30 Jun 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 |
| Assets | | |
| - Current assets | 280,741 | 258,830 |
| Liabilities | | |
| - Current liabilities | (85,144) | (66,786) |
| - Non-current liabilities | (184,835) | (181,533) |
| Net assets | 10,762 | 10,511 |
| Revenue | 18,227 | 9,244 |
| Expenses | (18,000) | (9,109) |
| Profit before income tax | 227 | 135 |
| Income tax expense | (1) | (4) |
| Net profit | 226 | 131 |

The information above reflects the amounts included in the financial statements of the joint ventures, adjusted to reflect adjustments made by the Group when applying the equity method of accounting.

The Group has not recognised its share of profits of a joint venture amounting to \$11,846 (30 June 2015: \$5,327) because the Group's cumulative share of unrecognised losses with respect to that entity amount to \$39,710 (30 June 2015: \$49,802) at the balance sheet date.



(iv) Investments in associated companies

| The Group | |
|-------------|-------------|
| 30 Jun 2016 | 31 Dec 2015 |
| \$'000 | \$'000 |

Interests in associated companies

| | | |
|---|------------|------------|
| Beginning of financial period/year | 651 | 71 |
| Increase in shareholding in an associated company | - | 500 |
| Share of profit of associated companies | 222 | 80 |
| End of financial period/year | <u>873</u> | <u>651</u> |

| Name of associated companies | Principal activities | Country of incorporation | Equity holding | |
|------------------------------|----------------------|--------------------------|----------------|-------------|
| | | | 30 Jun 2016 | 31 Dec 2015 |

Held by subsidiary corporations

| | | | | |
|---|----------------------|-----------|-----|-----|
| CS Amber Development Pte Ltd ^{(@)(1)} | Property development | Singapore | 10% | 10% |
| United Singapore Builders Pte Ltd ^{(#)(2)} | General contractors | Singapore | 25% | 25% |

(@) Audited by PricewaterhouseCoopers LLP.

(#) Audited by Nexia TS Public Accounting Corporation.

- (1) On 27 June 2012, OKP Land Pte Ltd ("OKPL"), a wholly-owned subsidiary corporation, entered into an investment agreement with CS Amber Development Pte Ltd ("CSAmber") and China Sonangol Land Pte Ltd, pursuant to which OKPL subscribed for 111,111 ordinary shares in CSAmber, representing approximately 10% of the enlarged issued and paid-up share capital of CSAmber. The aggregate consideration for the subscription of the shares is \$111,111.

The Group accounts for its investment in CSAmber as an associated company although the Group holds less than 20% of the issued shares of CSAmber as the Group is able to exercise significant influence over the investment due to the Group's voting power (both through its equity holding and its representation on the Board).

- (2) On 8 January 2014, Or Kim Peow Contractors (Pte) Ltd ("OKPC"), a wholly-owned subsidiary corporation, entered into a shareholders' agreement with Chye Joo Construction Pte Ltd, Ho Lee Construction Pte Ltd, Hwa Seng Builder Pte Ltd, Swee Hong Limited and United Singapore Builders Pte Ltd ("USB") to tender for and, if successful, undertake Mass Rapid Transit projects, including the construction of related infrastructure such as stations, tunnels and depots. As at 31 December 2014, OKPC had a 20% equity interest at a cost of \$200,000 in USB.

On 3 June 2015, OKPC acquired another 5% of the issued share capital of USB by way of acquisition of 50,000 ordinary shares for \$1.00. Consequently, OKPC had a 25% equity interest at a cost of \$200,001 in USB. On 17 August 2015, OKPC was allotted and issued 500,000 new ordinary shares by the capitalisation of its advance to USB and hence, its shareholding in USB increased to 750,000 shares. The shareholding percentage remains unchanged at 25% of the total issued and paid-up capital in USB.



The summarised financial information of the associated companies, not adjusted for the proportion of ownership interest held by the Group, is as follows:

| The Group | | |
|-------------------|-------------|-------------|
| | 30 Jun 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 |
| Assets | 279,917 | 253,975 |
| Liabilities | (281,344) | (256,179) |
| Revenue | 21,821 | 14,214 |
| Net profit/(loss) | 777 | (3,614) |

The Group has not recognised its share of losses of an associated company amounting to \$11,158 (30 June 2015: \$235,737) as the Group's cumulative share of losses has exceeded its interest in that entity and the Group has no obligation in respect of those losses. The cumulative unrecognised losses with respect to this entity amounted to \$472,276 (30 June 2015: \$301,944) at the balance sheet date.

(v) Investment properties

| The Group | | |
|---|-------------|-------------|
| | 30 Jun 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 |
| Beginning of financial period/year | 5,250 | 5,140 |
| Fair value gain recognised in profit and loss | - | 110 |
| End of financial period/year | 5,250 | 5,250 |

The Group's policy is to revalue its investment properties on an annual basis. An update to the fair values will be done at the end of the financial year.



(vi) Other receivables (non-current)

| | The Group | | The Company | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Loan to associated company | | | | |
| - CS Amber Development Pte Ltd | 19,680 | 19,680 | - | - |
| Less: Allowance for impairment | (650) | (650) | - | - |
| | 19,030 | 19,030 | - | - |
| Loan to joint venture | | | | |
| - Lakehomes Pte Ltd | 5,708 | 5,502 | - | - |
| Loan to subsidiary corporation | - | - | 18,019 | 17,844 |
| | <u>24,738</u> | <u>24,532</u> | <u>18,019</u> | <u>17,844</u> |

The loan to associated company is unsecured, interest-bearing at 2.0% per annum above SIBOR and will be repayable in full on 26 June 2018. The Group has ceased to charge interest on the loan with effect from 1 March 2015.

The loans made to joint venture and subsidiary corporation are unsecured and interest-free advances for the purpose of operating and development activities in their respective fields. The loans are not expected to be repaid within the next 12 months.



(vii) Financial assets, available-for-sale (non-current)

| The Group | | |
|---|-------------|-------------|
| | 30 Jun 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 |
| Beginning of financial period/year | 990 | 995 |
| Fair value gains/(losses) recognised in other comprehensive income | 23 | (5) |
| End of financial period/year | 1,013 | 990 |
| Financial assets, available-for-sale are analysed as follows: | | |
| Listed debt securities | | |
| - Bonds with fixed interest of 5.125% p.a. without fixed maturity - Singapore | 1,013 | 990 |

The fair values of listed debt securities are based on available market or common reference prices provided by the bank.



(viii) Intangible assets

| The Group | | The Company | |
|-------------|-------------|-------------|-------------|
| 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| \$'000 | \$'000 | \$'000 | \$'000 |

Composition:

| | | | | |
|-----------------------------------|--------------|--------------|-----------|-----------|
| Goodwill arising on consolidation | 1,688 | 1,688 | - | - |
| Computer software licences | 64 | 83 | 15 | 20 |
| | <u>1,752</u> | <u>1,771</u> | <u>15</u> | <u>20</u> |

(a) Goodwill arising on consolidation

Cost/net book value

| | | | | |
|--|--------------|--------------|----------|----------|
| Beginning and end of financial period/year | <u>1,688</u> | <u>1,688</u> | <u>-</u> | <u>-</u> |
|--|--------------|--------------|----------|----------|

This represents goodwill on consolidation which is the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

(b) Computer software licences

Cost

| | | | | |
|------------------------------------|------------|------------|-----------|-----------|
| Beginning of financial period/year | 369 | 353 | 55 | 39 |
| Additions | 19 | 16 | - | 16 |
| End of financial period/year | <u>388</u> | <u>369</u> | <u>55</u> | <u>55</u> |

Accumulated amortisation

| | | | | |
|------------------------------------|------------|------------|-----------|-----------|
| Beginning of financial period/year | 286 | 212 | 35 | 24 |
| Amortisation charge | 38 | 74 | 5 | 11 |
| End of financial period/year | <u>324</u> | <u>286</u> | <u>40</u> | <u>35</u> |
| Net book value | <u>64</u> | <u>83</u> | <u>15</u> | <u>20</u> |

Computer software licences relate to fees paid to third parties in relation to the entitlement to use the computer software and are amortised over 5 years.



(ix) Trade and other payables

| | The Group | | The Company | |
|----------------------------|---------------|---------------|--------------|--------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade payables | | | | |
| - Non-related parties | 17,676 | 15,549 | 71 | 92 |
| Non-trade payables | | | | |
| - Subsidiary corporations | - | - | 5,347 | 5,347 |
| - Joint venture partner | 50 | 50 | - | - |
| | 50 | 50 | 5,347 | 5,347 |
| Construction contracts | 3,680 | - | - | - |
| - Advance received | | | | |
| Accrued operating expenses | 11,904 | 13,581 | 793 | 1,428 |
| Other payables | 138 | 134 | - | - |
| | <u>33,448</u> | <u>29,314</u> | <u>6,211</u> | <u>6,867</u> |

The non-trade amounts due to subsidiary corporations and a joint venture partner are unsecured, interest-free and repayable on demand.



(x) Other reserves

| The Group | |
|--------------|-------------|
| 30 June 2016 | 31 Dec 2015 |
| \$'000 | \$'000 |

(a) **Composition:**

| | | |
|---------------------------|--------------|--------------|
| Fair value reserve | (1) | (24) |
| Asset revaluation reserve | 1,372 | 1,372 |
| | <u>1,361</u> | <u>1,348</u> |

(b) **Movements:**

| | | |
|--|--------------|--------------|
| <i>Fair value reserve</i> | | |
| Beginning of financial period | (24) | (19) |
| Financial asset – available-for-sale -Fair value gains/(losses) | 23 | (5) |
| End of financial period/year | <u>(1)</u> | <u>(24)</u> |
| <i>Asset revaluation reserve</i> | | |
| Beginning of financial period/year | <u>1,372</u> | <u>1,372</u> |

Other reserves are non-distributable.



Explanatory Notes:

(i) Current assets

Current assets increased by \$5.5 million, from \$83.4 million as at 31 December 2015 to \$88.9 million as at 30 June 2016. The increase was attributable to:

- (a) an increase in cash and cash equivalents of \$13.6 million. This was due mainly to the cash generated from operations for the half year ended 30 June 2016 of \$17.9 million, which was partially offset by cash used in investing activities of \$0.6 million, cash used in payment of dividends to shareholders of \$3.0 million, and repayment of finance lease liabilities and servicing of interest payments of \$0.7 million,

which was partially offset by:

- (b) a decrease in construction contract work-in-progress of \$3.0 million due mainly to lower unbilled amounts expected to be collected from customers for contract work performed up till 30 June 2016 as compared to 31 December 2015; and
- (c) a decrease in trade and other receivables of \$5.1 million due to settlement of billings by a customer as at 30 June 2016.

(ii) Non-current assets

Non-current assets remained at \$54.4 million as at 31 December 2015 and 30 June 2016.

The decrease in property, plant and equipment of \$0.5 million was due to the depreciation and disposal of property, plant and equipment, which were partially offset by the purchase of new plant and equipment during the first half year ended 30 June 2016. The aforesaid decrease was offset by:

- (a) an increase in other receivables of \$0.2 million arising from a loan of \$0.16 million and a notional fair value adjustment of loan extended to a joint venture, Lakehomes Pte Ltd;
- (b) an increase in investments in associated companies of \$0.2 million arising from the share of profit of an associated company, United Singapore Builders Pte Ltd; and
- (c) the fair value gain of \$0.1 million arising from the revaluation of a financial asset, available-for-sale,

during the first half year ended 30 June 2016.

(iii) Current liabilities

Current liabilities increased by \$4.4 million, from \$30.8 million as at 31 December 2015 to \$35.2 million as at 30 June 2016. The increase was due mainly to:

- (a) an increase in trade and other payables of \$4.1 million arising from (1) an advance of \$3.7 million received from a customer for an on-going project and (2) billings received from sub-contractors and suppliers for work done and materials supplied towards the end of the month of June 2016; and
- (b) an increase in current income tax liabilities of \$0.3 million due to higher tax provision resulting from higher profits generated during the half year ended 30 June 2016.

(iv) Non-current liabilities

Non-current liabilities decreased by \$0.3 million, from \$2.3 million as at 31 December 2015 to \$2.0 million as at 30 June 2016. The decrease was due mainly to a decrease in finance lease liabilities as a result of repayment of finance lease liabilities during the first half year ended 30 June 2016.



(iv) Shareholders' equity

Shareholders' equity, comprising share capital, other reserves and retained profits, increased by \$1.3 million, from \$104.7 million as at 31 December 2015 to \$106.0 million as at 30 June 2016. The increase was largely attributable to:

- (a) the profit generated from operations of \$4.3 million for the half year ended 30 June 2016,

which was partially offset by:

- (b) the dividend payment to shareholders of \$3.0 million during the half year ended 30 June 2016.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

- (a) Amount repayable in one year or less, or on demand

| As at 30 Jun 2016 | | As at 31 Dec 2015 | |
|-------------------|-----------|-------------------|-----------|
| \$'000 | \$'000 | \$'000 | \$'000 |
| Secured | Unsecured | Secured | Unsecured |
| 948 | - | 950 | - |

- (b) Amount repayable after one year

| As at 30 Jun 2016 | | As at 31 Dec 2015 | |
|-------------------|-----------|-------------------|-----------|
| \$'000 | \$'000 | \$'000 | \$'000 |
| Secured | Unsecured | Secured | Unsecured |
| 1,403 | - | 1,637 | - |

- (c) Details of any collateral

The above secured borrowings of the Group relate to finance lease liabilities secured by way of corporate guarantees issued by the Company and charges over the property, plant and equipment under the finance leases.



1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated statements of cash flows

| | The Group | | The Group | |
|--|------------------------------|---------------|-------------------------|----------------|
| | Second Quarter ended 30 June | | Half year ended 30 June | |
| | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flows from operating activities | | | | |
| Net profit | 2,489 | 2,948 | 4,342 | 4,073 |
| Adjustments for: | | | | |
| - Income tax expense | 501 | 180 | 516 | 346 |
| - Depreciation of property, plant and equipment | 686 | 778 | 1,336 | 1,492 |
| - Amortisation of intangible assets | 19 | 17 | 38 | 35 |
| - Gain on disposal of property, plant and equipment | (32) | (42) | (36) | (43) |
| - Share of profit of investments accounted for using the equity method | (181) | (134) | (268) | (104) |
| - Interest income | (155) | (64) | (308) | (202) |
| - Interest expense | 16 | 16 | 32 | 31 |
| Operating cash flow before working capital changes | 3,343 | 3,699 | 5,652 | 5,628 |
| Change in working capital | | | | |
| - Trade and other receivables | 7,209 | 6,638 | 5,089 | 5,751 |
| - Construction contract work-in-progress | 2,477 | (210) | 3,022 | 3,039 |
| - Trade and other payables | 226 | 3,246 | 4,134 | (3,331) |
| Cash generated from operations | 13,255 | 13,373 | 17,897 | 11,087 |
| - Interest received | 142 | 52 | 282 | 89 |
| - Income tax paid | (202) | (37) | (254) | (104) |
| Net cash generated from operating activities | 13,195 | 13,388 | 17,925 | 11,072 |
| Cash flows from investing activities | | | | |
| - Additions to property, plant and equipment | (423) | (292) | (526) | (864) |
| - Additions to intangible assets | (19) | - | (19) | - |
| - Disposal of property, plant and equipment | 46 | 46 | 68 | 68 |
| - Advance to a joint venture | (110) | - | (160) | (500) |
| - Interest received | 13 | 12 | 26 | 25 |
| Net cash used in investing activities | (493) | (234) | (611) | (1,271) |



Consolidated statements of cash flows (Cont'd)

| | The Group | | The Group | |
|---|------------------------------|---------------|-------------------------|---------------|
| | Second Quarter ended 30 June | | Half year ended 30 June | |
| | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flows from financing activities | | | | |
| - Repayment of finance lease liabilities | (216) | (319) | (614) | (539) |
| - Interest paid | (16) | (16) | (32) | (31) |
| - Dividend paid to shareholders | (3,084) | (308) | (3,084) | (308) |
| - Bank deposits pledged | 5 | 8 | 671 | (51) |
| Net cash used in financing activities | (3,311) | (635) | (3,059) | (929) |
| Net increase in cash and cash equivalents | 9,391 | 12,519 | 14,255 | 8,872 |
| Cash and cash equivalents at the beginning of the financial period | 54,372 | 25,282 | 49,508 | 28,929 |
| Cash and cash equivalents at the end of the financial period | 63,763 | 37,801 | 63,763 | 37,801 |

Explanatory Notes:

- (i) For the purpose of the consolidated statement of cash flows, the consolidated cash and cash equivalents at the end of the financial period comprised the following:

| | The Group | |
|--|-------------|-------------|
| | 30 Jun 2016 | 30 Jun 2015 |
| | \$'000 | \$'000 |
| Cash at bank and on hand | 23,394 | 21,857 |
| Short-term bank deposits | 44,879 | 21,074 |
| Short-term bank deposits pledged to banks | 68,273 | 42,931 |
| | (4,510) | (5,130) |
| Cash and cash equivalents per consolidated statement of cash flows | 63,763 | 37,801 |

Bank deposits of \$4,509,876 (30 June 2015: \$5,130,431) are pledged to banks for banking facilities of certain subsidiary corporations.



(ii) **Review of cash flows for the six months ended 30 June 2016**

Net cash generated from operating activities

Our Group reported net cash generated from operating activities of \$17.9 million in the six months ended 30 June 2016, an increase of \$6.8 million from net cash generated from operating activities of \$11.1 million in the six months ended 30 June 2015. The \$6.8 million increase in net cash generated from operating activities was due mainly to:

- (a) an increase in net working capital inflow of \$6.8 million; and
- (b) an increase in interest received of \$0.2 million,

which were partially offset by:

- (c) an increase in income tax paid of \$0.2 million during the six months ended 30 June 2016.

Net cash used in investing activities

Net cash used in investing activities of \$0.6 million was due to:

- (a) the purchase of new property, plant and equipment of \$0.5 million; and
- (b) an advance of \$0.16 million granted to a joint venture, Lakehomes Pte Ltd, during the six months ended 30 June 2016,

which were partially offset by:

- (c) the proceeds received from the disposal of property, plant and equipment and interest income from the financial asset, available-for-sale during the six months ended 30 June 2016.

Net cash used in financing activities

Net cash of \$3.1 million was used in financing activities in the six months ended 30 June 2016. The major outflows for the six months ended 30 June 2016 related to (1) dividend payments to shareholders of \$3.0 million, (2) repayment of finance lease liabilities of \$0.6 million, and (3) interest payments of \$32,000. The \$3.7 million outflow was partially offset by a decrease in pledged deposit of \$0.7 million as a result of the cancellation of a bank facility during the six months ended 30 June 2016.

Overall, free cash and cash equivalents stood at \$63.8 million as at 30 June 2016, an increase of \$26.0 million, from \$37.8 million as at 30 June 2015. This works out to cash of 20.7 cents per share as at 30 June 2016 as compared to 12.3 cents per share as at 30 June 2015 (based on 308,430,594 issued shares as at 30 June 2016 and 30 June 2015).



(iii) **Review of cash flows for second quarter ended 30 June 2016**

Net cash generated from operating activities

Our Group's net cash generated from operating activities for the second quarter ended 30 June 2016 and 30 June 2015 stood at \$13.2 million and \$13.4 million respectively. The \$0.2 million decrease in net cash generated from operating activities was due mainly to an increase of income tax paid of \$0.2 million for the second quarter ended 30 June 2016.

Net cash used in investing activities

Net cash used in investing activities was \$0.5 million for the second quarter ended 30 June 2016, compared with \$0.2 million for the second quarter ended 30 June 2015. The major outflow for both quarters related to the purchase of new property, plant and equipment, which was partially offset by interest received from financial assets and the proceeds received from the disposal of property, plant and equipment.

Net cash used in financing activities

The net cash used in financing activities was \$3.3 million for the second quarter ended 30 June 2016, compared with \$0.6 million for the second quarter ended 30 June 2015. The major outflow for the second quarter ended 30 June 2016 related to dividends of \$3.0 million paid to shareholders, as compared with dividends of \$0.3 million paid to shareholders in the second quarter ended 30 June 2015.



1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

| Attributable to equity holders of the Company | | | | | | |
|---|--------------------|---------------------------|------------------|--------|---------------------------|--------------|
| Share capital | Fair value reserve | Asset revaluation reserve | Retained profits | Total | Non-controlling interests | Total equity |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |

The Group

| | | | | | | | |
|---|--------|------|-------|---------|---------|---|---------|
| As at 1 Jan 2016 | 36,832 | (24) | 1,372 | 66,507 | 104,687 | - | 104,687 |
| Total comprehensive income for the period | - | (2) | - | 1,853 | 1,851 | - | 1,851 |
| As at 31 Mar 2016 | 36,832 | (26) | 1,372 | 68,360 | 106,538 | - | 106,538 |
| Total comprehensive income for the period | - | 25 | - | 2,489 | 2,514 | - | 2,514 |
| Dividend relating to FY2015 | - | - | - | (3,084) | (3,084) | - | (3,084) |
| As at 30 June 2016 | 36,832 | (1) | 1,372 | 67,765 | 105,968 | - | 105,968 |



| Attributable to equity holders of the Company | | | | | | |
|---|--------------------|---------------------------|------------------|--------|---------------------------|--------------|
| Share capital | Fair value reserve | Asset revaluation reserve | Retained profits | Total | Non-controlling interests | Total equity |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |

The Group

| | | | | | | | |
|--|--------|------|-------|--------|---------|------|---------|
| As at 1 Jan 2015 | 36,832 | (19) | 1,372 | 60,070 | 98,255 | 50 | 98,305 |
| Total comprehensive income for the period | - | (1) | - | 1,126 | 1,125 | (1) | 1,124 |
| As at 31 Mar 2015 | 36,832 | (20) | 1,372 | 61,196 | 99,380 | 49 | 99,429 |
| Total comprehensive income for the period | - | 11 | - | 2,948 | 2,959 | - | 2,959 |
| Effect of changes in shareholdings in a subsidiary | - | - | - | 49 | 49 | (49) | - |
| Dividend relating to FY2014 | - | - | - | (308) | (308) | - | (308) |
| As at 30 June 2015 | 36,832 | (9) | 1,372 | 63,885 | 102,080 | - | 102,080 |



| Attributable to equity holders of the Company | | |
|---|------------------|--------|
| Share capital | Retained profits | Total |
| \$'000 | \$'000 | \$'000 |

The Company

| | | | |
|---|--------|---------|---------|
| As at 1 Jan 2016 | 36,832 | 6,997 | 43,829 |
| Total comprehensive income for the period | - | 522 | 522 |
| As at 31 Mar 2016 | 36,832 | 7,519 | 44,351 |
| Total comprehensive income for the period | - | 1,643 | 1,643 |
| Dividend relating to FY2015 | - | (3,084) | (3,084) |
| As at 30 June 2016 | 36,832 | 6,078 | 42,910 |



| Attributable to equity holders of the Company | | |
|---|------------------|--------|
| Share capital | Retained profits | Total |
| \$'000 | \$'000 | \$'000 |

The Company

| | | | |
|---|--------|-------|--------|
| As at 1 Jan 2015 | 36,832 | 3,796 | 40,628 |
| Total comprehensive income for the period | - | 180 | 180 |
| As at 31 Mar 2015 | 36,832 | 3,976 | 40,808 |
| Total comprehensive income for the period | - | 95 | 95 |
| Dividend relating to FY2014 | - | (308) | (308) |
| As at 30 Jun 2015 | 36,832 | 3,763 | 40,595 |



1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There have been no changes in the issued share capital of the Company since 31 March 2016.

Under the Share Buy Back Mandate which was approved by the Shareholders on 18 April 2016, no shares were bought back by the Company during the second quarter ended 30 June 2016.

There were no outstanding convertibles issued or treasury shares held by the Company as at 30 June 2016 and 30 June 2015.

1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

| | 30 Jun 2016 | 31 Dec 2015 |
|--|-------------|-------------|
| Total number of issued shares (excluding treasury shares) | 308,430,594 | 308,430,594 |

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those for the audited financial statements as at 31 December 2015.



5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 or later periods and which the Group has not early adopted.

- FRS 114 Regulatory Deferral Accounts
- Amendments to FRS 1 Disclosure Initiative
- Amendments to FRS 7: Disclosure Initiative
- Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to FRS 27 Equity Method in Separate Financial Statements
- Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants
- Amendments to FRS 111 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception
- Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers
- Improvements to FRSs (November 2014)
 - Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations
 - Amendments to FRS 107 Financial Instruments: Disclosures
 - Amendment to FRS 19 Employee Benefits
 - Amendment to FRS 34 Interim Financial Reporting
- FRS 115 Revenue from Contracts with Customers
- FRS 116 Leases Illustrative Examples & Amendments to Guidance on Other Standards
- FRS 109 Financial Instruments
- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group anticipates that the adoption of the above FRSs and amendments to FRS will not result in any substantial change to the Group's accounting policies nor any material impact on the financial statements of the Group for the current period.



6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Basic/diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period.

| | The Group | | | The Group | | |
|---|-----------------------------|-------------|-----------------------|------------------------|-------------|-----------------------|
| | Second Quarter ended 30 Jun | | Increase / (Decrease) | Half Year ended 30 Jun | | Increase / (Decrease) |
| | 2016 | 2015 | | 2016 | 2015 | |
| | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| Net profit attributable to equity holders of the Company (\$'000) | 2,489 | 2,948 | (15.6) | 4,342 | 4,074 | 6.6 |
| Weighted average number of ordinary shares in issue | 308,430,594 | 308,430,594 | - | 308,430,594 | 308,430,594 | - |
| Basic earnings per share (cents per share) | 0.81 | 0.96 | (15.6) | 1.41 | 1.32 | 6.8 |
| Diluted earnings per share (cents per share) | 0.81 | 0.96 | (15.6) | 1.41 | 1.32 | 6.8 |

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares, excluding treasury shares, of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

| | The Group | | The Company | | Increase / (Decrease) % | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------|
| | As at 30 Jun 2016 | As at 31 Dec 2015 | As at 30 Jun 2016 | As at 31 Dec 2015 | The Group | The Company |
| Net tangible assets (\$'000) | 104,216 | 102,916 | 42,895 | 43,809 | 1.3 | (2.1) |
| Number of shares | 308,430,594 | 308,430,594 | 308,430,594 | 308,430,594 | - | - |
| NTA per share (cents) | 33.79 | 33.37 | 13.91 | 14.20 | 1.3 | (2.0) |



8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Our Business

OKP Holdings Limited is a home-grown infrastructure and civil engineering company in the region. It specialises in the construction of urban and arterial roads, expressways, vehicular bridges, flyovers, airport infrastructure and oil and gas-related infrastructure for petrochemical plants and oil storage terminals as well as the maintenance of roads and roads-related facilities and building construction-related works. We tender for both public and private civil engineering and infrastructure construction projects. We have expanded our core business to include property development and investment.

We have two core business segments: Construction and Maintenance.

Income Statement Review (Half Year ended 30 June 2016 vs Half Year ended 30 June 2015)

| | The Group | | | | | |
|----------------------|-------------------------------------|---------------|--------------------------------------|---------------|-----------------------|---------------|
| | Current half year ended 30 Jun 2016 | | Previous half year ended 30 Jun 2015 | | Increase / (Decrease) | |
| | \$'000 | | \$'000 | | \$'000 | % |
| Construction | 41,113 | 84.6% | 40,406 | 74.0% | 707 | 1.7 |
| Maintenance | 7,475 | 15.4% | 14,180 | 26.0% | (6,705) | (47.3) |
| Total Revenue | 48,588 | 100.0% | 54,586 | 100.0% | (5,998) | (11.0) |

Revenue

Our Group reported a 11.0% or \$6.0 million decrease in revenue to \$48.6 million in the half year ended 30 June 2016 as compared to \$54.6 million in the half year ended 30 June 2015. The decrease was due mainly to a 47.3% decrease in revenue from the maintenance segment to \$7.5 million, partially offset by a marginal 1.7% increase in revenue from the construction segment to \$41.1 million.

The decrease in revenue from the maintenance segment was largely attributable to a lower percentage of revenue recognised from a few maintenance projects which were reaching completion during the half year ended 30 June 2016.



The increase in revenue from the construction segment was due mainly to the higher percentage of revenue recognised from a number of both existing and newly awarded construction projects as they progressed to a more active phase in the half year ended 30 June 2016.

The construction segment continues to be the major contributor to our Group's revenue. On a segmental basis, our core construction segment and maintenance segment accounted for 84.6% (2015: 74.0%) and 15.4% (2015: 26.0%) of our Group's revenue respectively for the half year ended 30 June 2016.

Cost of works

Our cost of works decreased by 12.9% or \$6.2 million from \$47.7 million for the half year ended 30 June 2015 to \$41.5 million for the half year ended 30 June 2016. The decrease in cost of works was due mainly to:

- (a) a decrease in sub-contracting costs which were mainly costs incurred for specialised works such as bored piling, asphalt works, mechanical and electrical works, soil-testing, landscaping and metalworks which are usually sub-contracted to external parties. Due to the nature of works required, our current projects do not require a large portion of specialised works during the half year ended 30 June 2016; and
- (b) a decrease in the cost of construction materials due to lesser utilisation of materials resulting from better design and project implementation and decreases in the prices of some raw materials,

which were partially offset by:

- (c) an increase in labour costs largely due to the write-back of over-accrued labour costs in the half year ended 30 June 2015 which did not recur in the half year ended 30 June 2016.

Gross profit and gross profit margin

Consequently, our gross profit for the half year ended 30 June 2016 increased by 2.4% or \$0.2 million from \$6.9 million for the half year ended 30 June 2015 to \$7.1 million for the half year ended 30 June 2016.

Our gross profit margin improved from 12.7% for the half year ended 30 June 2015 to 14.6% for the half year ended 30 June 2016.

The higher gross profit and gross profit margin for the half year ended 30 June 2016 as compared to the half year ended 30 June 2015 were largely attributable to cost savings in certain maintenance projects which commanded higher gross profit margins.

Other income

Other income increased by \$0.4 million or 27.4% from \$1.5 million for the half year ended 30 June 2015 to \$1.9 million for the half year ended 30 June 2016. The increase was largely attributable to:

- (a) a technical management consultancy fee of \$1.2 million received in relation to a piling project in Jakarta, Indonesia during the half year ended 30 June 2016; and
- (b) an increase in government grants of \$0.2 million which comprised wage credit payouts received from the Inland Revenue Authority of Singapore and incentives received from the Building and Construction Authority's Construction Engineering Capability Development Programme (CED Programme),



which were partially offset by:

- (c) the write-back of non-trade payables of \$0.4 million during the half year ended 30 June 2015 which did not recur in the half year ended 30 June 2016;
- (d) loss in foreign exchange resulting from the weakening of the US dollar and Indonesian Rupiah against the Singapore dollar during the half year ended 30 June 2016; and
- (e) decrease in sale of construction materials and equipment hiring income from the rental of equipment and machinery during the half year ended 30 June 2016.

Administrative expenses

Administrative expenses increased by \$0.3 million or 7.3% from \$4.0 million for the half year ended 30 June 2015 to \$4.3 million for the half year ended 30 June 2016. The increase was largely attributable to (1) higher directors' remuneration (including profit sharing) accrued as a result of the higher profit generated by the Group for the half year ended 30 June 2016, and (2) the increase in staff costs due to salary adjustments.

Finance expenses

Finance expenses remained relatively constant at \$31,000 and \$32,000 in the half year ended 30 June 2015 and 2016 respectively.

Share of results of associated companies and joint ventures

| | The Group | |
|--|--------------------------------|--------------------------------|
| | Half year ended 30 Jun 2016 | Half year ended 30 Jun 2015 |
| | \$'000 | \$'000 |
| Share of profit of associated companies ^(a) | 222 | 92 |
| Share of profit of joint ventures ^(b) | 46 | 12 |
| | 268 | 104 |

(a) Share of profit of associated companies

The increase in the share of profit of associated companies in the half year ended 30 June 2016 was due mainly to our associated company, United Singapore Builders Pte Ltd, recognising further profits for a construction project secured during the financial year ended 31 December 2015.

(b) Share of profit of joint ventures

The share of profit of joint ventures increased by \$34,000 due mainly to recognition of higher profits for a construction project undertaken by Chye Joo – Or Kim Peow JV during the half year ended 30 June 2016.



Profit before income tax

Profit before income tax increased by \$0.5 million or 9.9% from \$4.4 million for the half year ended 30 June 2015 to \$4.9 million for the half year ended 30 June 2016. The increase was due mainly to (1) the increase in gross profit of \$0.2 million, (2) the increase in other income of \$0.4 million and (3) the increase in share of profit of associated companies and joint ventures of \$0.2 million, which were partially offset by the increase in administrative expenses of \$0.3 million, as explained above.

Income tax expense

Income tax expense increased by \$0.2 million or 49.1% from \$0.3 million in the half year ended 30 June 2015 to \$0.5 million in the half year ended 30 June 2016 due mainly to higher profit before income tax, as explained above.

The effective tax rates for the half year ended 30 June 2016 and half year ended 30 June 2015 were 10.6% and 7.8% respectively.

The effective tax rate for the half year ended 30 June 2016 was lower than the statutory tax rate of 17.0%, due mainly to (1) enhanced tax deductions under the Productivity and Innovation Credit Scheme, (2) statutory stepped income tax exemption and (3) a tax rebate of 50% on the corporate tax payable.

Due to the utilisation of capital allowances carried forward from prior years, the effective tax rate of 7.8% for the previous half year ended 30 June 2015 was lower than the statutory tax rate of 17.0%.

Net profit

Overall, for the half year ended 30 June 2016, net profit increased by \$0.3 million or 6.6%, from \$4.0 million for the half year ended 30 June 2015 to \$4.3 million for the half year ended 30 June 2016, following the increase in profit before income tax of \$0.5 million which was partially offset by the increase in income tax expense of \$0.2 million, as explained above.

Our net profit margin increased from 7.5% for the half year ended 30 June 2015 to 8.9% for the half year ended 30 June 2016.



Income Statement Review (Second Quarter ended 30 June 2016 vs Second Quarter ended 30 June 2015)

| | The Group | | | | | |
|----------------------|--|---------------|---|---------------|-----------------------|---------------|
| | Current second quarter ended 30 Jun 2016 | | Previous second quarter ended 30 Jun 2015 | | Increase / (Decrease) | |
| | \$'000 | | \$'000 | | \$'000 | % |
| Construction | 20,395 | 84.9% | 20,675 | 76.0% | (280) | (1.4) |
| Maintenance | 3,639 | 15.1% | 6,512 | 24.0% | (2,873) | (44.1) |
| Total Revenue | 24,034 | 100.0% | 27,187 | 100.0% | (3,153) | (11.6) |

Revenue

Our Group recorded a decrease in revenue in the second quarter ended 30 June 2016 of \$3.2 million or 11.6% to \$24.0 million as compared to \$27.2 million in the second quarter ended 30 June 2015.

The decrease in revenue from both segments was due mainly to the completion and substantial completion of existing projects, coupled with a lower percentage of revenue recognised from a few newly-awarded projects in the second quarter ended 30 June 2016.

Cost of works

Our cost of works decreased by 13.3% or \$3.1 million from \$23.0 million for the second quarter ended 30 June 2015 to \$19.9 million for the second quarter ended 30 June 2016. The decrease in cost of works was due mainly to:

- (a) a decrease in sub-contracting costs which were mainly costs incurred for specialised works such as bored piling, asphalt works, mechanical and electrical works, soil-testing, landscaping and metalworks which are usually sub-contracted to external parties. Due to the nature of works required, our current projects do not require a large portion of specialised works during the second quarter ended 30 June 2016; and
- (b) the decrease in the cost of construction materials due to lesser utilisation of materials resulting from better design and project implementation and decreases in the prices of some raw materials,

which were partially offset by:

- (c) an increase in labour costs due to salary adjustment during the second quarter ended 30 June 2016.



Gross profit and gross profit margin

Our gross profit decreased by \$0.1 million or 2.1% from \$4.2 million for the second quarter ended 30 June 2015 to \$4.1 million for the second quarter ended 30 June 2016.

However, our gross profit margin improved from 15.4% for the second quarter ended 30 June 2015 to 17.5% for the second quarter ended 30 June 2016.

The higher gross profit margin for the second quarter ended 30 June 2016 as compared to the second quarter ended 30 June 2015 was largely attributable to a few maintenance projects which had commanded better gross profit margin during the second quarter ended 30 June 2016.

Other income

Other income decreased by \$0.1 million or 6.2% from \$0.9 million for the second quarter ended 30 June 2015 to \$0.8 million for the second quarter ended 30 June 2016. The decrease was due mainly to:

- (a) the write-back of non-trade payables of \$0.4 million during second quarter ended 30 June 2015 which did not recur in the second quarter ended 30 June 2016. This write-back of non-trade payables was a one-time exercise, as a result of the acquisition of the remaining 45% of the issued shares of a subsidiary from the non-controlling shareholders during the second quarter ended 30 June 2015; and
- (b) a decrease in equipment hiring income from the rental of equipment and machinery and sale of construction material during the second quarter ended 30 June 2016,

which were partially offset by:

- (c) a technical management consultancy fee received in relation to a piling project in Jakarta, Indonesia during the second quarter ended 30 June 2016.

Administrative expenses

Administrative expenses remained at \$2.1 million for the second quarter ended 30 June 2016 as compared to the second quarter ended 30 June 2015.

Finance expenses

Finance expenses remained at \$16,000 for the second quarter ended 30 June 2016 as compared to the second quarter ended 30 June 2015.

Share of results of associated companies and joint ventures

The share of profits of investments in the second quarter ended 30 June 2016 was due mainly to some of the associated companies and joint ventures commencing the recognition of higher construction profits during the second quarter ended 30 June 2016.



Profit before income tax

Profit before income tax decreased by \$0.1 million or 4.4% from \$3.1 million in the second quarter ended 30 June 2015 to \$3.0 million in the second quarter ended 30 June 2016. The decrease was due mainly to (1) the decrease in gross profit of \$0.1 million and (2) the decrease in other income of \$0.1 million, which were partially offset by the increase in share of results of investments of \$47,000, as explained above.

Income tax expense

Income tax expense for the second quarter ended 30 June 2016 increased by \$0.3 million or 178.3% from \$0.2 million for the second quarter ended 30 June 2015 to \$0.5 million for the second quarter ended 30 June 2016.

The effective tax rates for the second quarter ended 30 June 2016 and second quarter ended 30 June 2015 were 16.8% and 5.8% respectively.

The effective tax rate for the second quarter ended 30 June 2016 was comparable to the statutory tax rate of 17%.

The effective tax rate for the second quarter ended 30 June 2015 was lower than the statutory tax rate of 17.0% due to the utilisation of capital allowances carried forward from prior years during the second quarter ended 30 June 2015.

Net profit

Overall, for the second quarter ended 30 June 2016, net profit decreased by \$0.4 million or 15.6% to \$2.5 million as compared to \$2.9 million for the second quarter ended 30 June 2015, following the decrease in profit before income tax of \$0.1 million coupled with the increase in income tax expense of \$0.3 million, as explained above.

Our net profit margin decreased marginally from 10.8% for the second quarter ended 30 June 2015 to 10.4% for the second quarter ended 30 June 2016.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

There is no material deviation in the actual results for the second quarter ended 30 June 2016 from what was previously discussed under paragraph 10 of the Company's financial statements for the first quarter ended 31 March 2016.



10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Economic outlook

The Ministry of Trade and Industry (“MTI”) estimated Singapore’s economy in the second quarter of 2016 to have grown by 2.2% on a year-on-year basis (“y-o-y”). This was a marginal increase from the 2.1% growth achieved in the immediate preceding quarter.

Industry outlook

The construction sector recorded a slower growth rate of 2.7% on a y-o-y basis during the second quarter of 2016, as compared to 4.5% registered during the previous quarter. This was primarily due to the slowdown in construction activities in the private sector. On a quarter-on-quarter basis, the sector’s pace of growth similarly decelerated and was 0.6% as compared to 3.5% in the immediate preceding quarter.

Construction contracts to be awarded in 2016 is expected to be between \$27.0 billion and \$34.0 billion, according to the Building and Construction Authority (“BCA”). Of these, approximately 65.0% will be public sector projects which is supported by an increase in civil engineering demand. As for the private sector, a slower economy and a greater supply of completed private construction projects is anticipated to result in a deceleration in demand.

Over the medium-to-long-term, average construction demand is expected to range from \$26.0 billion to \$35.0 billion annually for 2017 to 2018, and \$26.0 billion to \$37.0 billion per year for 2019 and 2020.

With a number of public infrastructure projects which the Singapore government is investing in, these will likely translate to opportunities for us to secure additional civil engineering and infrastructure contracts. Public projects which the government is investing in include the 21.5-kilometre North-South Corridor (“NSC”) that will connect towns in the northern region to the city centre. The NSC will see major construction works begin in 2017. Other large multi-billion dollar public projects currently in the pipeline also include the 43-kilometre Thomson-East Coast MRT line, for which the first seven stations from Tanjong Rhu to Bayshore will be ready by 2023, as well as the Changi Airport Terminal 5 project.

Company outlook and order book update

Pressures from increasing business costs and a dearth in experienced and skilled labour remain the key factors affecting the industry and our operations. Nevertheless, with the pipeline of contracts won in 2015, as well as the five projects secured in 2016 which are worth \$101.8 million, we expect prospects over the short-to-medium term to remain buoyant. To grow our business, we will be actively tendering for new large-scale infrastructure projects in Singapore such as the NSC project.

As at 30 June 2016, our net construction order book was \$391.3 million (30 June 2015: \$276.7 million), with revenue visibility extending to 2019.

For our property development and investment segment, we hold a 10% minority investment in CS Amber Development Pte Ltd, which is the developer of the Group’s first residential property project - Amber Skye - and a subsidiary of China Sonangol Land Pte. Ltd..

We also hold a 10% stake in Lakehomes Pte Ltd – a property development joint venture – that launched the Lake Life Executive Condominium (“EC”). The sales performance of the EC, which is situated in Jurong, has been good.

We remain focused on strengthening our core expertise and leveraging our track record as a leading civil engineering company for public sector projects. In addition, we will also continue to explore potential opportunities within Singapore and overseas to further expand our business.



11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

| | |
|---------------------------|---------------------|
| Name of Dividends | Special interim |
| Dividend Type | Cash |
| Dividend amount per share | \$0.005 |
| | One-tier tax exempt |

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

| | |
|---------------------------|---------------------|
| Name of Dividends | Interim |
| Dividend Type | Cash |
| Dividend amount per share | \$0.001 |
| | One-tier tax exempt |

(c) Date payable

Payment of the said dividends will be made on 27 September 2016.

(d) Books closure date

Notice is hereby given that the Share Transfer Book and Register of Members of the Company will be closed from 5.00 p.m. on 7 September 2016 for the preparation of dividend payment. Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. of 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 7 September 2016 will be registered to determine shareholders' entitlement to the special interim dividend.

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 7 September 2016 will be entitled to the special interim dividend.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.



13. Interested person transactions disclosure

There was no interested person transaction, as defined in Chapter 9 of the Listing Manual of the Singapore Exchanged Securities Trading Limited, entered into by the Group or by the Company during the second quarter ended 30 June 2016.

The Company does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920.

14. Use of proceeds as at 30 June 2016

Exercise of 61,139,186 warrants at \$0.20 for each share as at 4 January 2013 raising net proceeds of \$12.2 million

| Use of proceeds | Amount allocated (\$'million) | Amount utilised (\$'million) | Balance amount (\$'million) |
|---|--------------------------------------|-------------------------------------|------------------------------------|
| To be used as general working capital for the Company | 12.22 | 10.72 | 1.50 |

The amount of \$10.72 million had been utilised to fund the investment in and the loan to CS Amber Development Pte Ltd, an associated company of the Group.

The unutilised proceeds are deposited with a bank pending deployment.

15. Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of OKP Holdings Limited confirms that, to the best of their knowledge, nothing has come to their attention which may render the financial statements for the second quarter and half year ended 30 June 2016 to be false or misleading in any material aspect.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Or Toh Wat
Group Managing Director
1 August 2016