



SOILBUILD CONSTRUCTION GROUP LTD.
(Co Reg No. 201301440Z)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Second Quarter Ended 30 June			Half Year Ended 30 June		
	2019 S\$'000	2018 S\$'000	Change %	2019 S\$'000	2018 S\$'000	Change %
Revenue	63,109	44,928	40.5	109,865	83,890	31.0
Cost of sales	(59,762)	(42,393)	41.0	(104,082)	(78,675)	32.3
Gross profit	3,347	2,535	32.0	5,783	5,215	10.9
Gross profit margin	5.3%	5.6%	(0.3)	5.3%	6.2%	(0.9)
Other income	863	553	56.1	1,638	905	81.0
Other (losses)/gains, net	(157)	379	NM	(220)	(18)	1,122.2
Expenses						
Administrative	(2,280)	(1,987)	14.7	(4,444)	(3,547)	25.3
Marketing	(12)	(4)	200.0	(13)	(4)	225.0
Finance	(503)	(123)	308.9	(891)	(183)	386.9
Others	(1,365)	(813)	67.9	(2,726)	(1,527)	78.5
Share of profit of joint ventures	5	92	(94.6)	3	136	(97.8)
(Loss)/profit before income tax	(102)	632	NM	(870)	977	NM
Income tax expense	(836)	(107)	681.3	(955)	(246)	288.2
Net (loss)/profit	(938)	525	NM	(1,825)	731	NM
Other comprehensive (loss)/income:						
Items that may be classified subsequently to profit or loss:						
Currency translation differences arising from consolidation	(68)	(4)	1,600.0	(138)	88	NM
Total comprehensive (loss)/income	(1,006)	521	NM	(1,963)	819	NM
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(1,006)	521	NM	(1,963)	819	NM
Non-controlling interests	-	-		-	-	
	(1,006)	521	NM	(1,963)	819	NM

NM : Not meaningful

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Notes to the consolidated statement of comprehensive income

	Second Quarter Ended 30 June		Half Year Ended 30 June	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
(I) Other income				
Interest income	7	7	13	16
Service income	115	132	184	273
Rental income	641	252	1,286	342
Others (including wage credit and grants received)	100	162	155	274
	863	553	1,638	905
(II) Other (losses)/gains, net				
(Loss)/gain on disposal of property, plant and equipment, net	(1)	65	(1)	23
Foreign exchange (losses)/gains	(156)	314	(219)	(41)
	(157)	379	(220)	(18)
(III) (Loss)/profit before income tax is arrived at after (charging)/crediting:				
Amortisation of intangible assets	(34)	(31)	(64)	(63)
Depreciation of property, plant and equipment	(1,369)	(756)	(2,733)	(1,432)
Amortisation of land lease prepayments	(316)	(296)	(631)	(567)
Depreciation of right of use, land lease	(57)	-	(114)	-
Property, plant and equipment written off	(32)	-	(32)	-
(Loss)/gain on disposal of property, plant and equipment, net	(1)	65	(1)	23
(IV) Income tax expense				
Tax expense attributable to profit is made up of:				
(Loss)/profit from current financial period:				
- current income tax	(836)	(107)	(955)	(246)
- deferred income tax	-	-	-	-
	(836)	(107)	(955)	(246)
Under provision in prior financial period:				
- current income tax	-	-	-	-
- deferred income tax	-	-	-	-
	(836)	(107)	(955)	(246)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

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

	Group		Company	
	30/6/2019 S\$'000	31/12/2018 S\$'000	30/6/2019 S\$'000	31/12/2018 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	16,312	15,252	201	354
Trade and other receivables	82,998	70,175	43,422	53,468
Other current assets	2,216	1,387	2	8
Inventory	498	-	-	-
Income tax recoverable	27	-	-	-
	102,051	86,814	43,625	53,830
Non-current assets				
Trade and other receivables	8,145	7,305	-	-
Investments in subsidiaries	-	-	46,770	32,020
Investments in joint ventures	522	525	-	-
Property, plant and equipment	103,205	101,891	-	-
Intangible assets	361	330	-	-
Land lease prepayment	33,271	33,928	-	-
Right of use - Land lease	527	-	-	-
Deferred income tax assets	831	831	-	-
	146,862	144,810	46,770	32,020
Total assets	248,913	231,624	90,395	85,850
LIABILITIES				
Current liabilities				
Trade and other payables	98,884	96,018	21,956	17,478
Borrowings	20,276	51,554	-	-
Current income tax liabilities	1,148	436	42	85
Lease liability	224	-	-	-
Provision for other liabilities	1,593	1,490	-	-
	122,125	149,498	21,998	17,563
Non-current liabilities				
Trade and other payables	4,002	3,183	-	-
Borrowings	45,500	-	-	-
Lease liability	306	-	-	-
	49,808	3,183	-	-
Total liabilities	171,933	152,681	21,998	17,563
NET ASSETS	76,980	78,943	68,397	68,287
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	59,597	59,597	59,597	59,597
Capital reserve	(1,070)	(1,070)	-	-
Currency translation reserve	(287)	(149)	-	-
Performance share plan reserve	-	-	-	-
Warrant reserve	8,128	8,128	8,128	8,128
Retained profits	10,612	12,437	672	562
	76,980	78,943	68,397	68,287
Non-controlling interest	-	-	-	-
TOTAL EQUITY	76,980	78,943	68,397	68,287

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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.

Total assets increased by S\$17.3 million from S\$231.6 million as at 31 December 2018 to S\$248.9 million as at 30 June 2019, mainly due to the increase in both current and non-current trade and other receivables of S\$13.7 million and the increase in property, plant and equipment of S\$1.3 million.

The increase in current and non-current trade and other receivables were due to increase in progress billings receivables and retention due from customers.

The increase in property, plant and equipment of S\$1.3 million was mainly due to capitalisation of (i) the construction cost for the plant and machinery costs incurred for the Group's Integrated Construction and Precast Hub (ICPH) and (ii) the construction costs incurred for the Group's factories and warehouses located at Tuas South Link, amounting to approximately S\$4.2 million, partly offset by depreciation charge for the period of S\$2.7 million.

Total liabilities increased by S\$19.2 million from S\$152.7 million as at 31 December 2018 to S\$171.9 million as at 30 June 2019, mainly due to the increase in both current and non-current trade and other payables of S\$3.7 million and the increase in borrowings of S\$14.2 million. The increase of both current and non-current payables were due to increase in payables to suppliers and subcontractors while the increase in borrowings were due to drawdown of short term bank loans to finance the operation of the Group.

During the half year ended 30 June 2019, the Group secured the waiver letter from the bank for the breach of a loan covenant in relation to the maintenance of debt service ratio of the Group for the financial year 31 December 2018. Upon receipt of the waiver letter, the bank facilities remain available to the Group and the repayment terms remain unchanged. Accordingly, the Group reclassified certain portion of the bank loans which are repayable more than 12 months from 30 June 2019 to non-current liabilities as at 30 June 2019.

As at 30 June 2019, the Group's current liabilities, amounting to S\$122.1 million, exceeded its current assets, amounting to S\$102.1 million, by S\$20.0 million. The negative working capital position was due mainly to timing difference arising from the significant capital investment by the Group in recent years (i.e. investment in the Group's ICPH projects, 2 factories in Tuas South Link, as well as the acquisition of manufacturing plants in Malaysia). The Group is finalising the long term funding arrangement to support these investments.

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

	As at 30 June 2019	As at 31 December 2018
	S\$'000	S\$'000
Amount repayable in one year or less, or on demand		
- Secured	4,500	50,000
- Unsecured	15,776	1,554
Amount repayable after one year		
- Secured	45,500	-
- Unsecured	-	-

The Group's total borrowings of S\$65.8 million comprise (i) a term loan of S\$50.0 million, and (ii) short term bank loans of S\$15.8 million for the purposes as more explained in the above.

Details of any collaterals

The Group's term loan amounting to S\$50.0 million as at 30 June 2019 is secured by a first legal mortgage executed over the Group's ICPH.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Second Quarter Ended 30 June		Half Year Ended 30 June	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Cash flows from operating activities				
Net (loss)/profit	(938)	525	(1,825)	731
Adjustments for:				
- Amortisation of intangible assets	34	31	64	63
- Depreciation of property, plant and equipment	1,369	756	2,733	1,432
- Depreciation of right of use, land lease	114	-	114	-
- Amortisation of land lease prepayment	316	296	631	567
- Interest income	(7)	(7)	(13)	(16)
- Interest expense	503	123	891	183
- Income tax expense	836	107	955	246
- Loss/(gain) on disposal of property, plant and equipment	1	(65)	1	(23)
- Property, plant and equipment written off	32	-	32	-
- Share of profit of joint ventures	(5)	(92)	(3)	(136)
Operating cash flows before working capital changes	2,255	1,674	3,580	3,047
Changes in working capital:				
- Trade and other receivables	(6,639)	(185)	(13,663)	1,735
- Other current assets	(209)	(1,419)	(829)	(124)
- Inventory	(237)	-	(498)	-
- Trade and other payables	12,599	2,335	3,627	(15,459)
- Provision for other liabilities	306	55	103	584
Cash generated from/(used in) operations	8,075	2,460	(7,680)	(10,217)
Income tax (paid) / refunded	(240)	121	(270)	(305)
Net cash provided by/(used in) operating activities	7,835	2,581	(7,950)	(10,522)
Cash flows from investing activities				
Additions to property, plant and equipment	(2,492)	(11,918)	(4,236)	(23,281)
Additions of intangible assets	(95)	-	(95)	-
Additions of land lease prepayment	-	(2,892)	-	(2,892)
Proceeds from disposal of property, plant and equipment	9	320	167	346
Distribution received from a joint venture	6	114	6	225
Dividend received from a joint venture	-	300	-	300
Interest received	7	7	13	16
Net cash used in investing activities	(2,565)	(14,069)	(4,145)	(25,286)
Cash flows from financing activities				
Proceeds from issuance of shares	-	75	-	75
Proceeds from bank loans	65	8,355	15,587	20,135
Repayment of bank loans	(1,352)	-	(1,352)	-
Repayment of lease liability	(114)	-	(114)	-
Interest paid	(502)	(109)	(830)	(155)
Net cash (used in)/provided by financing activities	(1,903)	8,321	13,291	20,055
Net increase/(decrease) in cash and cash equivalents	3,367	(3,167)	1,196	(15,753)
Cash and cash equivalents at beginning of financial period	12,889	15,453	15,252	27,871
Effects of currency translation on cash and cash equivalents	56	(195)	(136)	(27)
Cash and cash equivalents at end of financial period	16,312	12,091	16,312	12,091
For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:				
Cash at bank and on hand	16,312	12,091	16,312	12,091

Operating Activities

For the second quarter ended 30 June 2019 ("2QFY2019"), the net cash inflow from operating activities amounted to S\$7.8 million as compared to net cash inflow of S\$2.6 million in the comparative quarter. The increase in cash inflow from operating activities in 2QFY2019 was mainly attributable to the increase in payables to suppliers and subcontractors, partially offset by increase in receivables from customers during the period.

For the half year ended 30 June 2019 ("1HFY2019"), the net cash outflow from operating activities amounted to S\$8.0 million as compared to net cash outflow of S\$10.5 million in the comparative period. The cash outflow from operating activities in 1HFY2019 was mainly attributable to the increase in receivables from customers, partially offset by increase in payables to suppliers and subcontractors during the period.

Investing Activities

For 2QFY2019, the cash outflow from investing activities of S\$2.6 million as compared to S\$14.1 million in the comparative quarter. The cash outflow in 2QFY2019 was mainly attributable to the construction cost of the plant and machinery costs incurred for the Group's ICPH, as well as the construction cost incurred for the Group's factories and warehouses at Tuas South Link, capitalised during the quarter under review.

For 1HFY2019, the cash outflow from investing activities was S\$4.1 million as compared to S\$25.3 million in the comparative period. The cash outflow in 1HFY2019 was mainly attributable to the same reasons as explained above.

Financing Activities

For 2QFY2019, the cash outflow from financing activities were due to repayment of bank loans as well as payment of interest on bank loans.

For 1HFY2019, the cash inflow from financing activities were due to proceeds from bank loans which were drawdown to finance the working capital for the Group's operation.

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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.

STATEMENTS OF CHANGES IN EQUITY	Attributable to equity holders of the Company								
	Share Capital S\$'000	Warrant Reserve S\$'000	Capital Reserve S\$'000	Currency Translation Reserve S\$'000	Performance Share Plan Reserve S\$'000	Retained Profits S\$'000	Equity attributable to owners of the Company S\$'000	Non-controlling interest S\$'000	Total Equity S\$'000
Group									
Balance as at 1 January 2019	59,597	8,128	(1,070)	(149)	-	12,437	78,943	-	78,943
Loss for the period	-	-	-	-	-	(1,825)	(1,825)	-	(1,825)
Other comprehensive loss for the period	-	-	-	(138)	-	-	(138)	-	(138)
Total comprehensive loss for the period	-	-	-	(138)	-	(1,825)	(1,963)	-	(1,963)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2019	59,597	8,128	(1,070)	(287)	-	10,612	76,980	-	76,980
Balance as at 31 December 2017									
As previously reported	59,597	8,128	(1,070)	(310)	-	16,652	82,997	(3)	82,994
Effect of adopting SFRS(I) 1	-	-	-	(92)	-	92	-	-	-
Effect of adopting SFRS(I) 15	-	-	-	(3)	-	(1,065)	(1,068)	-	(1,068)
Balance as at 1 January 2018, as restated	59,597	8,128	(1,070)	(405)	-	15,679	81,929	(3)	81,926
Profit for the period	-	-	-	-	-	731	731	-	731
Other comprehensive income for the period	-	-	-	88	-	-	88	-	88
Total comprehensive income for the period	-	-	-	88	-	731	819	-	819
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	75	75
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	75	75
Balance as at 30 June 2018	59,597	8,128	(1,070)	(317)	-	16,410	82,748	72	82,820

STATEMENTS OF CHANGES IN EQUITY	Attributable to equity holders of the Company				
	Share Capital S\$'000	Warrant Reserve S\$'000	Performance Share Plan Reserve S\$'000	Retained Profits S\$'000	Total Equity S\$'000
Company					
Balance as at 1 January 2019	59,597	8,128	-	562	68,287
Profit for the period	-	-	-	110	110
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	110	110
Balance as at 30 June 2019	59,597	8,128	-	672	68,397
Balance as at 1 January 2018	59,597	8,128	-	343	68,068
Profit for the period	-	-	-	3	3
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive profit for the period	-	-	-	3	3
Balance as at 30 June 2018	59,597	8,128	-	346	68,071

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

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

Preferential Offering of Warrants in 2016 ("2016 Warrants")

During 2QFY2019, there are no 2016 Warrants being exercised. The total number of outstanding 2016 Warrants is 166,683,500 as at 30 June 2019.

The movement of the outstanding 2016 Warrants during the period under review was as follows:

	No. of 2016 Warrants
As at 1 January 2019	166,683,500
Less : Warrants exercised during the period	-
As at 30 June 2019	166,683,500

Issued Ordinary Shares

The movement of issued ordinary shares of the Company during the period under review was as follows:

	No. of Share issued
As at 1 January 2019	672,988,500
Add : Issuance of shares pursuant to exercise of 2016 Warrants	-
As at 30 June 2019	672,988,500

The Company did not have any outstanding options, convertibles or treasury shares as at 30 June 2019.

Subsequent to 30 June 2019, the Company allotted and issued 2,164,495 additional 2016 Warrants on 22 July 2019 pursuant to an adjustment to the number of 2016 Warrants as a result of a preferential offering of new ordinary shares of the Company ("Right Shares") and warrants (each carrying the right to subscribe for one new ordinary share of the Company) ("2019 Warrants") undertaken by the Company (the "Preferential Offering"). Pursuant to the Preferential Offering, the Company allotted 168,247,125 Rights Shares and 168,247,125 2019 Warrants on 29 July 2019.

As a result of the foregoing, the total number of issued ordinary shares of the Company increased from 672,988,500 to 841,235,625 and the total number of outstanding warrants increased from 166,683,500 warrants to 337,095,120 warrants (comprising 168,847,995 2016 Warrants and 168,247,125 2019 Warrants)

1(d)(iii) To show the 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.

The number of issued shares of the Company as at 30 June 2019 comprised 672,988,500 ordinary shares (31 December 2018: 672,988,500 ordinary shares).

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

There are no treasury shares as at 30 June 2019.

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 a 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.

The accounting policies and methods of computation applied in the financial statements for the current reporting period are consistent with those stated in the audited financial statements for the financial year ended 31 December 2018 except in the current financial year, the Group and the Company have adopted all the new and revised standards, including SFRS (I) 16 *Leases*, which are effective for annual periods beginning on or after 1 January 2019. The adoption of these new and revised standards did not have any significant effect on the financial performance or position of the Group and the Company.

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.

Please refer to item 4 above.

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

- (a) Based on the weighted average number of ordinary shares in issue; and
(b) On a fully diluted basis (detailing any adjustments made to the earnings).

Earnings per share (EPS)	Group		Group	
	Second Quarter Ended 30 June		Half Year Ended 30 June	
	2019	2018	2019	2018
(a) Based on the weighted average number of ordinary shares in issue (cents per share)	(0.14)	0.08	(0.27)	0.11
- Weighted average number of ordinary shares ('000)	672,989	672,989	672,989	672,989
(b) On a fully diluted basis (cents per share)	(0.14)	0.08	(0.27)	0.11
- Adjusted weighted average number of ordinary shares ('000)	672,989	672,989	672,989	672,989

- (a) Basic EPS is calculated based on the net profit attributable to equity holders of the Company set out in 1(a) above divided by the weighted average number of ordinary shares in issue during the financial period.
- (b) For the purposes of calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted to take into account the dilutive effect arising from the share awards granted pursuant to the Soilbuild Construction Performance Share Plan, and the warrants issued pursuant to the preferential offering, where shares would have been issued at a price lower than market value.

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 financial period reported on; and
(b) preceding financial year.

	Group		Company	
	30/6/2019	31/12/2018	30/6/2019	31/12/2018
Net asset value per ordinary share is computed based on the total number of issued shares as at the end of the respective financial period/year				
Net asset value per ordinary share (cents)	11.44	11.73	10.16	10.15
Total number of shares in issue	672,988,500	672,988,500	672,988,500	672,988,500

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

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, cost, 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.

(a) **2QFY2019 vs 2QFY2018**

For 2QFY2019, the Group reported a net loss of approximately S\$0.9 million compared to net profit of approximately S\$0.5 million reported in the comparative quarter.

Revenue & Gross Profit

For the quarter under review, the Group's revenue increased by 40.5% from S\$44.9 million in 2QFY2018 to S\$63.1 million in 2QFY2019. The increase in revenue is due to the progress of on-going projects in 2019. These on-going projects were secured in 2018 and 2019.

Major revenue contributors in 2QFY2019 were:

- 68 Residence project (construction and completion of a 26 1/2 storey serviced apartment / condominium in Yangon);
- Rosehill Residence project (erection of a 24-storey residential development in Yangon);
- 164 Kallang Way project (construction of a multi-user general industrial factory development at Geylang Planning Area);
- 171 Kallang Way project (construction of a general industrial factory development at Geylang Planning Area);
- Bedok Food City project (construction of a high rise multi-user food factory at Bedok North Avenue 4);
- Tuas Bay Close project (construction of a multi-user general industrial development at Tuas Bay Close);
- Tuas Bay Drive project (construction of a multi-user general industrial development at Tuas Bay Drive); and
- Yishun HDB project (public housing development at Yishun).

In 2QFY2019, the Precast and Prefabrication division contributed approximately S\$0.3 million to the Group's revenue on sales of its products.

The Group reported a gross profit of S\$3.3 million in 2QFY2019 compared to gross profit of S\$2.5 million in 2QFY2018. The gross profit margin for 2QFY2019 was 5.3% compared to gross profit margin for 2QFY2018 of 5.6%.

Other Income

Other income increased by approximately S\$310,000 mainly due to increase in rental income received in 2QFY2019.

Other (Losses)/Gains

Other losses (net) of S\$157,000 in 2QFY2019 were mainly attributable to foreign exchange loss of approximately S\$156,000.

Administrative Expenses

Administrative expenses increased from S\$2.0 million in 2QFY2018 to S\$2.3 million in 2QFY2019 due mainly to increase in various administrative expenses including property taxes on the buildings of the Group as well as utilities and staff remuneration in 2QFY2019.

Finance Expenses

The increase in finance expenses in 2QFY2019 was mainly due to higher borrowings in 2QFY2019 compared to borrowings in 2QFY2018.

Other Operating Expenses

The increase in other operating expenses in 2QFY2019 was mainly due to increase in depreciation on property, plant and machinery and amortisation of land lease prepayment, right of use and intangible assets during the quarter under review.

Income tax expenses

The Group recognised income tax expenses of approximately S\$0.8 million in 2QFY2019 mainly due to net profit before tax reported by the Group's subsidiaries in Myanmar.

Net (Loss)/Profit after tax

With the impact of the increase in administrative expenses (as explained above), the increase in other operating expenses as a result of higher depreciation and amortisation charges, as well as increase in income tax recognised, the Group reported a net loss after tax of approximately S\$0.9 million.

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(b) **1HFY2019 vs 1HFY2018**

For 1HFY2019, the Group reported a net loss of approximately S\$1.8 million compared to a net profit of approximately S\$0.7 million reported in the comparative period.

Revenue & Gross Profit

For the period under review, the Group's revenue increase by 31.0% from S\$83.9 million in 1HFY2018 to S\$109.9 million in 1HFY2019. The increase in revenue is attributable to increase in construction activities during 1HFY2019.

Major revenue contributors in 1HFY2019 were:

- 68 Residence project (construction and completion of a 26 1/2 storey serviced apartment / condominium in Yangon);
- Rosehill Residence project (erection of a 24-storey residential development in Yangon);
- 164 Kallang Way project (construction of a multi-user general industrial factory development at Geylang Planning Area);
- 171 Kallang Way project (construction of a general industrial factory development at Geylang Planning Area);
- Bedok Food City project (construction of a high rise multi-user food factory at Bedok North Avenue 4);
- Tuas Bay Close project (construction of a multi-user general industrial development at Tuas Bay Close);
- Tuas Bay Drive project (construction of a multi-user general industrial development at Tuas Bay Drive); and
- Yishun HDB project (public housing development at Yishun).

The Group reported a gross profit of S\$5.8 million in 1HFY2019 compared to a gross profit of S\$5.2 million in 1HFY2018. The gross profit margin for 1HFY2019 was 5.3% compared to gross profit margin for 1HFY2018 of 6.2%.

Other Income

Other income increased by approximately S\$733,000 mainly due to increase in rental income in 1HFY2019.

Other Losses

Other losses (net) of S\$220,000 in 1HFY2019 were mainly attributable to foreign exchange loss of approximately S\$219,000.

Administrative Expenses

Administrative expenses increase from S\$3.5 million in 1HFY2018 to S\$4.4 million in 1HFY2019 mainly due to increase in various administrative expenses including property taxes on the buildings of the Group as well as utilities and staff remuneration during the period under review.

Finance Expenses

The increase in finance expenses in 1HFY2019 was mainly due to higher borrowings in 1HFY2019 compared to borrowings in 1HFY2018.

Other Operating Expenses

The increase in other operating expenses in 1HFY2019 was mainly due to increase in depreciation on property, plant and machinery and amortisation of land lease prepayment, right of use and intangible assets during the period under review.

Income tax expenses

The Group recognised income tax expenses of approximately S\$1.0 million in 1HFY2019 mainly due to net profit before tax reported by the Group's subsidiaries in Myanmar.

Net (Loss)/Profit after tax

With the impact of the increase in administrative expenses (as explained above), the increase in other operating expenses as a result of higher depreciation and amortisation charges, as well as increase in income tax recognised, the Group reported a net loss after tax of approximately S\$1.8 million in 1HFY2019.

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 1HFY2019 from what was previously discussed under paragraph 10 of the announcement of the Company's financial statements for the financial period ended 31 March 2019.

10 A commentary at the date of announcement of the significant trends and 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.

Based on advance estimates released by the Ministry of Trade and Industry Singapore on 12 July 2019, the Singapore economy grew by 0.1% on a year-on-year ("yoy") basis in the second quarter of 2019, slower than the 1.1% growth in the previous quarter. The construction sector grew by 2.2% (on a yoy basis) in the second quarter, extending the 2.7% expansion in the previous quarter. The growth of the sector was supported by an increase in public sector construction activities.

Despite positive growth in the local construction industry since the beginning of the current financial year, the tender for new construction contracts in the local market remain competitive and challenging. The Group will continue to tender for new contracts, both in the public and private sector.

The Group's prefabrication and precast business has successfully completed the maiden delivery of certain precast products to customers during the period under review. The Group expects to ramp up the production, both in the Group's ICPH and Malaysia plants, in the second half of 2019 for the secured orders from customers.

The Group's order book as at 30 June 2019 amounted to S\$396.2 million, which comprise S\$379.2 million of construction projects, and S\$17.0 million of precast and prefabrication supply contract. For the construction project order book, S\$275.4 million are projects in Singapore while S\$103.8 million are projects in Myanmar.

11 Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding period of the immediately preceding financial year

Not applicable

(c) The date the dividend is payable

Not applicable

(d) Books closure date

Not applicable

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

There is no dividend recommended for the period ended 30 June 2019 as the Group reported net loss.

13 Interested Persons Transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Transactions during 2QFY2019 <u>Soilbuild Group Holdings Ltd. & its subsidiaries</u> Award of construction contract	S\$'000 -	S\$'000 1,200

14 Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1).

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1).

15 Confirmation pursuant to Rule 705(5) of the Listing Manual of SGX-ST

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited second quarter financial statements for the period ended 30 June 2019 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors,

Lim Chap Huat
Executive Chairman
31 July 2019

Ho Toon Bah
Non-Executive Director