



**Half Year Financial
Statements for the Period
Ended 30 June 2020**

12 August 2020

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Half Year Financial Statements for the Period Ended 30 June 2020
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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		
	Half Year ended 30 June		Increase/ (Decrease)
	2020	2019	
	\$'000	\$'000	%
Revenue	32,188	38,538	(16.5)
Cost of sales	(28,408)	(32,584)	(12.8)
Gross profit	3,780	5,954	(36.5)
Other gain, net	4,791	1,242	285.7
Expenses			
- Administrative	(5,762)	(4,059)	42.0
- Finance	(612)	(694)	(11.8)
Share of profit/(loss) of associated companies and joint ventures, net	104	(570)	118.2
Profit before income tax	2,301	1,873	22.9
Income tax expense	(310)	(252)	23.0
Net profit	1,991	1,621	22.8
Gross profit margin	11.7%	15.4%	
Net profit margin	6.2%	4.2%	
Effective tax rate	13.5%	13.5%	
Net profit attributable to:			
Equity holders of the Company	1,610	1,346	19.6
Non-controlling interests	381	275	38.5
	1,991	1,621	22.8
Other comprehensive income/(loss):			
Currency translation differences arising from consolidation	97	(22)	(540.9)
Total comprehensive income, net of tax	2,088	1,599	30.6
Total comprehensive income attributable to:			
Equity holders of the Company	1,659	1,335	24.3
Non-controlling interests	429	264	62.5
	2,088	1,599	30.6

Note:

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



(i) Additional disclosures

Profit before income tax was arrived at:

		The Group		
		Half Year ended 30 June		Increase/ (Decrease)
Notes		2020	2019	
		\$'000	\$'000	%
	<u>After charging: -</u>			
	Non-audit fee paid to the auditors of the Company	11	9	22.2
	Amortisation of intangible assets	5	4	25.0
	Depreciation of property, plant and equipment	226	228	(0.9)
	Depreciation of right-of-use assets	6	6	-
	Directors' remuneration			
	- Directors of the Company	1,337	1,304	2.5
	- Other directors	232	220	5.5
	Directors' fees	90	90	-
	Interest paid and payable			
	- Bank borrowing	332	472	(29.7)
	- Lease liabilities	125	66	89.4
	- Notional interest on loan	155	156	(0.6)
	(Gain)/loss on foreign exchange	(266)	109	(344.0)
	Employee compensation	1,636	1,332	22.8
	<u>Included in the cost of sales are the following: -</u>			
	Depreciation of property, plant and equipment	826	785	5.2
	Depreciation of right-of-use assets	1,072	649	65.2
	Amortisation of intangible assets	10	10	-
	Employee compensation	11,414	11,949	(4.5)

Note:

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



The Group			
Notes	Half Year ended 30 June		Increase/ (Decrease)
	2020	2019	
	\$'000	\$'000	%
	410	539	(23.9)
	7	(1)	n.m.
	1	-	n.m.
b	2,737	79	3,364.6
c	1,228	-	n.m.

After crediting: -

Interest income - Bank deposits

Gain/(loss) on disposal of property, plant and equipment (net)

Gain on disposal of right-of-use assets

Government grants

Reversal of impairment allowance made

n.m. - not meaningful

Notes:

(b) Government grants included \$2.7 million of COVID-19 government relief measures such as Job Support Scheme payout, wage credit and foreign worker levy rebate.

(c) This is a one-off reversal of impairment allowance following the completion of the disposal of a former associated company, CS Amber Development Pte Ltd.

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

The Group	
30 Jun 2020	30 Jun 2019
\$'000	\$'000

Tax expense attributable to profit is made up of:

- Profit from current financial year:

- Current income tax

- Singapore

- Foreign

26	195
297	151
323	346

- Deferred income tax

- Singapore

(13)	(2)
(13)	(2)

- Over provision in prior financial years

- Deferred income tax

-	(92)
-	(92)

310	252
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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	
Notes		30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
		79,437	64,638	2,859	2,952
	i	6,362	7,138	16,313	12,329
	ii	8,625	15,667	-	-
		94,424	87,443	19,172	15,281
	iii	-	9,772	-	-
		94,424	97,215	19,172	15,281
Non-current assets					
	iv	-	-	19,219	19,219
	v	273	274	-	-
	vi	880	1,174	-	-
	vii	50,255	49,568	-	-
	viii	7,172	6,623	-	9,097
		21,452	13,337	13,252	5,047
	ix	10,342	10,218	-	-
	x	1,766	1,781	19	21
		92,140	82,975	32,490	33,384
Total assets		186,564	180,190	51,662	48,665
LIABILITIES					
Current liabilities					
	xi	12,751	18,957	2,504	2,710
	ii	9,613	-	-	-
	ix	2,334	2,005	-	-
	xii	5,269	756	4,500	-
		773	644	50	35
		30,740	22,362	7,054	2,745
Non-current liabilities					
	xi	8,554	8,256	-	-
	ix	4,045	4,376	-	-
	xii	21,329	22,781	-	-
		1,031	1,252	8	4
		34,959	36,665	8	4
Total liabilities		65,699	59,027	7,062	2,749
NET ASSETS		120,865	121,163	44,600	45,916
EQUITY					
Capital and reserves attributable to equity holders of the Company					
		36,832	36,832	36,832	36,832
		(232)	-	(232)	-
	xiii	3,037	2,988	-	-
		80,620	81,164	8,000	9,084
		120,257	120,984	44,600	45,916
Non-controlling interests		608	179	-	-
Total equity		120,865	121,163	44,600	45,916
Net tangible assets		119,099	119,382	44,581	45,895



Notes to Statements of Financial Position:

(i) Trade and other receivables

	The Group		The Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	\$'000	\$'000	\$'000	\$'000
Trade receivables				
- Non-related parties	1,923	2,109	437	-
- Subsidiary corporations	-	-	4,595	6,508
	1,923	2,109	5,032	6,508
- Retentions	266	266	-	-
Non-trade receivables				
- Subsidiary corporations	-	-	11,940	5,840
- Associated companies	9	9	-	-
- Joint ventures	36	513	-	-
- Non-related parties	940	1,200	-	-
	985	1,722	11,940	5,840
Less: Allowance for impairment of receivables	-	-	(688)	(688)
Non-trade receivables - net	985	1,722	11,252	5,152
Advance to suppliers/sub-contractors	1,026	213	-	-
Deposits	1,269	1,621	15	641
Prepayments	893	1,207	14	28
	6,362	7,138	16,313	12,329

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

The advance to suppliers/sub-contractors relates to a portion of advance payments received from government agencies which have been passed down to the suppliers/sub-contractors engaged by the Group.



(ii) Contract assets and contract liabilities

The Group	
30 Jun 2020	31 Dec 2019
\$'000	\$'000

Contract assets

Construction contracts due from customers	8,625	15,505
Construction contract work-in-progress	-	162
	<u>8,625</u>	<u>15,667</u>

Contract liabilities

Advances received	<u>9,613</u>	<u>-</u>
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The advances received relate to (a) advance payment for public sector construction contracts affected by the suspension of activities at workplaces due to COVID-19 for Built Environment firms of \$5.9 million and (b) mobilisation advance payment received from a customer of \$3.7 million.

(iii) Assets classified as held-for-sale

The Group	
30 Jun 2020	31 Dec 2019
\$'000	\$'000

Investments in associated company	-	933
Non-current other receivables	-	8,839
	<u>-</u>	<u>9,772</u>

On 2 January 2020, the disposal of the associated company and the related non-current other receivables have been completed.

(iv) Investments in subsidiary corporations

The Company	
30 Jun 2020	31 Dec 2019
\$'000	\$'000

Equity investments at cost

Beginning and end of financial period/year	<u>17,632</u>	<u>17,632</u>
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Allowance for impairment

Beginning and end of financial period/year	<u>(110)</u>	<u>(110)</u>
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Loan to a subsidiary corporation

Beginning and end of financial period/year	<u>1,697</u>	<u>1,697</u>
	<u>19,219</u>	<u>19,219</u>



Name of subsidiary corporations	Principal activities	Country of incorporation	Equity holding held by the Group	
			30 Jun 2020	31 Dec 2019
<u>Held by the Company</u>				
Or Kim Peow Contractors (Private) Limited ^(@)	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 (Singapore) 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%
<u>Held by OKP Land Pte Ltd</u>				
Raffles Prestige Capital Pte Ltd ^(@)	Investment holding	Singapore	51%	51%
<u>Held by Raffles Prestige Capital Pte Ltd</u>				
Bennett WA Investment Pty Ltd ^(#)	Property investment	Australia	51%	51%

(@) Audited by Nexia TS Public Accounting Corporation.

(#) Audited by Nexia Perth Services Pty Ltd.

(*) Dormant company.



(v) Investments in joint ventures

The Group	
30 Jun 2020	31 Dec 2019
\$'000	\$'000

Interests in joint ventures

Beginning of financial period/year	274	1,252
Share of profit of joint ventures	349	97
Dividend received	(350)	(600)
Capital reduction in a joint venture	-	(475)
End of financial period/year	273	274

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Country of incorporation	Percentage of ownership interest	
			30 Jun 2020	31 Dec 2019

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%
Forte Builder Pte Ltd ^{(#)(2)}	Business of general construction	Singapore	50%	50%
Lakehomes Pte Ltd ^{(^)(3)}	Property development	Singapore	10%	10%

Unincorporated joint ventures

Chye Joo – Or Kim Peow JV ^{(*)(4)}	Business of general construction	Singapore	50%	50%
Eng Lam – United E&P JV ^{(&)(5)}	Business of general construction	Singapore	55%	55%

(@) 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 under the laws of incorporation.

(&) Registered on 9 April 2019 and not required to be audited under the laws of incorporation.

(1) CS-OKP Construction and Development Pte Ltd (“CS-OKP”), incorporated in Singapore on 1 December 2009, remained inactive as at 30 June 2020. 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 (2019: \$50,000) in CS-OKP.



- (2) On 8 December 2010, Or Kim Peow Contractors (Private) 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.

On 30 December 2019, FBPL undertook a capital reduction pursuant to which the share capital of FBPL was reduced from \$1,000,000 consisting of 1,000,000 ordinary shares to \$50,000 consisting of 50,000 ordinary shares, by way of cancellation of 950,000 issued and fully paid ordinary shares and returning a total sum of \$950,000 to its shareholders.

An application will be made to strike off FBPL in due course.

- (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 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 9 April 2019, a joint venture partnership, Eng Lam - United E&P JV was registered to execute two contracts awarded by a government agency.

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

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

	30 Jun 2020	31 Dec 2019
	\$'000	\$'000
Assets		
- Current assets	8,681	10,822
Liabilities		
- Current liabilities	(6,378)	(8,689)
Net assets	<u>2,303</u>	<u>2,133</u>
Revenue	3,520	18,765
Expenses	(2,650)	(17,794)
Profit before income tax	870	971
Income tax expense	-	(157)
Net profit	<u>870</u>	<u>814</u>

The information above reflects the amounts included in the unaudited financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, if any.



(vi) Investments in associated companies

The Group	
30 Jun 2020	31 Dec 2019
\$'000	\$'000

Interests in associated companies

Beginning of financial period/year	1,174	3,462
Notional fair value of loan (net)	(49)	(219)
Share of loss of associated companies	(245)	(1,136)
Reclassified to assets classified as held-for-sale	-	(933)
End of financial period/year	880	1,174

Name of associated companies	Principal activities	Country of incorporation	Equity holding	
			30 Jun 2020	31 Dec 2019

Held by subsidiary corporations

Chong Kuo Development Pte Ltd ^{(#)(1)}	Property development	Singapore	22.5%	22.5%
USB Holdings Pte Ltd ^{(#)(2)}	Investment holding and property development	Singapore	25%	25%

Held by USB Holdings Pte Ltd

United Singapore Builders Pte Ltd ^{(#)(3)}	General contractors	Singapore	100%	100%
USB (Phoenix) Pte Ltd ^{(#)(4)}	Property development	Singapore	100%	100%

(&) Audited by Ernst & Young LLP

(#) Audited by Nexia TS Public Accounting Corporation

- (1) 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.
- (2) 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.
- (3) On 8 January 2014, Or Kim Peow Contractors (Private) 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 has 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.

USB became a wholly-owned subsidiary corporation of USB Holdings Pte Ltd after a restructuring exercise which took place on 2 July 2018.

- (4) On 23 August 2018, USBH incorporated a wholly-owned subsidiary corporation, USB (Phoenix) Pte. Ltd. ("USB Phoenix"). USB Phoenix has been incorporated with an issued and paid-up share capital of \$2, comprising 2 ordinary shares held by USBH. The principal business activity of USB Phoenix is to redevelop the property at 71-85 Phoenix Avenue, Phoenix Heights, Singapore.

The summarised unaudited 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 2020	31 Dec 2019
	\$'000	\$'000
Assets		
- Current assets	120,834	117,881
- Non-current assets	601	697
Liabilities		
- Current liabilities	(20,003)	(19,818)
- Non-current liabilities	(96,397)	(93,729)
Net assets	<u>5,035</u>	<u>5,031</u>
Revenue	18,667	25,830
Expenses	(18,845)	(30,572)
Loss before income tax/Net loss	<u>(178)</u>	<u>(4,742)</u>

The Group has not recognised its share of loss of its associated company, Chong Kuo Development Pte Ltd amounting to \$Nil (31 December 2019: \$179,471) during the first half year ended 30 June 2020 as the Group's cumulative share of losses exceeded its interest in this entity and the Group has no obligation in respect of those losses. The cumulative unrecognised losses with respect to this entity amounted to \$Nil (31 December 2019: \$179,471) as at 30 June 2020.



(vii) Investment properties

The Group		
30 Jun 2020	31 Dec 2019	
\$'000	\$'000	
Beginning of financial period/year	49,568	49,586
Currency translation differences	687	(608)
Net fair value gain recognised in profit and loss	-	590
End of financial period/year	50,255	49,568

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.

(viii) Other receivables (non-current)

	The Group		The Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	\$'000	\$'000	\$'000	\$'000
Loans to associated companies				
- Chong Kuo Development Pte Ltd	3,803	3,803	-	-
- USB Holdings Pte Ltd	3,912	3,412	-	-
Less: Notional fair value of loan (net)	(543)	(592)	-	-
	7,172	6,623	-	-
Loan to subsidiary corporation	-	-	-	9,097
	7,172	6,623	-	9,097

The loans to associated companies 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. The loan to subsidiary corporation has been settled during the half year ended 30 June 2020.



(ix) Leases

(a) Amounts recognised in the statements of financial position

The Group	
30 Jun 2020	31 Dec 2019
\$'000	\$'000

Right-of-use assets

Office unit	1,316	343
Plant and machineries	7,199	7,718
Motor vehicles	1,354	1,555
Use of state land for worksites	473	602
	<u>10,342</u>	<u>10,218</u>

Lease liabilities

Current	2,334	2,005
Non-current	4,045	4,376
	<u>6,379</u>	<u>6,381</u>

(b) Amounts recognised in the statement of comprehensive income

Depreciation of right-of-use assets

Office unit	262	110
Plant and machineries	519	736
Motor vehicles	132	236
Use of state land for worksites	165	305
	<u>1,078</u>	<u>1,387</u>

Interest expense (included in finance expenses)	<u>125</u>	<u>144</u>
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(x) Intangible assets

The Group		The Company	
30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
\$'000	\$'000	\$'000	\$'000

Composition:

Goodwill	1,688	1,688	-	-
Computer software licences	78	93	19	21
	<u>1,766</u>	<u>1,781</u>	<u>19</u>	<u>21</u>

(a) Goodwill

Cost/net book value

Beginning and end of financial period/year	<u>1,688</u>	<u>1,688</u>	<u>-</u>	<u>-</u>
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This represents goodwill on acquisitions of subsidiary corporations 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	520	497	78	55
Additions	-	23	-	23
End of financial period/year	<u>520</u>	<u>520</u>	<u>78</u>	<u>78</u>

Accumulated Amortisation

Beginning of financial period/year	427	396	57	52
Amortisation charge	15	31	2	5
End of financial period/year	<u>442</u>	<u>427</u>	<u>59</u>	<u>57</u>

Net book value	<u>78</u>	<u>93</u>	<u>19</u>	<u>21</u>
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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.



(xi) Trade and other payables

	The Group		The Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	\$'000	\$'000	\$'000	\$'000
<u>Current</u>				
Trade payables				
- Non-related parties	6,726	9,787	-	49
Non-trade payables				
- Subsidiary corporations	-	-	1,947	1,947
- Joint venture	50	50	-	-
- Non-controlling interests	350	335	-	-
- Non-related parties	373	441	-	-
	773	826	1,947	1,947
Accrued operating expenses	5,252	8,344	557	714
	<u>12,751</u>	<u>18,957</u>	<u>2,504</u>	<u>2,710</u>
<u>Non-current</u>				
Non-trade payables				
- Loan from non-controlling interests	9,498	9,345	-	-
- Less: Notional fair value of loan	(944)	(1,089)	-	-
	<u>8,554</u>	<u>8,256</u>	<u>-</u>	<u>-</u>

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

The non-current loan from non-controlling interests is unsecured and interest-free for the purpose of funding the subsidiary corporation's operating and development activities. The loan is denominated in Australian dollar and is not expected to be repaid within the next 12 months.



(xii) Bank borrowings

The Group		The Company	
30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
\$'000	\$'000	\$'000	\$'000

Current

Secured bank term loan ^(a)	769	756	-	-
Secured bank facility ^(b)	4,500	-	4,500	-
	5,269	756	4,500	-

Non-current

Secured bank term loan ^(a)	21,329	22,781	-	-
	26,598	23,537	4,500	-

- (a) The secured bank term loan is mainly secured by:
- First legal mortgage over an investment property of the Group;
 - Certain bank deposit;
 - Charge over the Group's shares in a subsidiary corporation; and
 - Corporate guarantee of the Company.

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

- (b) The secured bank facility is mainly secured by:
- First legal mortgage over a freehold property of the Group; and
 - Corporate guarantee of one of the Group's subsidiary corporations.

The secured bank facility is denominated in Singapore dollar. It bears interest at 1.2% per annum above the bank's cost of fund and is repayable on demand.



(xiii) Other reserves

The Group	
30 Jun 2020	31 Dec 2019
\$'000	\$'000

(a) **Composition:**

Asset revaluation reserve	1,372	1,372
Currency translation reserve	9	(40)
Capital reserve	1,656	1,656
	<u>3,037</u>	<u>2,988</u>

(b) **Movements**

Asset revaluation reserve

Beginning and end of financial period/year	<u>1,372</u>	<u>1,372</u>
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Currency translation reserve

Beginning of financial period/year	(40)	(24)
Currency translation differences arising from consolidation	97	(32)
Less: Non-controlling interests	(48)	16
	<u>49</u>	<u>(16)</u>
End of financial period/year	<u>9</u>	<u>(40)</u>

Capital reserve

Beginning and end of financial period/year	<u>1,656</u>	<u>1,656</u>
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Other reserves are non-distributable.



Explanatory Notes:

(i) Current assets

Current assets decreased by \$2.8 million, from \$97.2 million as at 31 December 2019 to \$94.4 million as at 30 June 2020. The decrease was due mainly to:

- (a) a decrease in trade and other receivables of \$0.7 million. This was due mainly to a decrease in non-trade receivables and a decrease in prepayments, offset by an increase in advance to suppliers/sub-contractors due to a portion of advanced payment received from government agencies being passed down to the suppliers/sub-contractors engaged by the Group;
- (b) a decrease in contract assets of \$7.1 million, due mainly to a decrease in construction contract due from customers arising from lower unbilled amounts expected to be collected from customers following the lower revenue recognised during the first half year ended 30 June 2020 ("1H2020"); and
- (c) a decrease of \$9.8 million in assets classified as held-for-sale following the completion of the disposal of a former associated company, CS Amber Development Pte Ltd,

which were partially offset by:

- (d) an increase in cash and cash equivalents of \$14.8 million. This was due mainly to the cash provided by operating activities of \$14.4 million and cash provided by investing activities of \$6.3 million, offset by cash used in financing activities of \$5.9 million,

during 1H2020.

(ii) Non-current assets

Non-current assets increased by \$9.1 million, from \$83.0 million as at 31 December 2019 to \$92.1 million as at 30 June 2020. The increase was due mainly to:

- (a) an increase in investment properties of \$0.7 million resulting from an exchange realignment relating to the property at 6-8 Bennett Street, East Perth, Western Australia due to appreciation of Australian dollar against the Singapore dollar;
- (b) an increase in other receivables of \$0.5 million due to an advance extended to an associated company, USB Holdings Pte Ltd;
- (c) an increase in property, plant and equipment of \$8.1 million resulting mainly from the purchase of a freehold property at 32 Tagore Lane and plant and equipment, which was partially offset by disposal and depreciation of property, plant and equipment; and
- (d) an increase in right-of-use assets of \$0.1 million resulting from the new plant and equipment acquired to support the new and existing projects and the use of state land,

which were partially offset by:

- (e) a decrease in investments in associated companies of \$0.3 million arising from the share of loss of an associated company,

during 1H2020.



(iii) Current liabilities

Current liabilities increased by \$8.3 million, from \$22.4 million as at 31 December 2019 to \$30.7 million as at 30 June 2020. The increase was due mainly to:

- (a) an increase in contract liabilities of \$9.6 million from the receipt of advance payments for ongoing public sector projects arising from the support measures for built environment firms affected by COVID-19 during the “circuit breaker” and “extended circuit breaker” periods;
- (b) an increase in lease liabilities of \$0.3 million arising from the purchase of plant and machineries and use of state land;
- (c) an increase in bank borrowing of \$4.5 million to finance the purchase of the freehold property at 32 Tagore Lane; and
- (d) an increase in current income tax liabilities of \$0.1 million due to higher tax provision resulting from higher profits generated,

which were partially offset by:

- (e) a decrease in trade and other payables of \$6.2 million arising from (1) lower accrued operating expenses related to project costs and (2) settlement of some major trade and other payables,

during 1H2020.

(iv) Non-current liabilities

Non-current liabilities decreased by \$1.7 million, from \$36.7 million as at 31 December 2019 to \$35.0 million as at 30 June 2020. The decrease was due mainly to (1) a decrease in lease liabilities of \$0.3 million arising from the repayment of lease liabilities offset by the purchase of plant and machineries to support the existing projects, (2) repayment of bank borrowing of \$1.5 million and (3) a decrease in deferred income tax liabilities of \$0.2 million, which were partially offset by an increase in other payables of \$0.3 million during 1H2020.

(v) Shareholders' equity

Shareholders' equity, comprising share capital, treasury shares, other reserves, retained profits and non-controlling interests, decreased by \$0.3 million, from \$121.2 million as at 31 December 2019 to \$120.9 million as at 30 June 2020. The decrease was due mainly to:

- (a) the purchase of treasury shares of \$0.2 million;
- (b) the dividend payment to shareholders of \$2.1 million; and
- (c) the profits generated from operations of \$1.6 million attributable to equity holders of the Company and non-controlling interests of \$0.4 million arising from the share of profit of Raffles Prestige Capital Pte Ltd,

during 1H2020.



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 2020			As at 31 Dec 2019		
	\$'000	\$'000		\$'000	\$'000
	Secured	Unsecured		Secured	Unsecured
Lease liabilities	2,334	-	Lease liabilities	2,005	-
Bank borrowing	5,269	-	Bank borrowing	756	-
Total	7,603	-	Total	2,761	-

(b) Amount repayable after one year

As at 30 Jun 2020			As at 31 Dec 2019		
	\$'000	\$'000		\$'000	\$'000
	Secured	Unsecured		Secured	Unsecured
Lease liabilities	4,045	-	Lease liabilities	4,376	-
Bank borrowing	21,329	-	Bank borrowing	22,781	-
Total	25,374	-	Total	27,157	-

(c) Details of any collateral

The above secured borrowings of the Group relate to:

- (1) lease liabilities of \$6.4 million secured by corporate guarantees of the Company and charges over the property, plant and equipment under the leases; and
- (2) bank borrowings of \$26.6 million secured by first legal mortgage over an investment property and freehold property of the Group, pledge of certain bank deposits, charge over the Group's shares in a subsidiary corporation, assignment of rental proceeds from the property, and corporate guarantees of the Company and one of the Group's subsidiary corporations.



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 statement of cash flows

	The Group	
	Half Year ended 30 June	
	2020	2019
	\$'000	\$'000
Cash flows from operating activities		
Net profit	1,991	1,621
Adjustments for:		
- Income tax expense	310	252
- Depreciation of property, plant and equipment	1,052	1,013
- Depreciation of right-of-use assets	1,078	655
- Amortisation of intangible assets	15	14
- Gain on disposal of right-of-use assets	(1)	-
- (Gain)/Loss on disposal of property, plant and equipment, net	(7)	1
- Reversal of impairment allowance made	(1,228)	-
- Share of results of associated companies and joint ventures, net	(104)	570
- Interest income	(410)	(539)
- Interest expense	612	694
- Foreign exchange differences	(28)	481
Operating cash flow before working capital changes	3,280	4,762
Change in working capital		
- Trade and other receivables	776	(4,876)
- Contract assets	7,040	7,526
- Contract liabilities	9,613	-
- Trade and other payables	(6,360)	(8,244)
Cash generated from/(used in) operations	14,349	(832)
- Interest received	410	539
- Income tax paid	(402)	(828)
Net cash provided by/(used in) operating activities	14,357	(1,121)
Cash flows from investing activities		
- Additions to property, plant and equipment	(4,684)	(931)
- Advance to an associated company	(500)	(1,750)
- Proceeds from disposal of property, plant and equipment	24	131
- Proceeds from disposal of right-of-use assets	78	-
- Proceeds from disposal of assets classified as held for sale	11,000	-
- Dividend received from joint ventures	350	300
Net cash provided by/(used in) investing activities	6,268	(2,250)



Consolidated statement of cash flows (Cont'd)

The Group	
Half Year ended 30 June	
2020	2019
\$'000	\$'000

Cash flows from financing activities

- Repayment of lease liabilities	(1,283)	(1,219)
- Interest paid	(456)	(538)
- Purchase of treasury shares	(232)	-
- Repayment of borrowings	(1,745)	(624)
- Dividend paid to shareholders	(2,153)	(3,084)
- Bank deposits pledged	(54)	(21)

Net cash used in financing activities

(5,923) (5,486)

Net increase/(decrease) in cash and cash equivalents

14,702 (8,857)

Cash and cash equivalents at the beginning of the financial period/year

59,551 69,231

Effects of currency translation on cash and cash equivalents

44 (23)

Cash and cash equivalents at the end of the financial period/year

74,297 60,351

Explanatory Notes:

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

Cash at bank and on hand
Short-term bank deposits
Trust account – Cash at bank

Short-term bank deposits pledged to banks

Cash and cash equivalents per consolidated statement of cash flows

The Group	
30 Jun 2020	30 Jun 2019
\$'000	\$'000
29,266	15,616
49,661	49,494
510	306
79,437	65,416
(5,140)	(5,065)
74,297	60,351

Short-term bank deposits of \$5,140,080 (30 June 2019: \$5,065,080) are pledged to banks for banking facilities of certain subsidiary corporations.



(ii) **Review of cash flows for the half year ended 30 June 2020**

Net cash provided by operating activities

Our Group reported net cash provided by operating activities of \$14.4 million in 1H2020, an increase of \$15.5 million from net cash used in operating activities of \$1.1 million in the first half year ended 30 June 2019 (“1H2019”). The increase was due mainly to:

- (a) an increase in net working capital inflow of \$16.7 million; and
- (b) a decrease in income tax paid of \$0.4 million,

which were partially offset by:

- (c) a decrease in cash generated from operating activities before working capital changes of \$1.5 million; and
- (d) a decrease in interest received of \$0.1 million,

during 1H2020.

Net cash provided by investing activities

Net cash provided by investing activities increased by \$8.5 million, from net cash used in investing activities of \$2.2 million in 1H2019 to net cash provided by investing activities of \$6.3 million in 1H2020. The increase was due mainly to:

- (a) proceeds from disposal of assets classified as held for sale of \$11.0 million; and
- (b) a decrease in advances extended to an associated company of \$1.3 million,

which were partially offset by:

- (c) an increase in cash used in the purchase of property, plant and equipment of \$3.8 million,
- during 1H2020.

Net cash used in financing activities

Net cash used in financing activities increased by \$0.4 million, from \$5.5 million in 1H2019 to \$5.9 million in 1H2020. The increase was due mainly to:

- (a) purchase of treasury shares of \$0.2 million; and
- (b) an increase in repayment of borrowings of \$1.1 million,

which were partially offset by:

- (c) a decrease in dividend payments to shareholders of \$0.9 million,

during 1H2020.

Overall, free cash and cash equivalents stood at \$74.3 million as at 30 June 2020, an increase of \$13.9 million, from \$60.4 million as at 30 June 2019. This works out to cash of 24.1 cents per share as at 30 June 2020 as compared to 19.6 cents per share as at 30 June 2019 (based on 308,430,594 issued shares as at 30 June 2020 and 30 June 2019).



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							Non-controlling interest	Total equity
Share Capital	Treasury shares	Capital reserve	Asset revaluation reserve	Currency translation reserve	Retained profits	Total		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

The Group

As at 1 Jan 2020	36,832	-	1,656	1,372	(40)	81,163	120,983	179	121,162
Profit for the period	-	-	-	-	-	1,610	1,610	381	1,991
Other comprehensive income for the period	-	-	-	-	49	-	49	48	97
	-	-	-	-	49	1,610	1,659	429	2,088
Purchase of treasury shares	-	(232)	-	-	-	-	(232)	-	(232)
Dividend relating to FY2019	-	-	-	-	-	(2,153)	(2,153)	-	(2,153)
As at 30 Jun 2020	36,832	(232)	1,656	1,372	9	80,620	120,257	608	120,865
As at 1 Jan 2019	36,832	-	1,656	1,372	(24)	84,626	124,462	(864)	123,598
Profit for the period	-	-	-	-	-	1,346	1,346	275	1,621
Other comprehensive loss for the period	-	-	-	-	(11)	-	(11)	(11)	(22)
	-	-	-	-	(11)	1,346	1,335	264	1,599
Dividend relating to FY2018	-	-	-	-	-	(3,084)	(3,084)	-	(3,084)
As at 30 Jun 2019	36,832	-	1,656	1,372	(35)	82,888	122,713	(600)	122,113



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

The Company

As at 1 Jan 2020 36,832 - 9,084 45,916

Total comprehensive income for the period - - 1,069 1,069

Purchase of treasury shares - (232) - (232)

Dividend relating to FY2019 - - (2,153) (2,153)

As at 30 Jun 2020 36,832 (232) 8,000 44,600

As at 1 Jan 2019 36,832 - 9,429 46,261

Total comprehensive income for the period - - 239 239

Dividend relating to FY2018 - - (3,084) (3,084)

As at 30 Jun 2019 36,832 - 6,584 43,416



1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 December 2019.

The Company purchased a total of 1,469,100 issued shares through market purchases during 1H2020 and held them as treasury shares. There were a total of 1,469,100 treasury shares held by the Company, representing 0.48% of the total number of issued shares of the Company as at 30 June 2020 (30 June 2019: nil).

There were no outstanding convertibles issued by the Company and no subsidiary holdings as at 30 June 2020 and 30 June 2019.

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 2020	31 Dec 2019
Total number of issued shares (excluding treasury shares)	306,961,494	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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during 1H2020.

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 2019.

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 new and amended Singapore Financial Reporting Standards (International) ("SFRS(I)") that have been published and relevant for the Group's accounting period beginning on or after 1 January 2020:

Effective for annual periods beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in SFRS(I) Standards
- Amendments to SFRS(I) 3: Definition of a Business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material
- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 June 2020

- SFRS(I) 16 Amendment to SFRS(I) 16: Covid-19-Related Rent Concessions

Effective for annual periods beginning on or after 1 January 2021

- SFRS(I) 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2022

- Amendments to SFRS(I) 3: Reference to the Conceptual Framework
- Amendments to SFRS(I)-16: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract
- Annual improvements to SFRS(I)s 2018-2020

Effective for annual periods beginning on or after 1 January 2023

- SFRS(I) 1-1 Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current

Effective date: to be determined*

- Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The adoption of the new accounting standards does not have any significant impact on the financial information.

* The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.



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		
	Half Year ended 30 June		Increase/ (Decrease) %
	2020	2019	
Net profit attributable to equity holders of the Company (\$'000)	1,610	1,346	19.6
Weighted average number of ordinary shares in issue	308,430,594	308,430,594	-
Basic earnings per share (cents per share)	0.52	0.44	18.2
Diluted earnings per share (cents per share)	0.52	0.44	18.2

**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 2020	As at 31 Dec 2019	As at 30 Jun 2020	As at 31 Dec 2019	The Group	The Company
Net tangible assets (\$'000)	119,099	119,382	44,581	45,895	(0.2)	(2.9)
Number of shares (excluding treasury shares)	306,961,494	308,430,594	306,961,494	308,430,594	(0.5)	(0.5)
NTA per share (cents)	38.80	38.71	14.52	14.88	0.2	(2.4)



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.

Review of income statements for the Half Year ended 30 June 2020

	The Group					
	Current Half Year ended 30 Jun 2020		Previous Half Year ended 30 Jun 2019		Increase/ (Decrease)	
	\$'000	%	\$'000	%	\$'000	%
Construction	22,381	69.5	24,399	63.3	(2,018)	(8.3)
Maintenance	6,891	21.4	11,412	29.6	(4,521)	(39.6)
Rental income	2,916	9.1	2,727	7.1	189	6.9
Total Revenue	32,188	100.0	38,538	100.0	(6,350)	(16.5)

Revenue

Our Group reported a 16.5% or \$6.3 million decrease in revenue to \$32.2 million for 1H2020 as compared to \$38.5 million for 1H2019. The decrease was due mainly to an 8.3% decrease in revenue from the construction segment to \$22.4 million, and a 39.6% decrease in revenue from the maintenance segment to \$6.9 million, partially offset by a 6.9% increase in rental income.

The decrease in revenue from both the construction and maintenance segment was due mainly to the lower percentage of revenue recognised from a number of existing and newly awarded construction projects during 1H2020.



The increase in rental income generated from investment properties was due mainly to rental income generated from the property at 6-8 Bennett Street, East Perth, Western Australia which has been fully occupied since the second quarter ended 30 June 2019.

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 69.5% (1H2019: 63.3%), 21.4% (1H2019: 29.6%) and 9.1% (1H2019: 7.1%) of our Group's revenue respectively for 1H2020.

Cost of sales

	The Group			
	Current Half Year ended 30 Jun 2020	Previous Half Year ended 30 Jun 2019	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Construction	27,423	31,675	(4,252)	(13.4)
Maintenance				
Rental income	985	909	76	8.4
Total cost of sales	28,408	32,584	(4,176)	(12.8)

Our cost of sales decreased by 12.8% or \$4.1 million from \$32.5 million for 1H2019 to \$28.4 million for 1H2020. 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 lower utilisation of materials;
 - (c) the decrease in overheads such as upkeep of machineries and hiring costs related to the rental of additional heavy equipment and machineries to support existing projects; and
 - (d) the decrease in labour costs as a result of foreign worker levy waiver,
- during 1H2020.



Gross profit and gross profit margin

	The Group					
	Current Half Year ended 30 Jun 2020		Previous Half Year ended 30 Jun 2019		Increase/(Decrease)	
	\$'000	Gross Profit Margin	\$'000	Gross Profit Margin	\$'000	%
Construction	1,849	6.3%	4,136	11.5%	(2,287)	(55.3)
Maintenance						
Rental income	1,931	66.2%	1,818	66.7%	113	6.2
Total gross profit	3,780	11.7%	5,954	15.4%	(2,174)	(36.5)

Our gross profit for 1H2020 decreased by 36.5% or \$2.2 million from \$6.0 million for 1H2019 to \$3.8 million for 1H2020.

While the rental income segment demonstrated an increase in contribution to gross profit of \$0.1 million from \$1.8 million for 1H2019 to \$1.9 million for 1H2020, there is a decrease of \$2.3 million in that of the construction and maintenance segments, from \$4.1 million in 1H2019 to \$1.8 million in 1H2020.

The lower gross profit margin for the construction and maintenance segments was due mainly to the temporary cessation of construction activities in compliance with the government's COVID-19 measures. However, the Group continued to perform housekeeping, safety and environmental maintenance works at its project sites. Overall, the negative impact from the COVID-19 situation on the construction and maintenance segments was cushioned by the finalisation of a few existing projects during 1H2020.

Other gains, net

Other gains increased by \$3.6 million or 285.7% from \$1.2 million for 1H2019 to \$4.8 million for 1H2020. The increase was due mainly to:

- (a) the receipt of payouts and rebates from the government of \$2.7 million which aimed to provide wage support to employers, as part of the support measures for built environment firms affected by COVID-19;
- (b) the one-off reversal of impairment allowance made of \$1.2 million following the completion of the disposal of a former associated company, CS Amber Development Pte Ltd; and
- (c) an increase in the gain on foreign exchange of \$0.4 million from a loss on foreign exchange of \$0.1 million in 1H2019 largely due to the appreciation of Australian dollar against the Singapore dollar,

which were partially offset by:

- (d) a non-recurring technical management consultancy fee of \$0.5 million in relation to a piling project in Jakarta, Indonesia which was earned in 1H2019; and
- (e) a decrease in interest income from bank deposits of \$0.1 million,

during 1H2020.



Administrative expenses

Administrative expenses increased by \$1.7 million or 42.0% from \$4.1 million for 1H2019 to \$5.8 million for 1H2020. The increase was largely due to (1) an increase in legal fees incurred for an ongoing trial and (2) an increase in staff costs of \$0.3 million due to salary adjustments in third quarter ended 30 September 2019.

Finance expenses

The Group	
Half Year ended 30 Jun 2020	Half Year ended 30 Jun 2019
\$'000	\$'000
Lease liabilities	66
Notional interest on loan	156
Bank borrowing	472
612	694

Finance expenses decreased by \$0.1 million or 11.8% from \$0.7 million for 1H2019 to \$0.6 million for 1H2020. The decrease was due mainly to the decrease in interest expenses of \$0.1 million incurred on a bank term loan for the purchase of an investment property at 6-8 Bennett Street, East Perth, Western Australia due to early repayment of principal.

Share of results of associated companies and joint ventures

The Group	
Half Year ended 30 Jun 2020	Half Year ended 30 Jun 2019
\$'000	\$'000
Share of profit of joint ventures ^(a)	13
Share of loss of associated companies ^(b)	(583)
104	(570)

The share of results of associated companies and joint ventures increased by \$0.7 million or 118.2% from a loss of \$0.6 million for 1H2019 to a profit of \$0.1 million for 1H2020. The increase was due mainly to:

- (a) the share of profit of joint ventures mainly from the Group's 50%-owned joint venture partnership, Chye Joo - Or Kim Peow JV; and
- (b) the share of loss of associated companies was due mainly to losses incurred by the Group's 25%-held associated company, USB Holdings Pte Ltd,

during 1H2020.



Profit before income tax

Profit before income tax increased by \$0.4 million or 22.9% from \$1.9 million for 1H2019 to \$2.3 million for 1H2020. The increase was due mainly to (1) the increase in other gains (net) of \$3.6 million, (2) the increase in share of profit of associated companies and joint ventures of \$0.7 million, and (3) the decrease in finance expenses of \$0.1 million. The increase was partially offset by (1) the decrease in gross profit of \$2.2 million and (2) the increase in administrative expenses of \$1.7 million, as explained above.

Income tax expense

Income tax expense remained at \$0.3 million in 1H2020 and 1H2019 respectively.

The effective tax rates for 1H2020 and 1H2019 were 13.5% respectively.

The effective tax rate for 1H2020 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 25% on the corporate tax payable, capped at \$15,000 and (3) certain income being not subject to tax.

The effective tax rate for 1H2019 was lower than the statutory tax rate of 17.0% due mainly to (1) statutory stepped income tax exemption and (2) an overprovision of deferred tax amounting to \$0.1 million.

Non-controlling interests

Non-controlling interests of \$0.4 million was due to the share of profit of our subsidiary corporation, Raffles Prestige Capital Pte Ltd, in 1H2020.

Net profit

Overall, for 1H2020, net profit increased by \$0.4 million or 22.8%, from \$1.6 million for 1H2019 to \$2.0 million for 1H2020, following the increase in profit before income tax of \$0.4 million, as explained above.

Our net profit margin increased from 4.2% for 1H2019 to 6.2% for 1H2020.

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 half year ended 30 June 2020 from what was previously discussed under paragraph 10 of the Company's results announcement for the financial year ended 31 December 2019.



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”) announced that the Singapore’s economy contracted by 13.2% on a year-on-year basis in the second quarter of 2020, mainly due to the Circuit Breaker measures introduced to slow the spread of COVID-19. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy shrank by 13.1% in the second quarter. Taking into account the significant deterioration in the external economic environment, the deterioration in the external demand outlook for Singapore as well as the expected economic impact of the Circuit Breaker measures, the MTI has further downgraded its gross domestic product growth forecast for the Singapore economy to -7.0% to -5.0% in August 2020, from -7.0% to -4.0% in May 2020.

Impact of COVID-19

As a result of the COVID-19 pandemic, economies across the world have been pushed into a lockdown to contain the virus and save lives. At the same time, the lockdowns have triggered what is likely to be the worst recession in decades. The broad and significant disruption to economic activity has affected different sectors to varying degrees.

Notably, in Singapore, the construction sector is one of the worst impacted sectors. Supply chains across the world have been disrupted due to measures implemented by the authorities to fight the virus. This has resulted in a shortage of construction materials, which will in turn cause a delay in the completion of construction projects. In addition, foreign worker dormitories in Singapore were significantly affected by COVID-19, leading to a shortage of manpower. The Singapore government has also implemented tighter restrictions, which further impacts the availability of manpower.

As a result, the Group’s construction progress and the Group’s financial results are expected to be affected. While Singapore has entered Phase 2 of re-opening and construction work has started to resume progressively, manpower constraints and shortage of raw materials remain. This has resulted in many construction sites being unable to resume work despite the progressive re-opening.

In response to the crisis, the Singapore government has introduced various support measures to alleviate the impact of COVID-19. Where applicable, the Group has tapped on the support schemes to ease the impact from COVID-19.

As at the date of this announcement, the Group has complied with the Safe Management Measures required by the Ministry of Manpower and Building and Construction Authority (“BCA”) and obtained the relevant approvals to resume work. All of the Group’s project sites have resumed activities, with approximately 90% of the Group’s workers permitted to work.

Going forward, the full extent of the impact is largely dependent on the trajectory of the pandemic and its recovery, bearing in mind the uncertainty surrounding the likelihood of a second wave. Nevertheless, the Group remains focused on the resumption of business activity and will turn all efforts towards ensuring the availability of manpower and resources. To tide through this crisis, the Group will also focus on preserving cash by reducing operating expenses where applicable and deferring all non-essential expenditures.

For the property segment, the construction progress of the Group’s property developments is affected, including construction of the showflat for Phoenix Heights and additional costs estimated by contractors for the main tenders due to shortage of materials caused by the disruption of global supply chains as a result of the COVID-19 outbreak. Meanwhile, the availability of manpower remains an ongoing concern amidst the COVID-19 situation which has affected the foreign worker dormitories.



Industry Outlook

The construction sector contracted by 54.7% year-on-year, a significant decrease from the 1.1% decline in the previous quarter. The performance of the sector was weighed down by the stoppage of most construction activities during the Circuit Breaker period, as well as manpower disruptions arising from additional measures to curb the spread of COVID-19, including movement restrictions at foreign worker dormitories. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 95.6%, from the 12.2% contraction in the preceding quarter.

Prior to the Circuit Breaker measures, the BCA projected the total construction demand for 2020 to range between \$28.0 billion to \$33.0 billion, with public sector demand expected to reach \$17.5 billion to \$20.5 billion, making up about 60% of the projected demand. Since the Circuit Breaker period began on 7 April 2020, most construction work has been suspended. After the Circuit Breaker period ended on 1 June 2020, the BCA allowed construction works to resume in a controlled manner in phases, with priority given to projects that cannot be left idle for too long due to safety concerns, and critical and time-sensitive projects, such as MRT and Deep Tunnel Sewerage System (“DTSS”) tunnelling projects.

The above developments have resulted in a challenging operating environment for the construction sector mainly due to the absence of revenue during the Circuit Breaker period. In addition, construction projects are expected to be delayed further beyond the Circuit Breaker period due to a disruption in the supply of construction materials.

According to real estate statistics from the Urban Redevelopment Authority, prices of private residential properties increased by 0.3% in 2Q2020, compared with the 1.0% decrease in the previous quarter. The number of private new homes sold in Singapore in 2Q2020 fell 20.3% to 1,713 units from 2,149 units in the previous quarter. Overall, total sales volume fell by 37.6% in 2Q2020 to 2,664 units, marking the third consecutive quarterly decline since third quarter 2019 when 5,763 units were sold.

Company Outlook and Order Book Update

Looking ahead, the Group expects the cost of construction and other operating costs to continue on an uptrend amidst the challenging operating environment, coupled with impact of COVID-19 during the year.

The Group remains cautiously optimistic as it continues to be supported by a healthy pipeline of construction projects. With the objective of increasing productivity, the Group will continue to focus on technology adoption, innovative measures, training of workers and higher usage of equipment and tools to reduce the overall reliance on manpower.

As at 30 June 2020, the Group’s order book stood at \$288.4 million, with projects extending till 2023.

On the property development front, the Group’s joint venture residential project, The Essence, was launched in March 2019 and has achieved encouraging sales of approximately 70%. Despite the Circuit Breaker measures, the Group has continued to actively market this development through virtual channels.

The Group’s 74-unit residential project in Bukit Panjang, Phoenix Residences, is also well on track to launch in 2020, having earlier received the necessary regulatory approvals from the Singapore Land Authority for development and the grant of a top-up to 99-year lease. We expect to launch the project in the second half of 2020.



The Group's investment property at 6-8 Bennett Street in Perth, Australia continues to provide a source of recurring rental income.

Moving forward, the Group will continue to strengthen its capabilities in its core civil engineering business in order to maintain our status as a leading civil engineering contractor across various industries. The Group remains fully committed to the smooth execution and delivery of its existing projects.

In line with the Group's long-term strategy to diversify its earnings and build a recurring income stream, the Group will continue to explore business opportunities, both locally and abroad, to widen its foothold in property development and investment, through strategic tie-ups with experienced partners.

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/recommendeded, a statement to that effect and the reason(s) for the decision

No dividend has been declared/recommendeded for the half year ended 30 June 2020 to preserve the Group's working capital to mitigate the impact of COVID-19 and for opportunities that may arise.

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 half year ended 30 June 2020.

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 2020

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, a former associated company of the Group. The loan has been fully repaid in the current financial period.

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 half year ended 30 June 2020 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
12 August 2020