OKP HOLDINGS LIMITED
胡 金 標 控 股 有 限 公 司

# Second Quarter and Half Year Financial Statement for the Period Ended 30 June 2018

6 August 2018

Table of Contents

OKP HOLDINGS LIMITED
胡 金 標 控 股 有 限 公 司

UEN: 200201165G

**Second Quarter and Half Year Financial Statement for the Period Ended 30 June 2018**

**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) |
| | 2018 | 2017 | | 2018 | 2017 | |
| | $'000 | $'000 | % | $'000 | $'000 | % |
| **Revenue** | 27,352 | 34,454 | (20.6) | 50,393 | 64,202 | (21.5) |
| Cost of sales | (25,536) | (26,388) | (3.2) | (42,947) | (50,156) | (14.4) |
| **Gross profit** | **1,816** | **8,066** | (77.5) | **7,446** | **14,046** | (47.0) |
| Other income | 407 | 261 | 55.9 | 930 | 488 | 90.6 |
| Other gains/(losses) | 163 | (23) | 808.7 | (231) | (122) | 89.3 |
| Expenses | | | | | | |
| - Administrative | (1,916) | (2,846) | (32.7) | (4,343) | (5,373) | (19.2) |
| - Finance | (285) | (18) | 1,483.3 | (310) | (38) | 715.8 |
| Share of profits of associated companies and joint ventures | 111 | 361 | (69.3) | 162 | 2,320 | (93.0) |
| **Profit before income tax** | **296** | **5,801** | (94.9) | **3,654** | **11,321** | (67.7) |
| Income tax credit/(expense) | 6 | (849) | (100.7) | (524) | (1,316) | (60.2) |
| **Net profit** | **302** | **4,952** | (93.9) | **3,130** | **10,005** | (68.7) |
| Gross profit margin | 6.6% | 23.4% | | 14.8% | 21.9% | |
| Net profit margin | 1.1% | 14.4% | | 6.2% | 15.6% | |
| Effective tax rate | n.m. | 14.6% | | 14.3% | 11.6% | |
| Net profit attributable to: | | | | | | |
| Equity holders of the Company | 107 | 4,952 | (97.8) | 2,950 | 10,005 | (70.5) |
| Non-controlling interests | 195 | - | n.m. | 180 | - | n.m. |
| | 302 | 4,952 | (93.9) | 3,130 | 10,005 | (68.7) |

n.m. - not meaningful

1(a)(i) Consolidated Statement of comprehensive income for the second quarter and half-year ended 30 June 2018

| | Note | The Group | | | The Group | | |
|---|---|---|---|---|---|---|---|
| | | Second Quarter ended 30 June | | Increase/ (Decrease) | Half Year ended 30 June | | Increase/ (Decrease) |
| | | 2018 | 2017 | | 2018 | 2017 | |
| | | $'000 | $'000 | % | $'000 | $'000 | % |
| **Net profit** | | 302 | 4,952 | (93.9) | 3,130 | 10,005 | (68.7) |
| Other comprehensive income: | | | | | | | |
| Currency translation differences relating to financial statements of foreign a subsidiary corporation | i | (1) | - | n.m. | (1) | - | n.m. |
| Financial assets, available-for-sale - Fair value gains, net of tax | ii | - | 12 | n.m. | - | 5 | n.m. |
| **Total comprehensive income, net of tax** | | **301** | **4,964** | (93.9) | **3,129** | **10,010** | (68.7) |
| **Total comprehensive income attributable to:** | | | | | | | |
| Equity holders of the Company | | 106 | 4,964 | (97.9) | 2,949 | 10,010 | (70.5) |
| Non-controlling interests | | 195 | - | n.m. | 180 | - | n.m. |
| | | 301 | 4,964 | (93.9) | 3,129 | 10,010 | (68.7) |

Note:

(i) Currency translation difference was attributed to (a) assets and liabilities of foreign operations that are translated to Singapore dollars at the exchange rate at the reporting date and (b) income and expenses of foreign operations that are translated to Singapore dollars at the exchange rate at the date of transactions.

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

n.m. – not meaningful.

(i) <u>Additional disclosures</u>

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) |
| | 2018 | 2017 | | 2018 | 2017 | |
| | $'000 | $'000 | % | $'000 | $'000 | % |
| After charging:- | | | | | | |
| Non-audit fee paid to the auditors of the Company | 7 | 6 | 16.7 | 15 | 13 | 15.4 |
| Amortisation of intangible assets | 1 | 1 | - | 2 | 2 | - |
| Depreciation of property, plant and equipment | 113 | 120 | (5.8) | 226 | 224 | 0.9 |
| Non-trade receivables written off | - | 27 | n.m. | - | 27 | n.m. |
| Directors' remuneration | | | | | | |
| - Directors of the Company | 613 | 1,415 | (56.7) | 1,473 | 2,455 | (40.0) |
| - Other directors | 111 | 109 | 1.8 | 227 | 216 | 5.1 |
| Directors' fee | 45 | 45 | - | 90 | 90 | - |
| Interest expense | | | | | | |
| - Bank borrowing | 260 | - | n.m. | 260 | - | n.m. |
| - Finance lease liabilities | 17 | 18 | (5.6) | 36 | 38 | (5.3) |
| - Lease liabilities i | 8 | - | n.m. | 14 | - | n.m. |
| (Gain)/loss on foreign exchange ii | (163) | 23 | 808.7 | 231 | 122 | 89.3 |
| Employees compensation cost | 692 | 667 | 3.7 | 1,613 | 1,454 | 10.9 |
| Included in the cost of sales are the following:- | | | | | | |
| Depreciation of property, plant and equipment | 624 | 572 | 9.1 | 1,228 | 1,112 | 10.4 |
| Depreciation of right-of-use assets i | 121 | - | n.m. | 234 | - | n.m. |
| Amortisation of intangible assets | 2 | 1 | 100.0 | 5 | 2 | 150.0 |
| Employees compensation cost | 6,013 | 6,743 | (10.8) | 12,216 | 13,401 | (8.8) |

Note:

(i) The Group has chosen to adopt SFRS(I)16 which is effective for annual periods beginning on or after 1 January 2019. Under the new SFRS(I)16, the Group has recognised right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

(ii) (Gain)/loss on foreign exchange mainly arose from the revaluation of assets denominated in Australian dollar, United States dollar and Indonesian Rupiah to Singapore dollar.

n.m. – not meaningful.

| | Note | The Group | | | The Group | | |
|---|---|---|---|---|---|---|---|
| | | Second Quarter ended 30 June | | Increase/ (Decrease) | Half Year ended 30 June | | Increase/ (Decrease) |
| | | 2018 | 2017 | | 2018 | 2017 | |
| | | $'000 | $'000 | % | $'000 | $'000 | % |
| <u>After crediting:-</u> | | | | | | | |
| Interest income | | | | | | | |
| - Bank deposits | | 203 | 174 | 16.7 | 421 | 342 | 21.3 |
| - Financial asset, available-for-sale | | - | 13 | n.m. | - | 26 | n.m. |
| Gain/(loss) on disposal of property, plant and equipment (net) | | 24 | - | n.m. | 39 | (19) | 305.3 |
| Government grant | | 154 | 40 | 285.0 | 391 | 99 | 294.9 |

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 Jun 2018 | 30 Jun 2017 |
| | $'000 | $'000 |
| Tax expense attributable to profit is made up of: | | |
| - Profit from current financial period: | | |
| -Current income tax - Singapore | 451 | 1,293 |
| -Deferred income tax | 61 | 23 |
| | 512 | 1,316 |
| - Under provision in prior financial periods | | |
| - Current income tax - Singapore | 12 | - |
| | 524 | 1,316 |

**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

| | Note | The Group | | | The Company | | |
|---|---|---|---|---|---|---|---|
| | | 30 Jun 2018 | 31 Dec 2017* | 1 Jan 2017* | 30 Jun 2018 | 31 Dec 2017* | 1 Jan 2017* |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **ASSETS** | | | | | | | |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | | 66,462 | 86,107 | 74,685 | 3,448 | 3,547 | 3,771 |
| Trade and other receivables | i | 5,781 | 9,487 | 13,610 | 3,893 | 11,914 | 10,107 |
| Contract assets | ii | 18,190 | 16,469 | 18,094 | - | - | - |
| | | 90,433 | 112,063 | 106,389 | 7,341 | 15,461 | 13,878 |
| **Non-current assets** | | | | | | | |
| Investments in subsidiary corporations | iii | - | - | - | 19,219 | 19,219 | 17,522 |
| Investments in joint ventures | iv | 5,277 | 5,495 | 5,604 | - | - | - |
| Investments in associated companies | v | 3,743 | 3,175 | 973 | - | - | - |
| Investment properties | vi | 53,530 | 7,200 | 5,080 | - | - | - |
| Other receivables | vii | 19,938 | 16,600 | 24,026 | 17,139 | 16,847 | 18,194 |
| Financial assets, available-for-sale | | - | - | 1,015 | - | - | - |
| Property, plant and equipment | | 20,164 | 20,055 | 19,417 | 5,209 | 5,263 | 5,211 |
| Right-of-use assets | viii | 775 | - | - | - | - | - |
| Intangible assets | ix | 1,730 | 1,737 | 1,713 | 4 | 6 | 10 |
| | | 105,157 | 54,262 | 57,828 | 41,571 | 41,335 | 40,937 |
| **Total assets** | | 195,590 | 166,325 | 164,217 | 48,912 | 56,796 | 54,815 |
| **LIABILITIES** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Trade and other payables | x | 33,639 | 37,820 | 41,900 | 6,042 | 8,146 | 8,413 |
| Contract liabilities | xi | - | 263 | 1,840 | - | - | - |
| Finance lease liabilities | | 1,038 | 1,067 | 1,120 | - | - | - |
| Lease liabilities | viii | 387 | - | - | - | - | - |
| Bank borrowing | xii | 808 | - | - | - | - | - |
| Current income tax liabilities | | 1,570 | 2,159 | 1,953 | 28 | 33 | 19 |
| | | 37,442 | 41,309 | 46,813 | 6,070 | 8,179 | 8,432 |
| **Non-current liabilities** | | | | | | | |
| Other payables | x | 10,314 | - | - | - | - | - |
| Finance lease liabilities | | 1,304 | 1,414 | 2,028 | - | - | - |
| Lease liabilities | viii | 375 | - | - | - | - | - |
| Bank borrowing | xii | 25,530 | - | - | - | - | - |
| Deferred income tax liabilities | | 1,152 | 1,091 | 953 | 3 | 3 | 5 |
| | | 38,675 | 2,505 | 2,981 | 3 | 3 | 5 |
| **Total liabilities** | | 76,117 | 43,814 | 49,794 | 6,073 | 8,182 | 8,437 |
| **NET ASSETS** | | **119,473** | **122,511** | **114,423** | **42,839** | **48,614** | **46,378** |
| **EQUITY** | | | | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | | | | |
| Share capital | | 36,832 | 36,832 | 36,832 | 36,832 | 36,832 | 36,832 |
| Other reserves | xiii | 1,371 | 1,372 | 1,373 | - | - | - |
| Retained profits | | 81,090 | 84,307 | 76,218 | 6,007 | 11,782 | 9,546 |
| | | 119,293 | 122,511 | 114,423 | 42,839 | 48,614 | 46,378 |
| **Non-controlling interests** | | 180 | - | - | - | - | - |
| **Total equity** | | **119,473** | **122,511** | **114,423** | **42,839** | **48,614** | **46,378** |
| **Net tangible assets** | | **117,743** | **120,774** | **112,710** | **42,835** | **48,608** | **46,368** |

(*): The Group has applied the new Singapore Financial Reporting Standards (International) ("SFR(I)") framework for the financial year ending 31 December 2018 and has applied SFRS(I) with 1 January 2017 as the date of transition, which requires the first SFRS(I) financial statements to include an opening SFRS(I) statement of financial position at the date of transition to SFRS(I).

## Notes to Statements of Financial Position:

(i) Trade and other receivables

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | | | | | | |
| - Non-related parties | 2,825 | 1,809 | 9,135 | - | - | - |
| - Subsidiary corporations | - | - | - | 3,831 | 11,845 | 10,036 |
| - Retentions | 862 | 1,796 | 2,135 | - | - | - |
| | 3,687 | 3,605 | 11,270 | 3,831 | 11,845 | 10,036 |
| Non-trade receivables | | | | | | |
| - Subsidiary corporations | - | - | - | 731 | 725 | 729 |
| - Associated company | 13 | - | - | - | - | - |
| - Joint venture | 5 | 1 | 6 | - | - | - |
| - Non-related parties | 51 | 102 | 105 | - | - | 4 |
| | 69 | 103 | 111 | 731 | 725 | 733 |
| Less: Allowance for impairment of receivables | - | - | - | (688) | (688) | (688) |
| Non-trade receivables - net | 69 | 103 | 111 | 43 | 37 | 45 |
| Loan to joint venture | - | 3,852 | - | - | - | - |
| Advance to suppliers | 397 | 72 | 386 | - | - | - |
| Deposits | 767 | 1,162 | 956 | 7 | 7 | 7 |
| Prepayments | 861 | 693 | 887 | 12 | 25 | 19 |
| | 5,781 | 9,487 | 13,610 | 3,893 | 11,914 | 10,107 |

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

The loan to joint venture was unsecured, interest-free and repaid during the current financial period.

(ii) Contract assets

| | The Group | | |
|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| Unbilled revenue | | | |
| Construction contracts | | | |
| - Due from customers | 17,640 | 14,999 | 16,592 |
| Construction contract work-in-progress | 550 | 1,470 | 1,502 |
| | 18,190 | 16,469 | 18,094 |

The Group has adopted a new accounting framework SFRS(I)15 Revenue from Contracts with Customers from 1 January 2018 and the impact of adopting the equivalent SFRS(I)15 is disclosed as above. SFRS(I)15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

(iii) Investments in subsidiary corporations

| | The Company | | |
|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| Equity investments at cost | | | |
| Beginning of financial period/year | 17,632 | 17,632 | 17,632 |
| Additions | -* | - | - |
| End of financial period/year | 17,632 | 17,632 | 17,632 |
| Allowance for impairment | | | |
| Beginning and end of financial period/year | (110) | (110) | (110) |
| Loan to a subsidiary corporation | | | |
| Beginning of financial period/year | 1,697 | - | - |
| Notional fair value of loan | - | 1,697 | - |
| End of financial period/year | 1,697 | 1,697 | - |
| | 19,219 | 19,219 | 17,522 |

Note:

(*) Amount is less than $1,000

| Name of subsidiary corporations | Principal activities | Country of incorporation | Equity holding | | |
|---|---|---|---|---|---|
| | | | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| Held by the Company | | | | | |
| Or Kim Peow Contractors (Pte) Ltd(@) | Business of road and building construction and maintenance | Singapore | 100% | 100% | 100% |
| Eng Lam Contractors Co. (Pte) Ltd(@) | Business of road construction and maintenance | Singapore | 100% | 100% | 100% |
| OKP Technical Management Pte Ltd(@)(*) | Provision of technical management and consultancy services | Singapore | 100% | 100% | 100% |
| OKP Investments (Singapore) Pte Ltd (@)(*) | Investment holding | Singapore | 100% | 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% | 100% |
| United Pavement Specialists Pte Ltd(@)(*) | Provision of rental services and investment holding | Singapore | 100% | 100% | 100% |
| OKP Land Pte Ltd(@) | Investment holding and property development | Singapore | 100% | 100% | 100% |
| OKP Transport & Pte Ltd(@)(*) | Provision of transport and logistics services | Singapore | 100% | 100% | 100% |
| Raffles Prestige Capital Pte Ltd(@) | Investment holding | Singapore | 51% | - | - |
| Held by subsidiary corporations | | | | | |
| Bennett WA Investment Pty Ltd(#) | Property investment | Australia | 100% | - | - |

(@) Audited by Nexia TS Public Accounting Corporation.

(#) Audited by Nexia Perth.

(*) 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. The said licence was valid until 8 July 2018 and there is no intention to renew the licence.

(iv) Investments in joint ventures

| | The Group | | |
|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| **Interests in joint ventures** | | | |
| Beginning of financial period/year | 5,495 | 5,604 | 2,988 |
| Share of profit of joint ventures | 82 | 1,990 | 2,707 |
| Notional fair value of loan (net) | - | (99) | (91) |
| Dividend received | (300) | (2,000) | - |
| End of financial period/year | 5,277 | 5,495 | 5,604 |

Details of the joint ventures are as follows:

| Name of joint ventures | Principal activities | Country of incorporation | Percentage of ownership interest | | |
|---|---|---|---|---|---|
| | | | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| Held by subsidiary corporations | | | | | |
| *Incorporated joint ventures* | | | | | |
| CS-OKP Construction and Development Pte Ltd(@)(1) | Design, construction and execution of urban developments (including road infrastructure) | Singapore | 50% | 50% | 50% |
| Forte Builder Pte Ltd(#)(2) | Business of general construction | Singapore | 50% | 50% | 50% |
| Lakehomes Pte. Ltd.(^)(3) | Property development | Singapore | 10% | 10% | 10% |
| *Unincorporated joint venture* | | | | | |
| Chye Joo – Or Kim Peow JV(*)(4) | Business of general construction | Singapore | 50% | 50% | 50% |

(@) Audited by Heng Lee Seng LLP.
(#) Audited by Nexia TS Public Accounting Corporation.
(^) Audited by Ernst & Young LLP.
(*) Registered on 4 May 2015.

(1) CS-OKP Construction and Development Pte Ltd ("CS-OKP"), incorporated in Singapore on 1 December 2009, remained inactive as at 30 June 2018. 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 (2017: $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 Construction Group 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, a joint venture 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 corporation, has a 10% equity interest at a cost of $100,000 in LH. The principal activity of LH is to develop a land parcel into an executive condominium at Yuan Ching Road/Tao Ching Road. 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.

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

The Group's joint arrangements are structured as private limited companies and partnership such that the Group and the parties to the agreements have the rights to the net assets of the private limited companies and partnership 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 2018 | 31 Dec 2017 |
| | $'000 | $'000 |
| Assets | | |
| - Current assets | 67,556 | 110,877 |
| Liabilities | | |
| - Current liabilities | (16,344) | (59,198) |
| Net assets | 51,212 | 51,679 |
| Revenue | 21,273 | 303,573 |
| Expenses | (20,702) | (281,210) |
| Profit before income tax | 571 | 22,363 |
| Income tax expense | (83) | (3,881) |
| Net profit | 488 | 18,482 |

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.

(v) Investments in associated companies

| | The Group | | |
|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| **Interests in associated companies** | | | |
| Beginning of financial period/year | 3,175 | 973 | 651 |
| Additions | 450 | - | - |
| Notional fair value of loan (net) | 38 | 1,672 | - |
| Share of profit of associated companies | 80 | 530 | 322 |
| End of financial period/year | 3,743 | 3,175 | 973 |

| Name of associated companies | Principal activities | Country of incorporation | Equity holding | | |
|---|---|---|---|---|---|
| | | | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| Held by subsidiary corporations | | | | | |
| CS Amber Development Pte Ltd (@)(1) | Property development | Singapore | 10% | 10% | 10% |
| United Singapore Builders Pte Ltd (#)(2) | General contractors | Singapore | 25% | 25% | 25% |
| Chong Kuo Development Pte Ltd (&)(3) | Property development | Singapore | 22.5% | - | - |
| USB Holdings Pte Ltd Pte Ltd (#)(4) | Investment holding and property development | Singapore | 25% | - | - |

(@) Audited by Heng Lee Seng LLP.
(#) Audited by Nexia TS Public Accounting Corporation.
(&) Audited by Ernst & Young LLP

(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 CS 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.

(3) On 20 February 2018, an associated company, Chong Kuo Development Pte. Ltd. ("ChongKuo") was incorporated in Singapore with a share capital of $2,000,000 consisting of 2,000,000 ordinary shares. OKP Land Pte Ltd ("OKPL"), a wholly-owned subsidiary corporation, has a 22.5% equity interest at a cost of $450,000 in ChongKuo. The principal activity of ChongKuo is to develop a residential condominium on the land parcel at Chong Kuo Road.

(4) On 29 March 2018, OKP Investments (Singapore) Pte Ltd ("OKPIS"), a wholly-owned subsidiary corporation, together with Ho Lee Group Pte Ltd, HSB Holdings Pte. Ltd. and B&D Investment and Property Pte. Ltd. incorporated USB Holdings Pte. Ltd.("USBH"). The principal business activities of USBH are investment holding and property development.

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 2018 | 31 Dec 2017 |
| | $'000 | $'000 |
| Assets | | |
| - Current assets | 299,422 | 288,397 |
| - Non-current assets | 46,127 | 485 |
| Liabilities | | |
| - Current liabilities | (23,514) | (19,703) |
| - Non-current liabilities | (320,521) | (276,314) |
| Net assets/(liabilities) | 1,514 | (7,135) |
| | | |
| Revenue | 38,483 | 183,289 |
| Expenses | (36,971) | (177,788) |
| Profit before income tax | 1,512 | 5,501 |
| Income tax expense | (231) | (94) |
| Net profit | 1,281 | 5,407 |

The Group has not recognised its share of profit of an associated company, CS Amber Development Pte. Ltd. amounting to $96,438 (31 December 2017: $328,889) as the Group's cumulative share of losses 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 $104,851 (31 December 2017: $201,289) at the balance sheet date.

(vi) Investment properties

| | The Group | | |
|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| Beginning of financial period/year | 7,200 | 5,080 | 5,250 |
| Additions | 46,330 | 2,270 | - |
| Net fair value loss recognised in profit and loss | - | (150) | (170) |
| End of financial period/year | 53,530 | 7,200 | 5,080 |

The investment properties are leased to non-related parties.

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.

(vii) Other receivables (non-current)

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Loan to associated companies | | | | | | |
| - CS Amber Development Pte Ltd | 19,680 | 19,680 | 19,680 | - | - | - |
| - Chong Kuo Development Pte Ltd | 3,375 | - | - | - | - | - |
| - Notional fair value of loan (net) | (1,709) | (1,672) | - | - | - | - |
| Less: Allowance for impairment | (1,408) | (1,408) | (1,408) | - | - | - |
| | 19,938 | 16,600 | 18,272 | - | - | - |
| Loan to joint venture | | | | | | |
| - Lakehomes Pte. Ltd. | - | - | 5,754 | - | - | - |
| Loan to subsidiary corporation | - | - | - | 17,139 | 16,847 | 18,194 |
| | 19,938 | 16,600 | 24,026 | 17,139 | 16,847 | 18,194 |

The loan to an associated company, CS Amber Development Pte Ltd, is unsecured, interest-free and will be repayable in full on 27 June 2020. The Group charged interest at 2.0% per annum above SIBOR from the first drawdown on 27 June 2012. The Group has ceased to charge interest on the loan with effect from 1 March 2015.

The loan to joint venture, loan to subsidiary corporation and loan to an associated company 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.

(viii) Leases

(a) Amounts recognised in the balance sheet

| | The Group | |
|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 |
| | $'000 | $'000 |
| Right-of-use assets | | |
| Property | 433 | - |
| Office unit | 71 | - |
| Use of state land for worksites | 271 | - |
| | 775 | - |
| Lease liabilities | | |
| Current | 387 | - |
| Non-current | 375 | - |
| | 762 | - |

(b) Amounts recognised in the statement of profit or loss

| | The Group | |
|---|---|---|
| Depreciation of right-of-use assets | | |
| Property | 34 | - |
| Office unit | 7 | - |
| Use of state land for worksites | 193 | - |
| | 234 | - |
| Lease liabilities | | |
| Interest expense (included in finance costs) | 14 | - |

The Group has elected to apply SFRS(I)16 Leases for the first time in the 2018 financial statements (initial application date: 1 January 2018), as permitted under the specific transition provisions in the standard. In accordance with the transition provisions in SFRS(I)16 (C5)(b) the new rules will be adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2018 (i.e. limited retrospective application). Comparatives for the 2017 financial year have therefore not been restated and as a consequence, a third balance sheet is not required in the year of adoption.

(ix) Intangible assets

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| <u>Composition:</u> | | | | | | |
| Goodwill arising on consolidation | 1,688 | 1,688 | 1,688 | - | - | - |
| Computer software licences | 42 | 49 | 25 | 4 | 6 | 10 |
| | 1,730 | 1,737 | 1,713 | 4 | 6 | 10 |

(a) Goodwill arising on consolidation

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| *Cost/net book value* | | | | | | |
| Beginning and end of financial period/year | 1,688 | 1,688 | 1,688 | - | - | - |

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

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| *Cost* | | | | | | |
| Beginning of financial period/year | 428 | 388 | 369 | 55 | 55 | 55 |
| Additions | - | 40 | 19 | - | - | - |
| End of financial period/year | 428 | 428 | 388 | 55 | 55 | 55 |
| *Accumulated Amortisation* | | | | | | |
| Beginning of financial period/year | 379 | 363 | 286 | 49 | 45 | 34 |
| Amortisation charge | 7 | 16 | 77 | 2 | 4 | 11 |
| End of financial period/year | 386 | 379 | 363 | 51 | 49 | 45 |
| Net Book Value | 42 | 49 | 25 | 4 | 6 | 10 |

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

(x) Trade and other payables

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| <u>Current</u> | | | | | | |
| Trade payables | | | | | | |
| - Non-related parties | 20,533 | 22,740 | 25,849 | 50 | 98 | 141 |
| Non-trade payables | | | | | | |
| - Subsidiary corporations | - | - | - | 5,342 | 5,342 | 5,347 |
| - Joint venture partner | 50 | 50 | 50 | - | - | - |
| | 50 | 50 | 50 | 5,342 | 5,342 | 5,347 |
| Accrued operating expenses | 12,583 | 14,823 | 15,861 | 650 | 2,706 | 2,925 |
| Other payables | 473 | 207 | 140 | - | - | - |
| | 33,639 | 37,820 | 41,900 | 6,042 | 8,146 | 8,413 |
| <u>Non-current</u> | | | | | | |
| Other payables | | | | | | |
| - Advance from a minority shareholder | 10,314 | - | - | - | - | - |

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

An advance from a minority shareholder is 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

(xi) Contract liabilities

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Advances received | - | 263 | 1,840 | - | - | - |

The Group has adopted a new accounting framework SFRS(I)15 Revenue from Contracts with Customers from 1 January 2018 and the impact of adopting the equivalent SFRS(I)15 is disclosed as above. SFRS(I)15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

(xii) Bank borrowing

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Current | | | | | | |
| Secured bank term loan | 808 | - | - | - | - | - |
| Non-current | | | | | | |
| Secured bank term loan | 25,530 | - | - | - | - | - |
| | 26,338 | - | - | - | - | - |

The secured bank term loan is mainly secured by:

- First legal mortgage over an investment property of the Group;
- The Group's shares in a subsidiary corporation; and
- Corporate guarantee of the Company.

The Group's secured bank term loan is denominated in Australian dollar. It bears interest at 1.8% above the bank's cost of fund.

(xiii) Other reserves

| | The Group | | |
|---|---|---|---|
| | 30 Jun 2018 | 31 Dec 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| (a) **Composition**: | | | |
| Currency translation reserve | (1) | - | - |
| Fair value reserve | - | - | 1 |
| Asset revaluation reserve | 1,372 | 1,372 | 1,372 |
| | 1,371 | 1,372 | 1,373 |
| **(b) Movements** | | | |
| ***Currency translation reserve*** | | | |
| Beginning of financial period/year | - | - | - |
| Net currency translation differences of financial, statements of foreign subsidiary corporation | (1) | - | - |
| End of financial period/year | (1) | - | - |
| ***Fair value reserve*** | | | |
| Beginning of financial period/year | - | 1 | (24) |
| Financial assets – available-for-sale | | | |
| -Fair value gains | - | 5 | 25 |
| Reclassification to profit and loss | - | (6) | - |
| End of financial period/year | - | - | 1 |
| ***Asset revaluation reserve*** | | | |
| Beginning of financial period/year | 1,372 | 1,372 | 1,372 |

Other reserves are non-distributable.

**Explanatory Notes:**

(i) Current assets

Current assets decreased by $21.7 million, from $112.1 million as at 31 December 2017 to $90.4 million as at 30 June 2018. The decrease was attributable to:

(a) a decrease in cash and cash equivalents of $19.7 million. This was due mainly to the cash used in operations of $1.7 million and cash used in investing activities of $36.9 million, which were partially offset by cash generated from financing activities of $18.9 million; and

(b) a decrease in trade and other receivables of $3.7 million due mainly to repayment of loans by a joint venture, Lakehomes Pte Ltd,

which were partially offset by:

(c) an increase in contract assets of $1.7 million due to (i) the increase in amount due from customers of $2.6 million which relates to work done but not billed in June 2018, which was partially offset by (ii) decrease in construction contract work-in-progress of $0.9 million due mainly to lower unbilled amounts expected to be collected from customers for contract work performed up to 30 June 2018 as compared to 31 December 2017.

(ii) Non-current assets

Non-current assets increased by $50.9 million, from $54.3 million as at 31 December 2017 to $105.2 million as at 30 June 2018. The increase was attributable to:

(a) an increase in investment properties of $46.3 million resulting from the purchase of the property at 6-8 Bennett Street, East Perth, Western Australia;

(b) an increase in other receivables of $3.3 million arising from an advance to an associated company, Chong Kuo Development Pte Ltd of $3.4 million, which was partially offset by a notional fair value adjustment of loan;

(c) the recognition of right-of-use assets of $0.8 million as the Group has applied SFRS(I)16;

(d) an increase in investments in associated companies of $0.6 million arising from the cost of investment of $0.5 million in an associated company, Chong Kuo Development Pte Ltd, and the share of profit of associated companies; and

(e) an increase in property, plant and equipment of $0.1 million resulting from the purchase of new plant and equipment, which was partially offset by the disposal and depreciation of property, plant and equipment,

which were partially offset by:

(f) a decrease in investments in joint ventures of $0.2 million due mainly to dividends of $0.3 million received from a joint venture, Forte Builder Pte Ltd, which was partially offset by the share of profit of joint ventures,

during the half year ended 30 June 2018.

(iii) Current liabilities

Current liabilities decreased by $3.9 million, from $41.3 million as at 31 December 2017 to $37.4 million as at 30 June 2018. The decrease was due mainly to:

(a) a decrease in trade and other payables of $4.2 million arising from (1) lower accrued operating expenses related to project costs and (2) settlement of some major trade payables;

(b) a decrease in contract liabilities of $0.3 million due to utilisation of advance received from a customer; and

(c) a decrease in current income tax liabilities of $0.6 million due to lower tax provision resulting from lower profits generated,

which were partially offset by:

(d) an increase in finance lease liabilities of $0.4 million as a result of the purchase of new plant and equipment to support newly-awarded projects; and

(e) a bank borrowing of $0.8 million to finance the purchase of an investment property at 6-8 Bennett Street, East Perth, Western Australia,

during the half year ended 30 June 2018.

(iv) Non-current liabilities

Non-current liabilities increased by $36.2 million, from $2.5 million as at 31 December 2017 to $38.7 million as at 30 June 2018. The increase was due mainly to:

(a) other payable of $10.3 million relating to an advance from a minority shareholder extended to a foreign operation for the purpose of purchasing the investment property and working capital needs;

(b) a bank borrowing of $25.5 million to finance the purchase of an investment property at 6-8 Bennett Street, East Perth, Western Australia; and

(c) the recognition of lease liabilities of $0.4 million arising from the implementation of SFRS(I)16.

(iv) Shareholders' equity

Shareholders' equity, comprising share capital, other reserves, retained profits and non-controlling interests, decreased by $3.0 million, from $122.5 million as at 31 December 2017 to $119.5 million as at 30 June 2018. The decrease was largely attributable to:

(a) the dividend payment to shareholders of $6.2 million,

which was partially offset by:

(b) the profit generated from operations of $3.0 million for the half year ended 30 June 2018, and

(c) a non-controlling interest of $0.2 million arising from the contribution from Raffles Prestige Capital Pte Ltd,

during the half year ended 30 June 2018.

## 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 2018 | | As at 31 Dec 2017 | |
|---|---|---|---|
| $'000 | $'000 | $'000 | $'000 |
| Secured | Unsecured | Secured | Unsecured |
| 1,846 | - | 1,067 | - |

(b) Amount repayable after one year

| As at 30 Jun 2018 | | As at 31 Dec 2017 | |
|---|---|---|---|
| $'000 | $'000 | $'000 | $'000 |
| Secured | Unsecured | Secured | Unsecured |
| 26,834 | - | 1,414 | - |

(c) Details of any collateral

The above secured borrowings of the Group relate to:

(1) finance lease liabilities of $2.3 million secured by way of corporate guarantees issued by the Company and charges over the property, plant and equipment under the finance leases; and

(2) bank term loan of $26.3 million secured by first legal mortgage over an investment property of the Group, the Group's shares in a subsidiary corporation and corporate guarantee of the Company.

## 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 | |
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Cash flows from operating activities** | | | | |
| Net profit | 302 | 4,952 | 3,130 | 10,005 |
| Adjustments for: | | | | |
| - Income tax (credit)/expense | (6) | 849 | 524 | 1,316 |
| - Depreciation of property, plant and equipment | 737 | 692 | 1,454 | 1,336 |
| - Depreciation or right-of-use assets | 121 | - | 234 | - |
| - Amortisation of intangible assets | 3 | 2 | 7 | 4 |
| - (Gain)/loss on disposal of property, plant and equipment | (24) | - | (39) | 19 |
| - Share of profit of investments accounted for using the equity method | (111) | (361) | (162) | (2,320) |
| - Interest income | (203) | (187) | (421) | (368) |
| - Interest expense | 285 | 18 | 310 | 38 |
| - Unrealised currency translation loss | 1 | - | 1 | - |
| **Operating cash flow before working capital changes** | 1,105 | 5,965 | 5,038 | 10,030 |
| Change in working capital | | | | |
| - Trade and other receivables | (959) | 1,327 | (147) | 6,040 |
| - Contract assets | (3,734) | (7,675) | (1,721) | (2,944) |
| - Trade and other payables | 2,111 | (741) | (4,024) | 755 |
| - Contract liabilities | (263) | (788) | (263) | (1,577) |
| **Cash generated from operations** | (1,740) | (1,912) | (1,117) | 12,304 |
| - Interest received | 203 | 174 | 421 | 342 |
| - Income tax paid | (964) | (947) | (1,052) | (947) |
| **Net cash (used in)/generated from operating activities** | (2,501) | (2,685) | (1,748) | 11,699 |
| **Cash flows used in investing activities** | | | | |
| - Additions to property, plant and equipment | (378) | (478) | (1,216) | (1,341) |
| - Additions to investment properties | (46,330) | - | (46,330) | - |
| - Disposal of property, plant and equipment | 24 | - | 39 | 9 |
| - Investment in an associated company | - | - | (450) | - |
| - Advance to an associated company | (1,057) | - | (3,375) | - |
| - Advance from a minority shareholder | - | - | 10,314 | - |
| - Dividend received from a joint venture | 300 | - | 300 | - |
| - Repayment of loans by a joint venture | 3,852 | - | 3,852 | - |
| - Capital contribution for a minority interest for the incorporation of a subsidiary corporation | - | - | -* | - |
| - Interest received | - | 13 | - | 26 |
| **Net cash used in investing activities** | (43,589) | (465) | (36,866) | (1,306) |

Note:
(*) Amount is less than $1,000.

Consolidated statements of cash flows (Cont'd)

| | The Group | | The Group | |
|---|---|---|---|---|
| | Second Quarter ended 30 June | | Half year ended 30 June | |
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **Cash flows from financing activities** | | | | |
| - Repayment of finance lease liabilities | (346) | (282) | (638) | (580) |
| - Repayment of lease liabilities | (133) | - | (261) | - |
| - Interest paid | (276) | (18) | (295) | (38) |
| - Proceeds from bank borrowing | 26,338 | - | 26,338 | - |
| - Dividend paid to shareholders | (6,169) | (4,626) | (6,169) | (4,626) |
| - Bank deposits pledged | (38) | 1 | (36) | 17 |
| **Net cash generated from /(used in) financing activities** | 19,376 | (4,925) | 18,939 | (5,227) |
| **Net (decrease)/increase in cash and cash equivalents** | (26,714) | (8,075) | (19,675) | 5,166 |
| Cash and cash equivalents at the beginning of the financial period | 88,282 | 83,353 | 81,551 | 70,112 |
| Effects of currency translation on cash and cash equivalents | 302 | - | (6) | - |
| **Cash and cash equivalents at the end of the financial period** | 61,870 | 75,278 | 61,870 | 75,278 |

**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 2018 | 30 Jun 2017 |
| | $'000 | $'000 |
| Cash at bank and on hand | 17,968 | 16,104 |
| Short-term bank deposits | 48,124 | 63,731 |
| Trust account – Cash at bank | 370 | - |
| | 66,462 | 79,835 |
| Short-term bank deposits pledged to banks | (4,592) | (4,557) |
| Cash and cash equivalents per consolidated statement of cash flows | 61,870 | 75,278 |

Bank deposits of $4,592,133 (30 June 2017: $4,556,628) are pledged to banks for banking facilities of certain subsidiary corporations.

(ii) **Review of cash flows for the six months ended 30 June 2018**

Net cash used in operating activities

Our Group reported net cash used in operating activities of $1.7 million in the six months ended 30 June 2018, a decrease of $13.4 million from net cash generated from operating activities of $11.7 million in the six months ended 30 June 2017. The $13.4 million decrease in net cash generated from operating activities was due mainly to:

(a) a decrease in cash generated from operating activities before working capital changes of $5.0 million;

(b) an increase in income tax paid of $0.1 million; and

(c) a decrease in net working capital inflow of $8.4 million,

which were partially offset by:

(d) an increase in interest received of $0.1 million,

during the six months ended 30 June 2018.

Net cash used in investing activities

Net cash of $36.9 million used in investing activities was due to:

(a) the purchase of new property, plant and equipment of $1.2 million;

(b) the purchase of an investment property at 6-8 Bennett Street, East Perth, Western Australia for $46.3 million;

(c) the investment in Chong Kuo Development Pte Ltd for $0.5 million; and

(d) an advance of $3.4 million extended to an associated company, Chong Kuo Development Pte Ltd, for the purpose of purchasing the land parcel, construction costs and working capital needs,

which were partially offset by:

(e) an advance of $10.3 million received from a minority shareholder which was extended to a foreign operation for the purpose of purchasing the investment property and working capital needs;

(f) the repayment of loan by a joint venture, Lakehomes Pte Ltd, of $3.9 million; and

(g) dividends of $0.3 million received from a joint venture, Forte Builder Pte Ltd,

during the six months ended 30 June 2018.

Net cash generated from financing activities

Net cash of $18.9 million was generated from financing activities in the six months ended 30 June 2018. This was due mainly to the proceeds from bank borrowing of $26.3 million. This was partially offset by (1) dividend payments to shareholders of $6.2 million, (2) repayment of finance lease liabilities of $0.6 million, (3) interest payments of $0.3 million, and (4) repayment of lease liabilities of $0.3 million, during the six months ended 30 June 2018.

Overall, free cash and cash equivalents stood at $61.9 million as at 30 June 2018, a decrease of $13.4 million, from $75.3 million as at 30 June 2017. This works out to cash of 20.1 cents per share as at 30 June 2018 as compared to 24.4 cents per share as at 30 June 2017 (based on 308,430,594 issued shares as at 30 June 2018 and 30 June 2017).

(iii) **Review of cash flows for second quarter ended 30 June 2018**

Net cash used in operating activities

Our Group's net cash used in operating activities for the second quarter ended 30 June 2018 was \$2.5 million as compared to \$2.7 million for the second quarter ended 30 June 2017. The \$0.2 million decrease in net cash used in operating activities was due to:

(a) a decrease in net working capital outflow of \$5.0 million,

which was partially offset by:

(b) a decrease in cash generated from operating activities before working capital changes of \$4.8 million during the second quarter ended 30 June 2018.

Net cash used in investing activities

Net cash used in investing activities was \$43.6 million for the second quarter ended 30 June 2018, compared to \$0.5 million for the second quarter ended 30 June 2017. The major outflows for the second quarter ended 30 June 2018 related to (i) the purchase of new property, plant and equipment of \$0.4 million, (ii) the purchase of an investment property at 6-8 Bennett Street, East Perth, Western Australia for \$46.3 million and (iii) an advance of \$1.1 million extended to an associated company, Chong Kuo Development Pte Ltd. The outflows were partially offset by (i) dividends of \$0.3 million received from a joint venture, Forte Builder Pte Ltd, and (ii) the repayment of loan by a joint venture, Lakehomes Pte Ltd, of \$3.9 million.

Net cash generated from financing activities

The net cash generated from financing activities was \$19.4 million for the second quarter ended 30 June 2018 as compared with net cash used in financing activities of \$4.9 million for the second quarter ended 30 June 2017. The major inflow was due mainly to the proceeds from a bank borrowing of \$26.3 million. The major inflow was partially offset by (1) dividend payments to shareholders of \$6.2 million, (2) repayment of finance lease liabilities of \$0.3 million, (3) interest payments of \$0.3 million and (4) repayment of lease liabilities of \$0.1 million, in the second quarter ended 30 June 2018.

**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 | Foreign currency translation reserve | Retained profits | Total | Non controlling interest | Total equity |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| The Group | | | | | | | | |
| **As at 1 Jan 2018** | 36,832 | - | 1,372 | - | 84,307 | 122,511 | - | 122,511 |
| Total comprehensive income for the period | - | - | - | -* | 2,845 | 2,845 | (15) | 2,830 |
| **As at 31 Mar 2018** | 36,832 | - | 1,372 | -* | 87,152 | 125,356 | (15) | 125,341 |
| Total comprehensive income for the period | - | - | - | (1) | 107 | 106 | 195 | 301 |
| Dividend relating to FY2017 | - | - | - | - | (6,169) | (6,169) | - | (6,169) |
| **As at 30 Jun 2018** | 36,832 | - | 1,372 | (1) | 81,090 | 119,293 | 180 | 119,473 |

Note:

(*) Amount is less than $1,000

| | Attributable to equity holders of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital | Fair value reserve | Asset revaluation reserve | Retained profits | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| <u>The Group</u> | | | | | |
| **As at 1 Jan 2017** | 36,832 | 1 | 1,372 | 76,218 | 114,423 |
| Total comprehensive income for the period | - | (7) | - | 5,053 | 5,046 |
| **As at 31 Mar 2017** | 36,832 | (6) | 1,372 | 81,271 | 119,469 |
| Total comprehensive income for the period | - | 12 | - | 4,952 | 4,964 |
| Dividend relating to FY2016 | - | - | - | (4,626) | (4,626) |
| **As at 30 June 2017** | 36,832 | 6 | 1,372 | 81,597 | 119,807 |

| | Attributable to equity holders of the Company | | |
|---|---|---|---|
| | Share capital | Retained profits | Total equity |
| | $'000 | $'000 | $'000 |
| The Company | | | |
| **As at 1 Jan 2018** | 36,832 | 11,782 | 48,614 |
| Total comprehensive income for the period | - | 143 | 143 |
| **As at 31 Mar 2018** | 36,832 | 11,925 | 48,757 |
| Total comprehensive income for the period | - | 251 | 251 |
| Dividend relating to FY2017 | - | (6,169) | (6,169) |
| **As at 30 Jun 2018** | 36,832 | 6,007 | 42,839 |

| | Attributable to equity holders of the Company | | |
|---|---|---|---|
| | Share capital | Retained profits | Total |
| | $'000 | $'000 | $'000 |
| The Company | | | |
| **As at 1 Jan 2017** | 36,832 | 9,546 | 46,378 |
| Total comprehensive income for the period | - | 134 | 134 |
| **As at 31 Mar 2017** | 36,832 | 9,680 | 46,512 |
| Total comprehensive income for the period | - | 167 | 167 |
| Dividend relating to FY2016 | - | (4,626) | (4,626) |
| **As at 30 June 2017** | 36,832 | 5,221 | 42,053 |

**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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2018.

Under the Share Buy Back Mandate which was approved by the Shareholders on 26 April 2018, no shares were bought back by the Company during the second quarter ended 30 June 2018.

There were no outstanding convertibles issued or treasury shares held by the Company and no subsidiary holdings as at 30 June 2018 and 30 June 2017.

**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 2018 | 31 Dec 2017 |
|---|---|---|
| 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

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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 2017.

## 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

The Group has adopted Singapore Financial Reporting Standards (International) (SFRS(I)) on 1 January 2018. In adopting SFRS(I), the Group has applied the specific transition requirements in SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)* in preparing the financial information included in this announcement.

The Group has also concurrently applied the following SFRS(I)s, interpretations of SFRS(I) and requirements of SFRS(I)s (collectively "new accounting standards") which are mandatorily effective from 1 January 2018.

**SFRS(I):**

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes the clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016
- SFRS(I) 9 *Financial Instruments* which includes the amendments to IFRS 4 *insurance contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* issued by the IASB in September 2016

**Requirements in following SFRS(I)s arising from amendments to corresponding IFRSs issued by the IASB in 2016:**

- SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – M*easuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration.*

The adoption of the new accounting standards does not have any significant impact on the financial information except for SFRS(I) 15 and SFRS(I) 9.

SFRS(I) 16 Leases is effective for annual periods beginning on or after 1 January 2019. The Group has early adopted the new standard which is permitted by the standard.

## 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) |
| | 2018 | 2017 | | 2018 | 2017 | |
| | $'000 | $'000 | % | $'000 | $'000 | % |
| Net profit attributable to equity holders of the Company ($'000) | 107 | 4,952 | (97.8) | 2,950 | 10,005 | (70.5) |
| 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) | 0.03 | 1.61 | (98.1) | 0.96 | 3.24 | (70.4) |
| Diluted earnings per share (cents per share) | 0.03 | 1.61 | (98.1) | 0.96 | 3.24 | (70.4) |

## 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 2018** | **As at 31 Dec 2017** | **As at 30 Jun 2018** | **As at 31 Dec 2017** | **The Group** | **The Company** |
| Net tangible assets ($'000) | 117,743 | 120,774 | 42,835 | 48,608 | (2.5) | (11.9) |
| Number of shares | 308,430,594 | 308,430,594 | 308,430,594 | 308,430,594 | - | - |
| NTA per share (cents) | 38.17 | 39.16 | 13.89 | 15.76 | (2.5) | (11.9) |

## 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 three business segments: Construction, Maintenance and Rental income from investment properties.

**Income Statement Review (Half Year ended 30 June 2018 vs Half Year ended 30 June 2017)**

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | Current half year ended 30 Jun 2018 | | Previous half year ended 30 Jun 2017 | | Increase / (Decrease) | |
| | $'000 | % | $'000 | % | $'000 | % |
| Construction | 21,808 | 43.3 | 43,022 | 67.0 | (21,214) | (49.3) |
| Maintenance | 27,288 | 54.2 | 21,086 | 32.8 | 6,202 | 29.4 |
| Rental income | 1,297 | 2.5 | 94 | 0.2 | 1,203 | 1,279.8% |
| **Total Revenue** | **50,393** | **100.0** | **64,202** | **100.0** | **(13,809)** | **(21.5)** |

Revenue

Our Group reported a 21.5% or $13.8 million decrease in revenue to $50.4 million in the half year ended 30 June 2018 as compared to $64.2 million in the half year ended 30 June 2017. The decrease was due mainly to a 49.3% decrease in revenue from the construction segment to $21.8 million, partially offset by (i) a 29.4% increase in revenue from the maintenance segment to $27.3 million and (ii) a 1,279.8% increase in rental income.

The decrease in revenue from the construction segment was largely attributable to a lower percentage of revenue recognised from a few construction projects which were reaching completion, as well as no revenue generated from a construction project at the Pan-Island Expressway exit to Tampines Expressway during the half year ended 30 June 2018.

The growth in revenue from the maintenance segment was due mainly to the higher percentage of revenue recognised from a few major maintenance projects which were in full swing in the half year ended 30 June 2018.

The increase in rental income generated from investment properties was due mainly to rental income generated from the newly purchased property at 6-8 Bennett Street, East Perth, Western Australia during the second quarter ended 30 June 2018.

Both the construction and maintenance segments are the major contributors to our Group's revenue. On a segmental basis, construction, maintenance and rental income accounted for 43.3% (30 June 2017: 67.0%), 54.2% (30 June 2017: 32.8%) and 2.5% (30 June 2017: 0.2%) of our Group's revenue respectively for the half year ended 30 June 2018.

<u>Cost of sales</u>

<table>
<tr><th rowspan="3"></th><th colspan="2">The Group</th></tr>
<tr><th>Current<br>half year ended<br>30 Jun 2018</th><th>Previous<br>half year ended<br>30 Jun 2017</th></tr>
<tr><th>$'000</th><th>$'000</th></tr>
<tr><td>Construction</td><td rowspan="2">42,553</td><td rowspan="2">50,138</td></tr>
<tr><td>Maintenance</td></tr>
<tr><td>Rental income</td><td>394</td><td>18</td></tr>
<tr><td>Total cost of sales</td><td>42,947</td><td>50,156</td></tr>
</table>

Our cost of sales decreased by 14.4% or $7.3 million from $50.2 million for the half year ended 30 June 2017 to $42.9 million for the half year ended 30 June 2018. The decrease in cost of sales was due mainly to:

(a) the 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;

(b) the decrease in the cost of construction materials due to lesser utilisation of materials; and

(c) the decrease in labour costs during the half year ended 30 June 2018,

which were partially offset by:

(d) an accrual of additional cost arising from a construction project at the Pan-Island Expressway exit to Tampines Expressway following the mutual termination of the project between the client and our subsidiary corporation; and

(e) the increase in depreciation of property, plant and machinery and right-of-use assets,

during the half year ended 30 June 2018.

Gross profit and gross profit margin

Our gross profit for the half year ended 30 June 2018 decreased by 47.0% or $6.5 million from $14.0 million for the half year ended 30 June 2017 to $7.5 million for the half year ended 30 June 2018.

Our gross profit margin decreased from 21.9% for the half year ended 30 June 2017 to 14.8% for the half year ended 30 June 2018.

The lower gross profit margin was largely attributable to lower profit margins for some current construction projects as a result of a more competitive pricing environment.

Other income

Other income increased by $0.4 million or 90.6% from $0.5 million for the half year ended 30 June 2017 to $0.9 million for the half year ended 30 June 2018. The increase was largely attributable to:

(a) an increase in government grants of $0.3 million received which comprised wage credit payouts received from the Inland Revenue Authority of Singapore (Temporary Employment Credit) and Ministry of Manpower (Special Employment Credit) and incentives received from the Building and Construction Authority for technology adoption and capability development; and

(b) an increase in interest income received of $0.1 million due to higher interest earned from higher bank deposits during the half year ended 30 June 2018.

Other losses

The increase in other losses of $0.1 million was due mainly to loss in foreign exchange resulting from the weakening of the US dollar and Australian dollar against the Singapore dollar in the half year ended 30 June 2018.

Administrative expenses

Administrative expenses decreased by $1.0 million or 19.2% from $5.3 million for the half year ended 30 June 2017 to $4.3 million for the half year ended 30 June 2018. The decrease was largely due to lower directors' remuneration (including profit sharing) accrued as a result of the lower profit generated by the Group for the half year ended 30 June 2018.

Finance expenses

| | The Group | |
|---|---|---|
| | Half year ended 30 Jun 2018 | Half year ended 30 Jun 2017 |
| | $'000 | $'000 |
| Finance lease liabilities | 36 | 38 |
| Lease liabilities[(a)] | 14 | - |
| Bank borrowing[(b)] | 260 | - |
| | 310 | 38 |

Finance expenses increased by $0.3 million or 715.8% from $38,000 for the half year ended 30 June 2017 to $0.3 million for the half year ended 30 June 2018. The increase was due to:

(a) interest from lease liabilities of $14,000 as a result of implementation of SFRS(I) 16; and

(b) interest expenses of $0.3 million incurred on a bank term loan for the purchase of an investment property at 6-8 Bennett Street, East Perth, Western Australia.

Share of results of associated companies and joint ventures

| | The Group | |
|---|---|---|
| | Half year ended 30 Jun 2018 | Half year ended 30 Jun 2017 |
| | $'000 | $'000 |
| Share of profit of joint ventures[(a)] | 82 | 1,876 |
| Share of profit of associated companies[(b)] | 80 | 444 |
| | 162 | 2,320 |

(a) Share of profit of joint ventures

The share of profit of joint ventures decreased by $1.8 million due mainly to the decrease in share of profit of $1.7 million from Lakehomes Pte Ltd, the developer for the LakeLife Executive Condominium, based on the recognition of profits from the few remaining units of the development which were ready for handover during the half year ended 30 June 2018.

(b) Share of profit of associated companies

The $0.4 million decrease in the share of profit of associated companies in the half year ended 30 June 2018 was due mainly to the decrease in share of profit from our associated company, United Singapore Builders Pte Ltd.

Profit before income tax

Profit before income tax decreased by $7.7 million or 67.7% from $11.3 million for the half year ended 30 June 2017 to $3.6 million for the half year ended 30 June 2018. The decrease was due mainly to (1) the decrease in gross profit of $6.5 million, (2) the increase in other losses of $0.1 million, (3) the increase in finance expenses of $0.3 million and (4) the decrease in share of profit of associated companies and joint ventures of $2.2 million. The decrease was partially offset by (1) the decrease in administrative expenses of $1.0 million and (2) the increase in other income of $0.4 million, as explained above.

Income tax expense

Income tax expense decreased by $0.8 million or 60.2% from $1.3 million in the half year ended 30 June 2017 to $0.5 million in the half year ended 30 June 2018 due mainly to lower profit before income tax, as explained above.

The effective tax rates for the half year ended 30 June 2018 and half year ended 30 June 2017 were 14.3% and 11.6% respectively.

The effective tax rate for the half year ended 30 June 2018 was lower than the statutory tax rate of 17.0% due mainly to (1) statutory stepped income tax exemption and (2) a tax rebate of 40% on the corporate tax payable.

The effective tax rate for the half year ended 30 June 2017 was lower than the statutory tax rate of 17.0% due mainly to (1) the profit before income tax of $11.3 million which comprised share of profit of associated companies and joint ventures of $2.3 million, which was already taxed at the associated company and joint venture levels, (2) statutory stepped income tax exemption and (3) a tax rebate of 20% on the corporate tax payable.

Non-controlling interests

Non-controlling interests of $0.2 million was due to contributions from our subsidiary corporation, Raffles Prestige Capital Pte Ltd in the half year ended 30 June 2018.

Net profit

Overall, for the half year ended 30 June 2018, net profit decreased by $6.9 million or 68.7%, from $10.0 million for the half year ended 30 June 2017 to $3.1 million for the half year ended 30 June 2018, following the decrease in profit before income tax of $7.7 million which was partially offset by the decrease in income tax expense of $0.8 million, as explained above.

Our net profit margin decreased from 15.6% for the half year ended 30 June 2017 to 6.2% for the half year ended 30 June 2018.

**Income Statement Review (Second Quarter ended 30 June 2018 vs Second Quarter ended 30 June 2017)**

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | Current second quarter ended 30 Jun 2018 | | Previous second quarter ended 30 Jun 2017 | | Increase / (Decrease) | |
| | $'000 | % | $'000 | % | $'000 | % |
| Construction | 8,732 | 31.9 | 22,508 | 65.3 | (13,776) | (61.2) |
| Maintenance | 17,407 | 63.6 | 11,899 | 34.5 | 5,508 | 46.3 |
| Rental income | 1,213 | 4.5 | 47 | 0.2 | 1,166 | 2,480.9 |
| **Total Revenue** | **27,352** | **100.0** | **34,454** | **100.0** | (7,102) | (20.6) |

Revenue

Our Group recorded a decrease in revenue in the second quarter ended 30 June 2018 of $7.1 million or 20.6%, to $27.4 million as compared to $34.5 million in the second quarter ended 30 June 2017.

The construction segment contributed $8.7 million to our Group's revenue in the second quarter ended 30 June 2018, compared to $22.5 million in second quarter ended 30 June 2017. The decrease in revenue from the construction segment was largely attributable to a lower percentage of revenue recognised from a few construction projects which were reaching completion, coupled with no revenue generated from a construction project at the Pan-Island Expressway exit to Tampines Expressway during second quarter ended 30 June 2018.

The $5.5 million increase in revenue from the maintenance segment was due mainly to some of the projects progressing to a more active phase during the second quarter ended 30 June 2018.

The increase in rental income generated from investment properties was due mainly to rental income from the newly purchased property at 6-8 Bennett Street, East Perth, Western Australia during the second quarter ended 30 June 2018.

Cost of sales

| | The Group | |
|---|---|---|
| | Current second quarter ended 30 Jun 2018 | Previous second quarter ended 30 Jun 2017 |
| | $'000 | $'000 |
| Construction<br>Maintenance | 25,154 | 26,380 |
| Rental income | 382 | 8 |
| **Total cost of sales** | **25,536** | **26,388** |

Our cost of sales decreased by 3.2% or $0.9 million from $26.4 million for the second quarter ended 30 June 2017 to $25.5 million for the second quarter ended 30 June 2018. The decrease in cost of sales was due mainly to:

(a) the 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;

(b) the decrease in the cost of construction materials due to lesser utilisation of materials; and

(c) the decrease in labour costs,

which were partially offset by:

(d) an accrual of additional cost arising from a construction project at the Pan-Island Expressway exit to Tampines Expressway following the mutual termination of the project between the client and our subsidiary corporation; and

(e) the increase in depreciation of property, plant and machinery and right-of-use assets,

during the second quarter ended 30 June 2018.

Gross profit and gross profit margin

Our gross profit decreased by $6.2 million or 77.5% from $8.0 million for the second quarter ended 30 June 2017 to $1.8 million for the second quarter ended 30 June 2018.

Our gross profit margin decreased from 23.4% for the second quarter ended 30 June 2017 to 6.6% for the second quarter ended 30 June 2018.

The lower gross profit margin for the second quarter ended 30 June 2018 as compared to the second quarter ended 30 June 2017 was largely attributable to the additional cost arising from a construction project following the mutual termination of the project between the client and our subsidiary corporation in the second quarter ended 30 June 2018.

Other income

Other income increased by $0.1 million or 55.9% from $0.3 million for the second quarter ended 30 June 2017 to $0.4 million for the second quarter ended 30 June 2018. The increase was due mainly to an increase in government grants received from the Building and Construction Authority for technology adoption and capability development in the second quarter ended 30 June 2018.

Other gains

Other gains of $0.2 million was due mainly to gain in foreign exchange resulting from the strengthening of the US dollar and Australian dollar against the Singapore dollar in the second quarter ended 30 June 2018.

Administrative expenses

Administrative expenses decreased by $0.9 million or 32.7% from $2.8 million for the second quarter ended 30 June 2017 to $1.9 million for the second quarter ended 30 June 2018. The decrease was largely attributable to lower directors' remuneration (including profit sharing) accrued as a result of the lower profit generated by the Group for the second quarter ended 30 June 2018.

Finance expenses

Finance expenses increased by $0.3 million due mainly to:

(i) interest expenses incurred on a bank term loan for the purchase of an investment property at 6-8 Bennett Street, East Perth, Western Australia; and

(ii) interest from lease liabilities of $8,000 as a result of implementation of SFRS(I) 16 for the second quarter ended 30 June 2018.

Share of results of associated companies and joint ventures

The $0.2 million decrease in the share of profits of investments in the second quarter ended 30 June 2018 was due mainly to a reduced share of profit from Lakehomes Pte Ltd, the developer for the LakeLife Executive Condominium during the second quarter ended 30 June 2018.

Profit before income tax

Profit before income tax decreased by $5.5 million or 94.9% from $5.8 million in the second quarter ended 30 June 2017 to $0.3 million in the second quarter ended 30 June 2018. The decrease was due mainly to (1) the decrease in gross profit of $6.2 million, (2) the increase in finance expenses of $0.3 million and (3) the decrease in share of profit of associated companies and joint ventures of $0.2 million. The decrease was partially offset by (1) the decrease in administrative expenses of $0.9 million, (2) the increase in other income of $0.1 million and (3) the increase in other gains of $0.2 million, as explained above.

Income tax expense

Income tax expense decreased by $0.8 million or 100.7% from an income tax expense of $0.8 million for the second quarter ended 30 June 2017 to a tax credit of $6,000 for the second quarter ended 30 June 2018.

Tax credit for the second quarter ended 30 June 2018 arose from deductible temporary differences between the carrying value of assets and value of assets for tax purposes. The tax credit was partially offset by lower provision for current tax made in the second quarter ended 30 June 2018 due mainly to lower profit before income tax, as explained above.

The effective tax rate for the second quarter ended 30 June 2017 was lower than the statutory tax rate of 17.0%, due mainly to (1) the profit before income tax of $5.8 million which comprised share of profit of associated companies and joint ventures of $0.4 million, which was already taxed at the associated company and joint venture levels, (2) statutory stepped income tax exemption and (3) a tax rebate of 20% on the corporate tax payable.

Non-controlling interests

Non-controlling interests of $0.2 million was due to contributions from our subsidiary corporation, Raffles Prestige Capital Pte Ltd in the second quarter ended 30 June 2018.

Net profit

Overall, for the second quarter ended 30 June 2018, net profit decreased by $4.7 million or 93.9% to $0.3 million as compared to $5.0 million for the second quarter ended 30 June 2017, following the decrease in profit before income tax of $5.5 million, which was partially offset by the decrease in income tax expense of $0.8 million, as explained above.

Our net profit margin decreased from 14.4% for the second quarter ended 30 June 2017 to 1.1% for the second quarter ended 30 June 2018.

**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 2018 from what was previously discussed under paragraph 10 of the Company's financial statements for the first quarter ended 31 March 2018.

## 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**

According to the Ministry of Trade and Industry ("MTI") advance estimates, Singapore's economy expanded by 3.8% on a year-on-year ("y-o-y") basis in the second quarter of 2018, moderating from the 4.3% growth in the previous quarter.

**Industry Outlook**

The construction sector contracted by 4.4% on a y-o-y basis in the second quarter, following the 5.2% decline in the previous quarter. The sector was weighed down primarily by the continued weakness in private sector construction activities. On a quarter-on-quarter seasonally adjusted annualised basis, the sector contracted by 14.6%, a reversal from the 0.9% growth in the preceding quarter.

In January 2018, the Building and Construction Authority ("BCA") projected the total value of construction contracts to be awarded this year to reach between $26.0 billion and $31.0 billion, with 60% of the projects coming from the public sector. Underpinned by an anticipated increase in demand for most building types and civil engineering works, which include major contracts for infrastructure projects like the North-South Corridor, new MRT works, Deep Tunnel Sewerage System Phase 2 and the remaining package for Runway 3 by Changi Airport Group, construction demand from the public sector is expected to be between $16.0 billion and $19.0 billion this year.

Over the medium term, construction demand is projected to be between $26.0 billion and $33.0 billion per year for the period of 2019 to 2020, and could pick up to between $28.0 billion and $35.0 billion annually for the period of 2021 to 2022. The public sector will continue to lead demand and is expected to contribute $16.0 billion to $20.0 billion per annum in 2019 to 2022.

With respect to the private residential property segment, Urban Redevelopment Authority's ("URA") second quarter ended 30 June 2018 flash estimates reflected an increase of 3.4% in private residential property prices, compared to the 3.9% increase in the first quarter ended 31 March 2018.

**Company Outlook And Order Book Update**

The operating environment is expected to remain challenging on the back of continued rising costs, competition and shortage of experienced and skilled manpower. However, the Group stays cautiously optimistic with its pipeline of projects.

As at 30 June 2018, the Group's net order book stood at $208.3 million, with projects extending till 2021.

On the property development and investment front, the Group's wholly-owned subsidiary corporation, OKP Land Pte. Ltd. ("OKP Land"), has entered into a joint venture with Lian Soon Holdings Pte. Ltd. ("Lian Soon") and other parties to develop the land parcel at Chong Kuo Road. Acquired by both OKP Land and Lian Soon for $43.9 million in February this year, the 4,288.9-square metre land parcel has a leasehold tenure of 99 years and plans are in place to develop a residential condominium of about 85 units, subject to approvals from the relevant authorities.

To further diversify its earnings and build a recurrent income, the Group expanded its property business beyond Singapore with the completion of the acquisition of a freehold office complex, 6-8 Bennett Street, in Perth, Australia for AUD43.5 million in April 2018.

Amber Skye obtained the Temporary Occupation Permit on 27 April 2017. Despite the latest property cooling measures, the Group will continue to market the remaining units of the 109-unit freehold development, after having sold more than 75% of the units. The Group has a 10% minority investment in CS Amber Development Pte Ltd, the developer of Amber Skye and a subsidiary of CS Land Pte. Ltd..

As for the Group's construction segment, its wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd and the Land Transport Authority (LTA) have entered into an agreement to mutually terminate the contract for the construction of the viaduct from Tampines Expressway to Pan Island Expressway (Westbound) and Upper Changi Road East, with effect from 6 July 2018. The contract was awarded by LTA on 30 November 2015 and the mutual termination of the project is expected to have a negative impact on the earnings per share and net tangible assets of the Group for FY2018.

Moving forward, the Group will continue to focus on its core civil engineering business and at the same time, seek suitable opportunities to enlarge its foothold in property, both locally and abroad, through strategic partnerships.

## 11. Dividend

### *(a) Current Financial Period Reported On*

Any dividend declared for the current financial period reported on? No

### *(b) Corresponding Period of the Immediately Preceding Financial Year*

Any dividend declared for the corresponding period of the immediately preceding financial year? No

### *(c) Date payable*

Not applicable.

### *(d) Books closure date*

Not applicable.

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

No dividend has been declared/recommended for the second quarter ended 30 June 2018.

## 13. Interested person transactions disclosure

| Name of Interested Person | Aggregate value of all interested person transactions during three months ended 30 June 2018 (excluding transactions conducted under shareholders' mandate pursuant to Rule 920 | Aggregate value of all interested person transactions during three months ended 30 June 2018 conducted under shareholders' mandate pursuant to Rule 920 |
|---|---|---|
| | $'000 | $'000 |
| Proj.B Studio [(a)]<br>- Provision of architectural services to the Group | 6 | Not applicable. The Company does not have a shareholders' mandate pursuant to Rule 920. |

**Notes:**

(a) Proj.B Studio is a business owned by Ms Biyi Oh, who is the daughter of Mr Oh Enc Nam, the Executive Director of OKP Holdings Limited.

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 2018

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 2018 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
6 August 2018