BENG SOON MACHINERY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1987)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of Beng Soon Machinery Holdings Limited (the "**Company**") announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2020 ("**1H2020**") together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

		6 months ended 30 June	
		2020	2019
	Note	***S$***	*S$*
		(unaudited)	(unaudited)
Revenue	*5*	**3,667,624**	16,882,189
Cost of sales	*7*	**(9,289,222)**	(10,874,364)
Gross (loss)/profit		**(5,621,598)**	6,007,825
Other income	*6*	**637,631**	19,543
Other gains — net	*6*	**8,295**	67,257
Selling and distribution expenses	*7*	**(112,458)**	(90,811)
Administrative expenses	*7*	**(3,805,022)**	(4,770,015)
Operating (loss)/profit		**(8,893,152)**	1,233,799
Finance costs	*8*	**(187,413)**	(265,950)
(Loss)/profit before income tax		**(9,080,565)**	967,849
Income tax credit/(expense)	*9*	**13,260**	(145,195)
(Loss)/profit after income tax		**(9,067,305)**	822,654
Unrealised foreign exchange (loss)/gain		**(203,282)**	12,235
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Company		**(9,270,587)**	834,889
(Loss)/earnings per share (expressed in S$ cent)			
Basic and diluted	*10*	**(0.93)**	0.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at	
		30 June	31 December
		2020	2019
	Note	***S$***	*S$*
		(unaudited)	(audited)
Assets			
Non-current assets			
Property, plant and equipment		**22,348,246**	22,028,240
Right-of-use assets		**10,804,738**	13,410,698
Investment property		**2,075,520**	2,097,600
Financial asset at fair value through profit or loss		**164,104**	161,809
		35,392,608	37,698,347
Current assets			
Contract related assets and costs		**7,508,783**	13,329,009
Deposits paid to customers		**29,520**	8,170
Trade receivables	*11*	**3,613,860**	6,002,270
Deposits, prepayments and other receivables	*12*	**3,884,625**	146,068
Cash and cash equivalents	*13*	**8,558,422**	14,137,800
		23,595,210	33,623,317
Total assets		**58,987,818**	71,321,664
Equity attributable to equity holders of the Company			
Share capital	*16*	**1,742,159**	1,742,159
Reserves	*17*	**21,650,364**	21,853,646
Retained earnings		**18,839,986**	27,907,291
Total equity		**42,232,509**	51,503,096
Liabilities			
Non-current liabilities			
Borrowings	*15*	**1,560,170**	1,852,701
Lease liabilities		**9,328,826**	9,342,290
Deferred income tax liabilities		**2,002,262**	2,015,522
		12,891,258	13,210,513

	Note	As at 30 June 2020 S$ (unaudited)	31 December 2019 S$ (audited)
Current liabilities			
Trade and other payables	*14*	**1,612,802**	3,123,615
Borrowings	*15*	**585,064**	585,064
Lease liabilities		**959,975**	2,193,166
Current income tax liabilities	*9*	**706,210**	706,210
		3,864,051	6,608,055
Total liabilities		**16,755,309**	19,818,568
Total equity and liabilities		**58,987,818**	71,321,664

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Beng Soon Machinery Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 6 April 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands and listed (the "**Listing**") on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 November 2019 (the "**Listing Date**"). The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries comprising the group (together the "**Group**") are principally engaged in the provision of demolition services, sale of inventories and leasing of machinery in Singapore.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2020 ("**Condensed Consolidated Interim Financial Statements**") are presented in Singapore dollars ("**S$**"), which is also the functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the condensed consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") Interim Financial Reporting issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The preparation of condensed consolidated interim financial information in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2.2 Summary of significant accounting policies

Except as described in note 3, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements. Taxes on income for the six months ended 30 June 2020 and 2019 are accrued using the tax rate that would be applicable to expected total annual profits.

3 NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

There were several new interpretations and amendment to standards and interpretations which are applicable for the first time in 2020, but either not relevant or do not have an impact on the condensed consolidated interim financial statements of the Group. The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective.

4 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

4.1 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as "Equity" as shown in the consolidated statement of financial position plus net debt/(cash), where applicable.

	As at	
	30 June 2020	31 December 2019
	S$	*S$*
	(unaudited)	(audited)
Borrowings *(Note 15)*	**2,145,234**	2,437,765
Lease liabilities	**10,288,801**	11,535,456
Less: Cash and cash equivalents *(Note 13)*	**(8,558,422)**	(14,137,800)
Net debt/(cash)	**3,875,613**	(164,579)
Total equity	**42,232,509**	51,503,096
Total capital	**46,108,122**	51,338,517
Gearing ratio	**8%**	N/A

4.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3
	S$	*S$*	*S$*
At 31 December 2019			
Assets			
Financial asset at fair value through profit or loss			
— Keyman insurance contract	–	–	161,809
At 30 June 2020			
Assets			
Financial asset at fair value through profit or loss			
— Keyman insurance contract	**–**	**–**	**164,104**

There were no transfers among Levels 1, 2 and 3 during both periods.

The following table presents the changes in Level 3 instruments:

	As at	
	30 June 2020	31 December 2019
	S$	*S$*
	(unaudited)	(audited)
Financial asset at fair value through profit or loss		
At beginning of the period	**161,809**	159,194
Currency exchange differences	**–**	(1,948)
Fair value gain recognised in profit or loss *(Note 6)*	**2,295**	4,563
At end of the period	**164,104**	161,809

The fair value of the keyman insurance contract purchased for a key management personnel of the Group is determined based on the cash surrender value in accordance with the keyman insurance contract which is not an observable input. Management estimates the fair value based on the latest policy quarterly statement of the keyman insurance contract provided by the insurance company.

The unobservable input is the cash surrender value quoted by the insurance company according to the keyman insurance contract. When the cash surrender value is higher, the fair value of the keyman insurance contract will be higher.

The carrying amounts of the Group's financial assets, including trade receivables, contract assets, deposits and other receivables, and cash and cash equivalents, and financial liabilities, including trade and other payables, borrowings and lease liabilities approximate their fair values.

5 REVENUE

	6 months ended 30 June	
	2020	2019
	S$	*S$*
	(unaudited)	(unaudited)
Provision of demolition services *(Note (i))*	**3,599,311**	16,658,106
Others *(Note (ii))*	**68,313**	224,083
Total revenue	**3,667,624**	16,882,189

(i) Provision of demolition services were derived from undertaking demolition projects which include (i) the net payment directly from the project owners; (ii) the proceeds from disposal of salvage materials removed from the demolition sites to third party salvage materials buyers; and (iii) earth disposal proceeds from earth providers for depositing earth at demolition sites for landfilling purpose.

(ii) Other revenue mainly comprise of other service income for services rendered for site operation management and sales of inventories.

6 OTHER INCOME AND OTHER GAINS — NET

	6 months ended 30 June	
	2020	2019
	S$	*S$*
	(unaudited)	(unaudited)
Other income:		
Interest income	**25,943**	372
Government grants	**599,688**	18,979
Rental income from investment property	**12,000**	–
Miscellaneous income	**–**	192
Total other income	**637,631**	19,543
Other gains:		
Gain on disposals of property and equipment	**6,000**	65,450
Currency exchange loss	**–**	(437)
Fair value gain on financial asset at fair value through profit or loss	**2,295**	2,244
Total other gains	**8,295**	67,257
Total other income and other gains	**645,926**	86,800

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	6 months ended 30 June	
	2020	2019
	S$	*S$*
	(unaudited)	(unaudited)
Sub-contractor charges	**2,137,777**	2,975,463
Transportation expenses	**569,455**	692,021
Maintenance expenses	**608,679**	486,386
Insurance expenses	**85,162**	77,389
Raw materials, consumables and other overheads	**2,363,410**	2,757,827
Employee benefits expenses, including directors' emoluments *(Note (a))*	**3,564,451**	4,364,450
Depreciation	**2,520,047**	2,438,737
Listing expenses	**–**	979,395
Legal and professional fees	**45,976**	64,770
Provision for doubtful debt	**–**	102,812
Auditors' remuneration	**88,543**	59,683
Expenses relating to short-term leases	**160,297**	79,620
Motor vehicle expenses	**41,515**	67,651
Utility expenses	**133,278**	91,906
Others	**888,112**	436,005
Total cost of sales, selling and distributions expenses and administrative expenses	**13,206,702**	15,735,190
Represented by:		
Cost of sales	**9,289,222**	10,874,364
Selling and distribution expenses	**112,458**	90,811
Administrative expenses	**3,805,022**	4,770,015
	13,206,702	15,735,190

Notes:

(a)

	6 months ended 30 June	
	2020	2019
	S$	*S$*
	(unaudited)	(unaudited)
Wages, salaries, bonuses and other benefits	**3,382,235**	4,114,775
Pension costs — defined contribution plans	**182,126**	249,675
	3,564,451	4,364,450

	6 months ended 30 June	
	2020	2019
	S$	*S$*
	(unaudited)	(unaudited)
Amount included in:		
Cost of sales	**1,196,551**	1,705,869
Administrative expenses	**2,367,900**	2,658,581
	3,564,451	4,364,450

8 FINANCE COSTS

	6 months ended 30 June	
	2020	2019
	S$	*S$*
	(unaudited)	(unaudited)
Interest expenses on:		
— Bank borrowings	**29,894**	84,274
— Lease liabilities	**157,519**	181,676
	187,413	265,950

9 INCOME TAXES

Singapore income tax has been provided for at the rate of 17% (30 June 2019: 17%) on the estimated assessable profit.

(a) Income tax (credit)/expense

The amount of income tax expense charged to the condensed consolidated statement of comprehensive income represents:

	6 months ended 30 June	
	2020	2019
	S$	*S$*
	(unaudited)	(unaudited)
Current income tax		
— Singapore	**–**	231,709
Deferred income tax		
— Singapore	**(13,260)**	(86,514)
Income tax (credit)/expense	**(13,260)**	145,195

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the enacted tax rate as follows:

	6 months ended 30 June	
	2020	2019
	S$	*S$*
	(unaudited)	(unaudited)
(Loss)/profit before income tax	**(9,080,565)**	967,849
Tax calculated at a tax rate of 17%	**(1,543,696)**	164,534
Expenses not deductible for tax purposes	**105,865**	134,274
Income not subject to tax	**(4,410)**	(63)
Tax incentives *(Note (i))*	**–**	(121,125)
Deferred tax not recognised on tax losses and temporary differences	**1,428,981**	–
Statutory stepped income exemption and tax rebate	**–**	(32,425)
Income tax (credit)/expense	**(13,260)**	145,195

Notes:

(i) Tax incentives are mainly enhanced deductions and allowances claimed under the Investment Allowances Scheme ("**IAS**") administered by Building & Construction Authority of Singapore. Under the IAS Scheme, the Group is entitled to claim an additional 50% tax allowances for qualifying construction, productive equipment and machinery.

(b) Movements in current income tax liabilities

	As at	
	30 June	30 June
	2020	2019
	S$	*S$*
	(unaudited)	(unaudited)
At 1 January	**706,210**	1,293,999
Tax paid	**–**	(665,204)
Charge to profit or loss	**–**	231,709
At 30 June	**706,210**	860,504

10 (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is calculated on the (loss)/profit attributable to equity holders of the Company by the weighted average number of shares in issue.

	6 months ended 30 June	
	2020	2019
	S$	*S$*
	(unaudited)	(unaudited)
(Loss)/profit attributable to equity holders of the Company (S$)	**(9,270,587)**	834,889
Weighted average number of shares in issue *(Note (i))*	**1,000,000,000**	750,000,000
Basic (loss)/earnings per share (S$ cent)	**(0.93)**	0.11

For the six months ended 30 June 2020, diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding (30 June 2019: same).

Note (i):

The weighted average of 1,000,000,000 ordinary shares used in the calculation of basic (losses)/earnings per share for the period ended 30 June 2020 comprising: (i) 9,900 ordinary shares of the Company in issue as at 31 December 2018; and (ii) 749,990,000 ordinary shares of the Company issued at par value by way of capitalisation pursuant to the shareholders' resolution dated 15 October 2019 as if these shares had been issued at 1 January 2018, the beginning of the earliest period reported; and (iii) 250,000,000 ordinary shares offered to the public were issued on 8 November 2019.

The weighted average of 750,000,000 ordinary shares used in the calculation of basic earnings per share for the year ended 30 June 2019 comprising: (i) 100 ordinary share of the Company issued and allotted at the date of incorporation on 6 April 2018; (ii) 9,800 ordinary share of the Company issued and allotted during the Reorganisation and (iii) 749,990,000 ordinary shares of the Company issued at par value by way of capitalisation pursuant to the shareholders' resolution dated 15 October 2019 as if these shares had been issued at 1 January 2018, the beginning of the earliest period reported.

11 TRADE RECEIVABLES

	As at	
	30 June	31 December
	2020	2019
	S$	*S$*
	(unaudited)	(audited)
Trade receivables from third parties	**3,417,122**	5,952,601
Less: Allowance for impairment of trade receivables	**(265,049)**	(265,049)
	3,152,073	5,687,552
Retentions	**461,787**	314,718
	3,613,860	6,002,270

The Group normally grants credit terms of 30 days. The Group does not hold any collateral as security.

The aging analysis of the trade receivables, based on invoice date, are as follows:

	As at	
	30 June 2020	31 December 2019
	S$	*S$*
	(unaudited)	(audited)
Below 30 days	**39,474**	3,680,017
31–60 days	**3,488**	379,709
61–90 days	**33,502**	81,502
91–120 days	**893,113**	551,382
Over 120 days	**2,644,283**	1,309,660
	3,613,860	6,002,270

The carrying amounts of trade receivables approximate their fair values.

Movements in the provision for impairment of the trade receivables are as follows:

	As at	
	30 June 2020	31 December 2019
	S$	*S$*
	(unaudited)	(audited)
At the beginning of the period/year	**265,049**	110,000
Provision for impairment of receivables recognised during the year	**–**	155,049
At the end of the period/year	**265,049**	265,049

During the year ended 31 December 2019, there were two customers were identified and assessed to have a characteristic of higher credit risk than the rest of the other debtors due to an ongoing financial restructuring which contribute to a loss allowance amounting to S$155,049 being recognised in 2019.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	As at	
	30 June 2020	31 December 2019
	S$	*S$*
	(unaudited)	(audited)
S$	**3,557,950**	5,946,360
United State dollar ("**US$**")	**55,910**	55,910
	3,613,860	6,002,270

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2020	31 December 2019
	S$	*S$*
	(unaudited)	(audited)
Other receivables	**39,495**	32,958
Deposits paid to third parties	**1,087,623**	28,730
Staff loans	**16,200**	30,060
Prepayments	**2,741,307**	54,320
Current portion	**3,884,625**	146,068

The carrying amounts of deposits and other receivables approximate their fair values.

The carrying amounts of the Group's deposits, prepayments and other receivables are denominated in the following currencies:

	As at	
	30 June 2020	31 December 2019
	S$	*S$*
	(unaudited)	(audited)
S$	**1,136,087**	113,744
Hong Kong dollar ("**HK$**")	**2,748,538**	32,324
	3,884,625	146,068

13 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2020	31 December 2019
	S$	*S$*
	(unaudited)	(audited)
Cash at banks	**8,553,422**	14,132,800
Cash on hand	**5,000**	5,000
	8,558,422	14,137,800

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at	
	30 June 2020	31 December 2019
	S$	*S$*
	(unaudited)	(audited)
S$	**8,242,234**	13,506,264
US$	**115,527**	115,525
HK$	**200,661**	516,011
	8,558,422	14,137,800

14 TRADE AND OTHER PAYABLES

	As at	
	30 June	31 December
	2020	2019
	S$	*S$*
	(unaudited)	(audited)
Trade payables	**977,592**	2,188,582
Accrued expenses	**615,039**	855,373
Other payables	**20,171**	79,660
	1,612,802	3,123,615

Trade payables comprise amounts outstanding to suppliers. The aging analysis of the trade payables, based on invoice date, is as follows:

	As at	
	30 June	31 December
	2020	2019
	S$	*S$*
	(unaudited)	(audited)
Up to 30 days	**477,669**	1,474,655
31–60 days	**239,368**	605,302
61–90 days	**99,192**	102,524
91–120 days	**142,233**	1,682
Over 120 days	**19,130**	4,419
	977,592	2,188,582

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at	
	30 June	31 December
	2020	2019
	S$	*S$*
	(unaudited)	(audited)
S$	**1,529,354**	2,994,963
HK$	**83,448**	128,652
	1,612,802	3,123,615

15 BORROWINGS

	As at	
	30 June	31 December
	2020	2019
	S$	*S$*
	(unaudited)	(audited)
Non-current		
Bank borrowings (secured) *(Note (a))*	**1,560,170**	1,852,701
Current		
Bank borrowings (secured) *(Note (a))*	**585,064**	585,064
Total borrowings	**2,145,234**	2,437,765

(a) *(i) Term loan*

The term loan is denominated in S$, bears interest at 2.58% (31 December 2019: 2.58%). The bank borrowings of S$2,145,234 (31 December 2019: S$2,437,765) is secured by a corporate guarantee from the Company (31 December 2019: personal guarantees from a director and spouse of the said director).

(ii) Fixed advance facility

The fixed advance facility was denominated in S$ and was fully paid in 2019.

The fair value of non-current bank borrowings approximated the carrying value of the non-current borrowings as at 30 June 2020 as the borrowing bears interest at rates which approximate the current incremental borrowing rate for similar types of lending and borrowing arrangements, which management expects to be available to the Group (31 December 2019: same).

	As at	
	30 June	31 December
	2020	2019
	S$	*S$*
	(unaudited)	(audited)
Within 1 year	**585,064**	585,064
Between 1 and 2 years	**585,064**	585,064
Between 2 and 5 years	**975,106**	1,267,637
	2,145,234	2,437,765

16 SHARE CAPITAL

The movements of the share capital are as follow:

	Number of shares	Share capital *HK$*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2019	38,000,000	380,000
Increase in authorised shares	9,962,000,000	99,620,000
At 31 December 2019 (audited) and 30 June 2020 (unaudited)	10,000,000,000	100,000,000

	Number of shares	Share capital *S$*
Issued and fully paid:		
At 1 January 2019	10,000	17
Issuance of shares pursuant to capitalisation	749,990,000	1,306,602
Issuance of shares by public offering *(Note (a))*	250,000,000	435,540
At 31 December 2019 (audited) and 30 June 2020 (unaudited)	1,000,000,000	1,742,159

(a) On 8 November 2019, the Company issued 250,000,000 ordinary shares of HK$0.01 each at a price of HK$0.50 per share pursuant to the initial public offering and listing of the Company's shares on the Main Board.

17 RESERVES

	Other reserve attributable to equity holders of the Company		
	Share premium *S$*	Other *S$*	Total *S$*
At 1 January 2019	3,405,207	2,000,000	5,405,207
Transactions with equity holders in their capacity as equity holders:			
Issuance of shares by public offering, net of expenses *(Note 16)*	16,448,439	–	16,448,439
At 31 December 2019 (audited) and 1 January 2020 (unaudited)	19,853,646	2,000,000	21,853,646
Translation differences	–	(203,282)	(203,282)
At 30 June 2020 (unaudited)	19,853,646	1,796,718	21,650,364

18 DIVIDENDS

No dividend was paid, declared or proposed during the period, nor has any dividend been declared since the end of the interim period (31 December 2019: nil).

19 COMMITMENTS

As at 30 June 2020, the Group did not have any capital commitments (31 December 2019: nil).

20 PERFORMANCE AND SECURITY BONDS

The Group had performance bonds for guarantees for completion of projects issued by banks and insurance companies amounting to S$519,810 (31 December 2019: S$1,456,200) as at 30 June 2020.

The Group had security bonds made under section 12 of Employment of Foreign Manpower (Work Passes) Regulations amounting to S$320,000 (31 December 2019: S$315,000) as at 30 June 2020.

21 SUBSEQUENT EVENTS

Since April 2020, the COVID-19 pandemic has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the development of the epidemic and assess its impact on its operations.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW AND BUSINESS REVIEW

The Group is an established and leading demolition services provider in Singapore and has been running the demolition business in Singapore for more than 26 years in both the public and private sectors. It primarily focuses on the demolition of various types of buildings and structures, including power stations, chemical plants, high rise commercial and residential properties, bridges and marine structures. To a lesser extent, the Group also leases and sells machinery. The shares of the Company (the "**Shares**") were successfully listed on the Main Board of the Hong Kong Stock Exchange Limited (the "**Stock Exchange**") on 8 November 2019 (the "**Listing**"). The Listing has not only benefited the Group with easier access to capital and fund raising, but also implied recognition of the Group's leading position in the demolition services industry, and has enhanced the Group's visibility and prestige.

The Group is also registered with the Contractors Registration System administered by the Building and Construction Authority of Singapore, which is the pre-requisite to tender for construction or construction related projects in Singapore's public sector. The Group obtained a Class 2 General Builder Licence, a single grade under CR03 "Demolition" workhead (the "**Single Grade Licence**"), C3 grade under CW01 "General Building" workhead and C1 grade under CW02 "Civil Engineering workhead (collectively the "**Licences**"), which allows it to tender and undertake various public and private sector demolition projects. Amongst the Licences obtained, the Single Grade Licence allows the Group to undertake general public demolition projects of an unlimited tender/contract value.

The Group appointed a new director, Mr. Wang Dongfeng ("**Mr. Wang**") during 1H2020, the appointment of which took effect on 24 July 2020. The Board is of the view that the Company can leverage upon Mr. Wang's substantial experience in managing listed companies and the information technology industry to broaden the professional background of the Board and to bring impetus to the development of the Group.

During 1H2020, the Group completed four demolition projects of which one was a public housing project, one was residential building project, one was a mock up building and one was a training facilities centre project.

The following table sets out details of the projects completed and secured by the Group during 1H2020:

Customer	Description of Works	Completion Date	**Aggregated Recognized Revenue since the Project's Commencement** *(Singapore Dollars ("S$")'000)*
Customer A *(Note 1)*	Demolition Of Existing Public Housing Estates	6 March 2020	7,202
Customer B *(Note 2)*	Demolition of Condominium Housing	29 June 2020	2,223
Customer C *(Note 3)*	Demolition of Airfreight Mock Up Building	6 April 2020	126
Customer D *(Note 4)*	Demolition works of existing 3 storey building for a training facilities centre	6 April 2020	112

Notes:

(1) Customer A is a government and statutory entity in Singapore.

(2) Customer B is a company incorporated in Singapore and a joint venture between a real estate developer in the People's Republic of China and Singapore real estate developer that is a part of a Hong Kong real estate conglomerate.

(3) Customer C is a company incorporated in Singapore specializing in residential and commercial construction.

(4) Customer D is company incorporated in Singapore, which provides construction services and manages and constructs landmark projects, residential and civil engineering projects.

As at 30 June 2020, the Group had eight demolition projects in progress, of which three were commercial building projects, three were residential building projects, one was a columbarium project and one was a school building.

The following sets out details of demolition projects which remained ongoing as at 30 June 2020:

Customer	Description of Works	Estimated Completion Date	Aggregated Recognized Revenue since the Project's Commencement *(S$'000)*
Customer E *(Note 1)*	Proposed Hoarding and Demolition Work for a building with basement carpark	31 August 2020	894
Customer F *(Note 2)*	Proposed Demolition of 4 blocks of Condominiums with landscape deck & swimming pool	17 July 2020	2,358
Customer D	Demolition of Existing Park Development	30 September 2020	6,111
Customer G *(Note 3)*	Demolition of Laboratory building	30 September 2020	47
Customer H *(Note 4)*	Demolition of Former Secondary School	30 September 2020	726
Customer A	Demolition of Residential Blocks and Ancillary Structures	25 April 2021	475
Customer E	Proposed Building redevelopment of Building with Basement Car Park	31 October 2020	608
Customer I *(Note 5)*	Proposed Partial Demolition of Existing Nirvana Columbarium	30 September 2020	219

Notes:

(1) Customer E is a company incorporated in Singapore specializing in the planning, developing, marketing and management of industrial parks, science parks, business parks.

(2) Customer F is a listed company in Singapore and a real estate developer. Its principal business activities are property development and investment.

(3) Customer G is a company incorporated in Singapore specializing in plant construction, building construction and civil works.

(4) Customer H is a government and statutory entity in Singapore.

(5) Customer I is a company incorporated in Singapore providing property development services.

The outbreak of the novel coronavirus ("**COVID-19**"), together with the implementation of various forms of containment measures by the Singaporean government has caused negative impacts on the economy of Singapore and the demolition industry. In April 2020, the Singapore Government announced the implementation of an elevated set of safe distancing measures, as a circuit breaker to pre-empt the trend of increasing local transmission of the COVID-19 (the "**Measures**"). Due to the Measures, Singapore closed most physical work premises since April 2020 to June 2020 (the "**Suspension Period**"), save for those providing essential services and in selected economic sectors which are critical for the local and the global supply chains. During the implementation of the Measures, all the demolition projects of the Group were suspended or delayed. During phase 1 after the Suspension Period, many projects were unable to resume due to the COVID-Safe Restart Criteria implemented by the Building and Construction Authority and Ministry of Manpower in Singapore. Save for the residential projects for Customer B and Customer F, which the Group was able to resume in June and complete before the end of 1H2020 and 17 July 2020 respectively, other projects resumed only in July 2020 and were granted extensions of 3–4 months.

Following the suspension of demolition activities, the demand for salvage materials in Singapore and other countries such as Mainland China diminished, which led to the plummet in the price of salvage materials. The proceeds from the disposal of salvage materials comprise a crucial portion of the Group's income and negatively affected the Group's financial performance. During the Suspension Period, the extension of time for completing the demolition projects due to the Measures was also detrimental to the Group's business operations and future prospects. As a result, the Group completed four demolition projects during 1H2020, 11 less than 1H2019. The Group has been negotiating with its clients to seek for extensions in respect of project completion dates in light of the delays and disruptions to work progress. As of 30 June 2020, the Group has not experienced any termination of projects.

OUTLOOK AND PROSPECTS

The demolition and construction sector in Singapore has been a "key vulnerability" during the COVID-19 pandemic. In response to these challenges, the Group has continued to push for automation to reduce reliance on migrant workers. Migrant workers, both local and foreign, are now required to be tested for COVID-19 regularly and comprehensively.

In response to the new work norms brought about by COVID-19, the Group has been adopting precautionary and control measures to mitigate its impact on the Group's operations, such as working from home, staggered work hours and split team schedules.

Looking forward, the Directors believe that the future opportunities and challenges which the Group is facing will continue to be affected by the uncertainties of COVID-19's development. The Directors anticipate that the resurgent number of COVID-19 cases from time to time will cause supply chain disruptions, cash flow concerns and funding/financing restrictions to the demolition industry. This will directly have an impact on the Group's business operations and proceeds derived from salvage materials, which is dependent on the progress of the Group's demolition projects. In a tight labour market, it will also be difficult to source contractors to complete projects during the various phases of work resumptions imposed by the Singaporean government. As a result, it is envisaged that critical work activities may need to be extended or rescheduled, and contractors may need to adjust their means and methods for performing work to comply with governmental instructions and mandates. The Group has been vigilant about reviewing daily, weekly and monthly progress reports, analyzing changes in the contractor's labour force and querying contractors about all cost and schedule impacts reportedly related to COVID-19 issues. The Group will continue to adhere to prudent financial management with respect to project selection and cost control.

In conclusion, despite the negative impacts the COVID-19 outbreak has caused to the Group's operation and financial standing, the Group has maintained its cash reserves at a sufficient level. Moreover, with the large-scale economic stimulus policies introduced by the Singaporean government and potential growth of the demolition industry in Singapore, the demolition industry is expected to emerge stronger than before after the difficult transitions and significant changes brought about by the COVID-19 outbreak. The Group will use its best endeavours to look for new business opportunities to offset the negative impacts of the COVID-19 and operate within the constraints of the crisis to succeed.

FINANCIAL REVIEW

Revenue

During 1H2020, the Group's revenue was primarily derived from undertaking demolition projects for the Group's project owners (the "**Contract Revenue**"). The Contract Revenue comprises of (i) the net contract sum from the project owners; (ii) the proceeds from disposal of salvage materials removed from the demolition sites to third party salvage materials buyers; and (iii) the proceeds from earth providers for depositing earth at the demolition sites for landfilling purposes. The Group's revenue for the 1H2020 was approximately S$3.7 million, representing a decrease of approximately 78.3% from approximately S$16.9 million for 1H2019 , as a result of the significant negative impact of the outbreak of COVID-19, which resulted in: (i) the delay or suspension of the Group's projects and demolition services due to the circuit-breaker Measures implemented by the Singapore Government; and (ii) the plummet in the price of salvage materials triggered by the diminished demand for the same in Singapore and other countries such as Mainland China.

The following table sets forth the breakdown of the revenue by the nature of work undertaken for during 1H2020 and 1H2019.

	6 months ended 30 June	
	2020	2019
	S$'000	*S$'000*
Net contract sum	**2,103**	6,494
Proceeds from disposal of salvage materials	**1,407**	9,196
Earth depositing proceeds	**90**	968
Other revenue	**68**	224
Total revenue	**3,668**	16,882

Cost of sales

The Group's cost of sales mainly comprises of (i) direct labour costs incurred for the provision of the Group's demolitions works; (ii) depreciation of the Group's machinery and equipment; (iii) raw materials, consumables and other overheads; and (iv) subcontractor charges. The following table sets out the breakdown of the Group's direct costs during 1H2020 and 1H2019.

	6 months ended 30 June	
	2020	2019
	S$'000	*S$'000*
Direct labour costs	**1,197**	1,706
Depreciation	**1,816**	1,693
Raw materials, consumables and other overheads	**2,363**	2,758
Subcontractor charges	**2,138**	2,976
Maintenance expenses	**609**	486
Transportation expenses	**529**	652
Other	**637**	603
Total cost of sales	**9,289**	10,874

The Group's cost of sales decreased from approximately S$10.9 million for 1H2019 to approximately S$9.3 million for 1H2020, representing a decrease of 14.6%, which is line with the decrease in revenue.

The decrease in cost of sales was mainly attributable to the decrease in the engagements with subcontractors due to the decrease in on-going projects and decrease in direct labour costs, as a result of the negative impact of the COVID-19 outbreak. This is in line with the decrease in revenue.

Consumption of raw materials and their costs may vary from project to project, as (i) the consumption of raw materials varies according to different types of works performed; and (ii) the cost of direct materials may be agreed to be borne by the Group or by its customers or subcontractors depending on the contract terms with different customers and subcontractors, resulting in fluctuations in the proportions of these costs from project to project.

Gross profit and gross profit margin

In line with the decrease in revenue, the Group's gross profit decreased by approximately S$11.6 million, from a profit of approximately S$6.0 million for 1H2019 to a loss of approximately S$5.6 million and for 1H2020, representing a decrease of approximately 193.3%. The Group's gross profit margin decreased from approximately 35.6% for 1H2019 to approximately negative 153.3% for 1H2020, respectively. The decrease in the Group's gross profit margin was mainly due to the combined effect of (i) the decrease in revenue as a result of the significant negative impact of COVID-19; and (ii) the significant amount of cost of sales required for maintaining staff and machinery during the delay or suspension of the Group's projects.

Administrative expenses

Administrative expenses primarily consisted of (i) staff costs; and (ii) depreciation costs in respect of the Group's property, office equipment and motor vehicles. The Group's administrative expenses for 1H2020 amounted to approximately S$3.8 million, representing a decrease of approximately S$1.0 million or 20.8% from approximately S$4.8 million for 1H2019. Such decrease was mainly attributable to the decrease in one-off listing expenses of approximately S$1.0 million.

Other income

During 1H2020, the Group's other income amounted to S$0.6 million as compared to approximately S$20,000 for 1H2019. The increase primarily resulted from an increase of approximately S$0.6 million received in government grants during 1H2020 for COVID-19 measures.

Finance costs

The Group recorded finance costs of approximately S$0.2 million for 1H2020 and S$0.3 million for 1H2019, representing a decrease of approximately S$0.1 million or 33.3%. The decrease was mainly due to the decrease in bank borrowings and lease liabilities.

Income tax expenses

During 1H2020, the Group recorded a tax credit in the amount of approximately S$0.1 million, representing a decrease of approximately S$0.1 million from approximately S$0.2 million for 1H2019. The Group did not incur any income tax expenses for 1H2020 as compared to 1H2019 since the Group incurred a loss before income tax in 1H2020.

Profit attributable to equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company for 1H2020 decreased by approximately S$10.1 million or 1,210.4% to be recorded as a loss of approximately S$9.3 million, compared with a profit of approximately S$0.8 million for 1H2019.

Capital structure, liquidity and financial resources

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of its debt and equity balance. The capital structure of the Group consists of debt, which includes borrowings and obligations under finance leases, net of bank deposits, bank balances, cash and equity attributable to the equity holders of the Group, comprising share capital and reserves. There has been no change in the capital structure of the Group since Listing. The Group has a solid financial position and continues to maintain a strong and steady cash inflow from internal generated funds, bank loans and other borrowings.

The Group adopts a prudent cash and financial management policy. The Group's cash, mainly denominated in Singapore dollars, are generally deposited with certain financial institutions.

As at 30 June 2020,

A. the Company's issued capital was HK$10,000,000 and the number of its ordinary shares was 1,000,000,000 shares of HK$0.01 each.

B. the Group had net current assets of approximately S$19.7 million as compared to S$27.0 million as at 31 December 2019, representing a substantial decrease of approximately S$7.3 million or 27.0%. The decrease was mainly attributable to (i) the decrease in contract related assets due to the suspension of demolition projects; (ii) the decrease in trade receivables and ; (iii) a decrease in the cash and cash equivalents.

C. the Group had cash and cash equivalents of approximately S$8.6 million as compared to S$14.1 million as at 31 December 2019. During 1H2020, the cash was used primarily for working capital purposes.

D. the Group's total equity attributable to equity holders of the Company amounted to approximately S$42.2 million as compared to approximately S$51.5 million as at 31 December 2019, and the Group's total debt amounted to approximately S$16.8 million as compared to approximately S$19.8 million as at 31 December 2019. The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

Gearing ratio

The gearing ratio is calculated based on dividing the obligations under borrowings and lease liabilities by total equity, multiplied by 100% as at the respective reporting date. As at 30 June 2020, the Group recorded a gearing ratio of approximately 29.4% (31 December 2019: 27.1%).

Treasury policies

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The Company's bank borrowings are all denominated in S$ and have been arranged on a floating-rate basis. It is the Company's policy not to enter into derivative transactions for speculative purposes. The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

Contingent liabilities

As at 30 June 2020, the Group had no significant contingent liabilities or outstanding litigation (31 December 2019: nil).

Capital commitment

As at 30 June 2020, the Group did not have any capital commitments (31 December 2019: nil).

Material acquisitions or disposals

During 1H2020, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

Future plans for material investments or capital assets

The Group did not have specific plans for material investments or capital assets in the coming year as at 30 June 2020.

Employee information and remuneration policy

As at 30 June 2020, the Group had a total of 130 employees, being the same number of employees as at 31 December 2019. All of the executive Directors and employees are located in Singapore and Hong Kong. The remuneration offered to employees generally includes salaries and bonus and are determined with reference to market norms and individual employees' performance, qualifications and role. The Company has adopted a share option scheme under which options may be granted to Directors and eligible employees as in incentive.

The remuneration, bonuses and other compensation payable of the Directors are determined by the Remuneration Committee, having regard to the Company's operating results, responsibilities and individual performance of directors.

Results and Interim Dividend

The Group's loss for 1H2020 and the Group's financial position are set out in the condensed consolidated financial statements on pages 1 to 3 of this announcement.

The Board does not recommend the payment of an interim dividend for the period ended 1H2020.

Significant investment held

As at 30 June 2020, save as disclosed in this interim report, there were no material investments held by the Group (31 December 2019: nil).

Charge of the Group's assets

As at 30 June 2020, the leasehold land and building of the Group with carrying amounts of approximately S$6.1 million (31 December 2019: S$6.3 million) were mortgaged to licensed banks as security for credit facilities granted to the Group.

Foreign currency exposure

The Group operates in Singapore and most of its income and expenditures are denominated in S$, being the functional currency of the Company. The Group has exposure to foreign exchange risk as a result of cash and cash equivalents, trade receivables, deposits, prepayments and other receivables, trade and other payables denominated in the United States dollar ("**US$**") and Hong Kong dollar ("**HK$**").

The Group's exposure to other foreign exchange movements is not material. The Group will continue to monitor its foreign currency exposure closely and consider hedging significant foreign currency exposure should the need arise.

USE OF PROCEEDS FROM LISTING

On the Listing Date, the issued shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). A total of 250,000,000 ordinary shares were issued to the public at a price of HK$0.5 per share for net proceeds of approximately HK$77.5 million after the deduction of related listing expenses. These proceeds were utilised in accordance with the proposed allocation set out in the Prospectus.

Set out below are details of the allocation of the net proceeds, the utilised amount of the net proceeds during 1H2020:

Use of Net Proceeds	**Approximate Percentage of Total Amount**	**Proposed Allocation of Actual Net Proceeds** *HK$'000*	**Approximate Amount utilized as at the beginning of 1H2020** *HK$'000*	**Approximate Amount utilized as at the end of 1H2020** *HK$'000*	**Approximate Unused Net Proceeds as at the end of 1H2020** *HK$'000*
Enhancing the machinery fleet by acquiring excavators with different capacities including one unit of 48.5-metre high-reach excavator and attachments to excavators	66%	51,200	16,800	17,767	33,433
Repaying the bank borrowing bearing interest rate at approximately 2.9% per annum and maturing in 2019, the proceeds from borrowing were used as working capital	17%	13,500	13,500	13,500	–
Expanding the labour force by recruiting additional staff, including project management and project execution staff in the three years ending 31 December 2021	12%	9,100	–	–	9,100
Engagement of professional consultant to review the internal management systems for the purpose of the registration for B1 grade under the CW02 "Civil Engineering" workhead	3%	2,200	–	–	2,200
Group's general working capital	2%	1,500	–	1,500	–

As at the end of 1H2020, the amount of the net proceeds which remained unutilised amounted to approximately HK$44.7 million. The remaining unutilised net proceeds are expected to be utilised within 2 years up to 31 December 2021 for the following purposes:

- acquisition of property, plant and equipment
- application costs, including professional fees etc. for upgrading the "CW02, Civil Engineering" workhead from C1 grade to B1 Grade
- recruitment of new staff

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

There is no transaction which falls within the disclosure requirements under Rules 13.18 and 13.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the end of 1H2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the shares and underlying shares of associated corporation of the Company

(i) Long positions in the Shares

Name	**Capacity/Nature of interest**	**Number of Shares** *(Note 1)*	**Percentage of shareholding in the Company**
Mr. Tan Chee Beng	Interest in a controlled corporation *(Note 2)*; Interest of spouse *(Note 3)*	605,600,000 Shares (L)	60.56%
Mr. Cheung Kam Fai	Interest in a controlled corporation *(Note 4)*	75,900,000 Shares (L)	7.59%

Notes:

1. The letter (L) denotes the person's long position in such Shares.

2. Mr. Tan beneficially owns all of the issued shares of TCB Investment Holdings Limited ("**TCB**"), which in turn holds 44.17% of the Shares. Therefore, Mr. Tan is deemed, or taken to be, interested in the Shares held by TCB for the purposes of the SFO. Mr. Tan is a director of TCB.

3. Mr. Tan is the spouse of Ms. Lee Peck Kim ("**Ms. Lee**"), who holds 16.39% of the Shares. Accordingly, Mr. Tan is deemed, or taken to be, interested in the Shares which Ms. Lee is interested in for the purpose of the SFO.

4. Mr. Cheung Kam Fai beneficially owns 50% of the issued shares of Prosperity Delight Limited ("**Prosperity Delight**"), which in turn holds 7.59% of the Shares. Therefore, Mr. Cheung Kam Fai is deemed, or taken to be interested in the Shares held by Prosperity Delight for the purposes of the SFO. Mr. Cheung Kam Fai is a director of Prosperity Delight.

(ii) Long position in the share of associated corporation

Name	Name of associated corporation	Capacity/ Nature of interest	Number of Shares held/ interested *(Note 1)*	Percentage of shareholding in the associated corporation
Mr. Tan Chee Beng	TCB	Beneficial owner	100	100%
Mr. Cheung Kam Fai	Prosperity Delight	Beneficial owner	2	50%

Note:

1. As at the end of the 1H2020, the total number of issued shares of TCB and Prosperity Delight were 100 and 4 respectively.

Save as disclosed above, as at the end of 1H2020, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as known to the Directors or chief executive of the Company, as at the end of 1H2020, the following corporates and persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in Shares

Name	Capacity/nature of interest	Number of Share held/ interested	Percentage of shareholding
TCB	Beneficial owner	441,700,000	44.17%
K Luxe Holdings Limited ("**K Luxe**")	Beneficial owner	163,900,000	16.39%
Ms. Lee	Interest in controlled corporation *(Note 1)* Interest of spouse *(Note 2)*	605,600,000	60.56%
Prosperity Delight	Beneficial owner	75,900,000	7.59%

Notes:

(1) Ms. Lee beneficially owns all of the issued shares of K Luxe, which in turn holds 16.39% of the Shares. Therefore, Ms. Lee is deemed, or taken to be, interested in the Shares held by K Luxe for the purposes of the SFO.

(2) Ms. Lee is the spouse of Mr. Tan. Accordingly, Ms. Lee is deemed, or taken to be, interested in the Shares which Mr. Tan is interested for the purposes of the SFO.

Save as disclosed above, as at the end of 1H2020, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the shares of the Company or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, at no time during 1H2020 was the Company, its holding company or any of its subsidiaries, a party to any arrangements which enable the Directors and the chief executives of the Company to acquire benefits by means of an acquisition of Shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during 1H2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor the controlling Shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) in the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group during 1H2020 and up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

During 1H2020, no purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries.

SHARE OPTION SCHEME

The Company has conditionally approved and adopted the share option scheme (the "**Share Option Scheme**") on 15 October 2019 (the "**Adoption Date**") which shall remain in force for a period of ten years commencing on the Adoption Date and expire at the close of business on the business day immediately preceding the tenth anniversary thereof. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group (the "**Eligible Persons**") and to promote the success of the business of the Group.

As at the end of 1H2020, the total number of shares of the Company (the "**Shares**") available for issue under the Share Option Scheme is 100,000,000 Shares, representing 10% of the issued share capital of the Company. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme and there was no share option outstanding as at the end of 1H2020.

CORPORATE GOVERNANCE

The Board recognises the importance of good corporate governance in management and internal procedures so as to achieve effective accountability and to protect and enhance Shareholders' value. Committed to upholding good corporate standards and procedures in the best interests of its Shareholders, the Company has adopted the principles and all the relevant code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "**CG Code**").

To the best of the knowledge of the Board, the Company has complied with the CG Code during 1H2020. The Board will periodically review the Company's corporate governance functions and will continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

DEVIATION FROM A.1.8 OF THE CG CODE

Under the code provision of A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against the Directors. The Company did not arrange the appropriate insurance in this respect during 1H2020 but has already applied for the same, which has been in effect since 6 August 2020.

DEVIATION FROM A.2.1 OF THE CG CODE

Under paragraph A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer of a company should be separate and should not be performed by the same individual. Mr. Tan is currently the Chairman of the Board and the chief executive officer (the "**CEO**") of the Group and primarily responsible for the day-to-day management of the Group's business. In view of the fact that Mr. Tan has been operating and managing our Group since its establishment, the Board believes it is in the best interests of the Group to have Mr. Tan take up both roles of effective management and business development. The Directors consider that vesting the roles of the chairman of the Board and chief executive officer in the same person facilitates the execution of the Group's business strategies and decision making, and maximises the effectiveness of the Group's operation. The Directors also believe that the presence of three independent non-executive directors ("**INEDs**") provides added independence to the Board, and that the Board is appropriately structured to maintain the balance of power and to provide sufficient checks to protect the interests of the Company and its Shareholders. The Directors shall review the structure from time to time and consider an adjustment should it become appropriate.

The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises four executive Directors (including Mr. Tan), one non-executive Director, and three INEDs and therefore has a fairly strong independence element in its composition.

MODEL CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code to the Listing Rules as its own code of conduct regarding Directors' transactions in securities of the Company. Having made specific enquiries with the Directors, all the Directors confirm that they have complied with the required standard set out in the Model Code during 1H2020.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the provisions of Part XIVA of SFO and the Listing Rules relating to the disclosure of inside information to the public. The Company has adopted the Model Code to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited its Directors and employees from the unauthorized use of confidential or inside information for the advantage of oneself or others. Any inside information and any information, which may potentially constitute inside information is promptly identified, assessed and escalated to the Board for its determination on the need for disclosure. Inside information and other information which are required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors, namely Mr. Leung Yau Wan John, Mr. Wee Chorng Kien and Mr. Leung Kee Wai. The chairman of the Audit Committee, Mr. Leung Yau Wan John, possesses the appropriate professional qualifications and financial expertise for the purposes of compliance with the requirements of rule 3.21 of the Listing Rules.

The interim financial results of the Group for the six months ended 30 June 2020 are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

By Order of the Board
BENG SOON MACHINERY HOLDINGS LIMITED
TAN CHEE BENG
Chairman and Chief Executive Officer

Hong Kong, 31 August 2020

As at the date of this announcement, the Company's Board of Directors comprises the following members: (a) Mr. Tan Chee Beng (who is also the Chairman and Chief Executive Officer of the Company), Mr. Tan Wei Leong, Ms. Tang Ling Ling and Mr. Wang Dongfeng as Executive Directors; (b) Mr. Cheung Kam Fai as Non-executive Director; and (c) Mr. Wee Chorng Kien, Mr. Leung Kee Wai and Mr. Leung Yau Wan John as Independent Non-executive Directors.