Chuan Holdings Limited
川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the audited consolidated results of Chuan Holdings Limited (the "**Company**") and its subsidiaries (together referred to as "**the Group**" or "**Our Group**" or "**we**") for the year ended 31 December 2018 (the "**Year**"or "**2018**"). The audited consolidated results of the Company have been reviewed by the Company's audit committee.

The Board does not recommend the payment of any final dividend for the Year.

FINANCIAL RESULTS

The Group has recorded a revenue of approximately S$93.5 million (31 December 2017: approximately S$87.3 million) during the year ended 31 December 2018, representing a 7.1% year-on-year increase. Leveraging its vast experience and expertise, the Group successfully secured two particularly sizable projects in 2018, namely the Deep Tunnel Sewerage System project which was valued at approximately S$15.3 million for the earthworks and ancillary services segment; and the upgrading project by the Housing and Development Board with an aggregate contract value of approximately S$22.5 million for the general construction works segment, respectively.

* *For identification purposes only*

In order to enhance competitiveness as well as capacity in securing more projects amidst intense competition, the Group allocated more resources to acquire machineries. Together with the additional investment in renting additional lorries and machineries for meeting the tight schedules of certain projects, the operational costs increased and undermined the overall profit of the Group. As a result, gross profit of the Group dropped by approximately 21.7% to approximately S$8.7 million for the year ended 31 December 2018 (31 December 2017: approximately S$11.2 million). Gross profit margin was approximately 9.3% for the year ended 31 December 2018 (31 December 2017: approximately 12.8%). Net profit and net profit margin were approximately S$3.1 million (31 December 2017: approximately S$5.6 million) and approximately 3.3% for the year ended 31 December 2018 (31 December 2017: approximately 6.4%) respectively.

BUSINESS REVIEW

Group strategies

Singapore achieved a mild economic growth in 2018, yet the development of the construction industry was undermined by the stagnation in public construction activities and the government's policies to curb the steep rise in private property price. Nonetheless, the Group's continued persistence in raising operational efficiency and refining resource allocation has strengthened our ability in securing valuable projects and generating revenue, thereby increasing the Group's revenue in both earthworks and ancillary services and general construction businesses in 2018 amid unfavourable market environment.

While the Group continued to place more focus on the earthworks and ancillary services segment, the revenue in the general construction works segment also increased due to our strategic tendering approach. In order to enhance the performance of earthworks and ancillary services segment, the Group did not hesitate to allocate or acquire more resources, such as replenishing with advanced equipment and recruiting experienced staff. The Group believes that these efforts have boosted our competitiveness in tendering profitable projects and thus our revenue of this segment.

Leveraging its rich experience and expertise, the Group successfully secured two notably sizable projects in 2018, namely the Deep Tunnel Sewerage System project and the upgrading project by the Housing and Development Board, with a contract of approximately S$15.3 million and approximately S$22.5 million, respectively. The success in securing two mega projects is a testimonial of the Group's competence and helps to reinforce its market position.

Group revenue sector

Earthworks and ancillary services

Given that this segment was the primary income source of the Group, which accounted for approximately 82% of its total revenue, the Group is determined to improve the segment performance. Consequently, the Group made attempts to tender for earthworks projects as a main contractor in order to boost its income, which resulted in a growth of approximately 7.3% in segmental revenue to approximately S$76.8 million during the Year.

Utilising the Group's professional competence and extensive experience, the Group secured 26 new projects with a total contract value of approximately S$57.9 million during the year ended 31 December 2018. That included a sizable public project in this segment, namely the Deep Tunnel Sewerage System project worth approximately S$15.3 million.

As a measure to strengthen its competitiveness, the Group doubled its efforts in expanding its operational capacity in this segment through increasing the expenditure on acquiring more lorries and machineries, totaling approximately S$12.2 million. Nevertheless, owing to the increased consumption of diesel arising from the additional machineries and the rise in diesel price, the cost for diesel consumption increased by approximately 31% or approximately S$1.6 million from approximately S$5.2 million to approximately S$6.8 million, thereby causing a decline of approximately 10.7% in segmental profit to approximately S$8.6 million from approximately S$9.6 million for the year ended 31 December 2017.

The Group had a total of 82 ongoing earthworks and ancillary services projects as at 31 December 2018; and had also secured 7 new earthworks and ancillary services project since 1 January 2019, with a total contract value of approximately S$90.7 million.

General construction works

For the year ended 31 December 2018, revenue in the general construction works segment has increased to approximately S$16.6 million, representing an increase of approximately 6.2% from approximately S$15.7 million for the year ended 31 December 2017. The general construction works segment contributed approximately 18% of the Group's total revenue.

With its major focus on the earthworks and ancillary services segment, the Group reserved resources and focused on tendering for sizable projects in general construction works segment. In particular, the Group was awarded with an upgrading project with a contract value of approximately S$22.5 million by the Housing and Development Board during the Year.

However, the weakness in the public sector construction activities and intensifying competition in the construction industry squeezed profit margins of the projects during the Year. The Group recorded a slight drop of approximately S$36,000 or 4.8% in the segmental profit from approximately S$753,000 for the year ended 31 December 2017 to approximately S$717,000 in 2018.

The Group obtained 6 new general construction works projects with a total contract value of approximately S$22.7 million for the year ended 31 December 2018, and had 10 ongoing general construction works projects as at 31 December 2018.

FINANCIAL REVIEW

Results for the Year

Revenue and segment results

	2018		2017	
	Revenue	**Segment results**	Revenue	Segment results
	S$'000	***S$'000***	*S$'000*	*S$'000*
Earthworks and ancillary services	**76,827**	**8,556**	71,601	9,578
General construction works	**16,649**	**717**	15,680	753
Total	**93,476**	**9,273**	87,281	10,331

Benefited from the increased number of projects due to the step up efforts of the Group in project tendering, the revenue in 2018 has increased from approximately S$87.3 million in 2017 to approximately S$93.5 million, representing an increase of approximately 7.1%.

Earthworks and ancillary services

The Group has continued its major focus on nurturing earthworks and ancillary services as this segment usually generates better margin. In order to generate more income, the Group has doubled its efforts in tendering for projects as a main contractor during the year. As a result, the revenue in the earthworks and ancillary services segment increased by approximately S$5.2 million or 7.3% from approximately S$71.6 million for the year ended 31 December 2017 to approximately S$76.8 million for the year ended 31 December 2018. The revenue contribution from this segment to the Group's total revenue remained steady at approximately 82%.

Due to the significant increase in diesel cost in 2018 as compared to 2017, the segmental profit has reduced to approximately S$8.6 million, an approximately 10.7% decrease compared to last year (31 December 2017: approximately S$9.6 million).

As at 31 December 2018, the Group had 82 ongoing earthwork and ancillary projects (31 December 2017: 92 projects), with an aggregate contract sum of approximately S$216.0 million (31 December 2017: approximately S$193.3 million). The Group has also secured 7 new earthworks projects since 1 January 2019.

General construction works

Despite the Group's focus on the earthworks and ancillary services segment, the general construction works segment was by no means neglected. The revenue in this segment has risen by approximately S$1.0 million or 6.2% to approximately S$16.6 million for the year ended 31 December 2018 from approximately S$15.7 million for the year ended 31 December 2017. The increase in revenue was resulted from the Group's success in tendering sizable projects in this segment.

The segmental profit of general construction works recorded for the year ended 31 December 2018 was approximately S$717,000 (31 December 2017: approximately S$753,000), which accounted for 18% of total revenue of the Group. The adjustment in the segmental profit was resulted from the Group's strategy in lowering the bid price to secure new general construction works projects due to keen market competition.

The Group secured 6 new general construction works projects (31 December 2017: 9 new projects) with a total contract value of approximately S$22.7 million during the year ended 31 December 2018 (31 December 2017: approximately S$20.3 million) and had 10 ongoing general construction works projects as at 31 December 2018 (31 December 2017: 13 ongoing projects).

Gross profit and gross profit margin

Due to the increase in the expenditure for diesel and renting additional lorries for business operation, the gross profit decreased to approximately S$8.7 million for the year ended 31 December 2018; representing an approximately 21.7% decrease from approximately S$11.2 million for the year ended 31 December 2017. Thereby, the gross profit margin also recorded a modest drop to approximately 9.3% for the year ended 31 December 2018 (31 December 2017: approximately 12.8%).

Administrative and other operating expenses

For the year ended 31 December 2018, administrative and other operating expenses slightly increased by approximately S$377,000 or 6.3%, from approximately S$6.0 million for the year ended 31 December 2017 to approximately S$6.4 million. The increase was primarily due to the increase in staff costs and professional fee.

Other income and gains

For the year ended 31 December 2018, other income and gains increased by approximately S$1,003,000 or 51.6%, from approximately S$1.9 million for the year ended 31 December 2017 to approximately S$2.9 million. The increase was primarily due to the significant increase in bad debts recovered and sales of scrap materials and consumables, which amounted to approximately S$1.5 million and approximately S$241,000 respectively.

Other expenses

For the year ended 31 December 2018, other expenses decreased by approximately 12.9%, from approximately S$1.1 million for the year ended 31 December 2017 to approximately S$922,000; primarily attributable to decrease in the amount of bad debts.

Finance costs

For the year ended 31 December 2018, finance costs increased by approximately S$162,000 or 49.8%, from approximately S$325,000 for the year ended 31 December 2017 to approximately S$487,000 as interest on finance leases for financing capital expenditure grew higher given that the capital expenditure has increased meanwhile the interest rate remained stable.

Income tax expense

For the year ended 31 December 2018, income tax expense increased from approximately S$170,000 to approximately S$846,000 due to the reduction in over provision for prior year from approximately S$375,000 to S$28,000 and deferred tax charged to profit and loss for the year amounted to approximately S$294,000. Further, the expiry of the Productivity and Innovation Credit Scheme in 2017 has also contributed to the increase in tax expense as the machineries purchased by the Group could no longer entitle enhanced tax reduction.

Profit for the Year and net profit margin

Influenced by the factors above, the Group recorded a profit for the Year of approximately S$3.1 million (31 December 2017: approximately S$5.6 million). Meanwhile the net profit margin was approximately 3.3% for the Year (31 December 2017: approximately 6.4%).

Earnings per share

For the year ended 31 December 2018, the basic earnings per share was S$0.29 cents, the calculation was based on the profit attributable to owners of the Company of approximately S$3,055,000 and the weighted average number of 1,036,456,000 ordinary shares in issue during the Year.

For the year ended 31 December 2017, the basic earnings per share was S$0.54 cents, the calculation was based on profit attributable to owners of the Company of approximately S$5,557,000 and the weighted average number of 1,037,282,619 ordinary shares in issue during the year.

Dilutive earnings per share was the same as the basic earnings per share because the Group had no diluted potential shares during the years ended 31 December 2018 and 2017.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

The Group managed to meet its working capital requirements and maintained a healthy financial position from funds generated internally. The Group depended on internal generated funds and borrowings as the major sources of liquidity.

Cash flows analysis

The table below summaries the Group's cash flows for the years ended 31 December 2017 and 2018:

	2018	2017
	S$'000	*S$'000*
Net cash generated from/(used in) operating activities	**9,216**	(7,591)
Net cash (used in)/generated from investing activities	**(3,772)**	5,094
Net cash used in financing activities	**(3,624)**	(2,748)

Operating activities

For the year ended 31 December 2018, the Group generated net cash inflow from operating activities of approximately S$9.2 million (31 December 2017: net cash outflow in operating activities of approximately S$7.6 million).

The approximately S$2.7 million difference between the operating profit before working capital changes and net cash generated from operating activities was mainly attributable to (i) the decrease in contract assets of approximately S$3.6 million; (ii) the decrease in trade receivables of approximately S$2.3 million; (iii) the increase in deposits, prepayments and other receivables of approximately S$524,000; (iv) the decrease in contract liabilities of approximately S$257,000; (v) the decrease in trade payables of approximately S$3.7 million; and (vi) the decrease in other payables, accruals and deposits received of approximately S$3.4 million.

Investing activities

For the year ended 31 December 2018, the net cash used in investing activities was approximately S$3.8 million (31 December 2017: net cash inflow in investing activities of approximately S$5.1 million), mainly attributable to (i) the purchase of property, plant and equipment of approximately S$3.1 million; (ii) the purchase of finance assets at fair value through other comprehensive income amounting to approximately S$1.9 million; and (iii) the purchases of finance asset at amortised costs of approximately S$1.3 million.

Financing activities

For the year ended 31 December 2018, the net cash used in financing activities was approximately S$3.6 million (31 December 2017: net cash outflow in financing activities of approximately S$2.7 million), which was principally attributable to (i) the capital element of the finance lease obligations of approximately S$3.0 million; and (ii) the interest element on finance lease payments amounted to approximately S$484,000.

QUANTITATIVE & QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk

The Group's exposure to changes in interest rates was mainly attributable to bank deposits, pledged deposits, bank borrowings and finance lease obligations. The cash flow interest rate risk was mainly concentrated on fluctuations associated with bank borrowings with floating rate, which represent prime rate plus margin per annum and variable rate bank balances. Finance lease obligations and bank borrowings issued at fixed rates exposed the Group to fair value interest-rate risk. For the year ended 31 December 2018, the effective interest rate on fixed-rate borrowings was approximately 2.1% to 5.3% per annum.

Foreign currency risk

The Group's transactions were mainly denominated in S$ which was the functional currency of the principal subsidiary. The Group was mainly exposed to the foreign currency risk of HK$ and US$. The Group currently did not have a foreign currency hedging policy. However, management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure if deemed necessary.

Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and the financial guarantees provided by the Group was primarily attributable to trade and other receivables, pledged deposits, cash and cash equivalents and the contingent liabilities in relation to guarantee issued by the Group.

The Group entered into trading transaction only with the recognised and reputable third parties. Before accepting any new contracts, evaluations were considered on the customer's past history of making payments when due and current ability to pay, and we took into account information specific to the customer as well as pertaining to the economic environment in which the customer operated. Normally, the Group does not obtain collateral from customers.

The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

The Group monitored and maintained a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relied on the proceeds from the global offering, internally generated funding and borrowings as significant sources of liquidity. The Group also monitored the utilisation of borrowings and ensured compliance with loan covenants.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had 504 (2017: 506) employees, including foreign workers.

The employees of the Group were remunerated according to their job duties. All employees were also entitled to discretionary bonus depending on their respective performance. The foreign workers were typically employed on one year basis depending on the period of their work permits, and subject to renewal based on their performance and were remunerated according to their work skills.

Total staff costs including Directors' emoluments amounted to approximately S$20.0 million for the year ended 31 December 2018 (31 December 2017: approximately S$18.6 million).

Use of proceeds

The net proceeds from the global offering was approximately S$26.5 million (after deducting underwriting fees, commissions and listing expenses), out of which approximately S$14.1 million had been utilised as at 31 December 2018.

Intended applications	Net proceeds	1st re-allocation	Further re-allocation	Amount utilised as at 31 December 2018	Balance as at 31 December 2018
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
Purchase of excavation machines and tipper trucks	11,129	–	6,607	6,911	10,825
Purchase of softwares	2,085	–	–	502	1,583
Secure earth filling projects	6,607	(6,607)	–	–	–
Expand workforce	4,414	–	–	4,414	–
Working capital	2,247	–	–	2,247	–
Acquisition	–	6,607	(6,607)	–	–
	26,482	–	–	14,074	12,408

The balance of net proceeds is deposited in licensed financial institutions in Hong Kong.

Borrowings and gearing ratio

As at 31 December 2018, the aggregate of current and non-current bank borrowings and finance lease obligations of the Group was approximately S$19.4 million (31 December 2017: approximately S$13.4 million). As the Group did not have any current and non-current bank borrowings for the year ended 31 December 2018, the increase was primarily due to the increase in finance lease obligations; which is in line with the increase in the Group's expenditure for purchasing additional machineries and equipment. As at 31 December 2018, we had unutilised credit facilities of approximately S$19.5 million (31 December 2017: approximately S$20.8 million).

As at 31 December 2018, the Group's gearing ratio was approximately 0.21 times (31 December 2017: approximately 0.15 times). Gearing ratio was calculated by dividing total borrowings (bank borrowings and finance lease obligations) by total equity as at the end of the respective year.

Cash & cash equivalents

As at 31 December 2018, the Group had cash and cash equivalents of approximately S$36.7 million (31 December 2017: approximately S$34.3 million). The Group had cash and cash balances of approximately S$40.0 million, but the amount was reduced by pledge for the guarantee arrangement and issuance of performance bonds; along with the banking facilities including letter of credit, overdraft and banking guarantee of approximately S$20.5 million.

Foreign exchange exposure

As the Group mainly operated in Singapore, most transactions arising from its businesses were generally settled in Singapore Dollars which was the functional currency of the Group. Aside from a portion of the cash and cash equivalents generated from the global offering was denominated in Hong Kong Dollars and a small portion denominated in United States Dollars, the Group was not exposed to any significant foreign currency risk nor had employed any financial instrument for hedging.

Charges on Group's assets

As at 31 December 2018, the Group's banking facilities were secured by (i) the pledge of the Group's deposits of approximately S$3.3 million (31 December 2017: approximately S$3.3 million); and (ii) the investment property of the Group with net book amount of approximately S$1.3 million (31 December 2017: approximately S$1.3 million), while the Group's finance lease obligations were secured by the charge over the leased assets of net book value of approximately S$23.0 million (31 December 2017: approximately S$15.3 million).

Contingent Liabilities

As at 31 December 2018, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$8.8 million (31 December 2017: approximately S$7.2 million).

Capital expenditures and capital commitments

For the year ended 31 December 2018, the Group invested approximately S$12.7 million in the purchase of property, plant and equipment, which was mainly funded by finance lease obligations and proceeds from the Global offering.

As at 31 December 2018, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$3.1 million (31 December 2017: approximately S$4.4 million).

As at 31 December 2017, the Group's capital commitments in respect of acquisition of a company amounted to approximately S$65.9 million.

Significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures

The proposed acquisition agreement on the purchase of the entire issued share capital of Cosmic Achiever Holdings Limited at a consideration of RMB380,000,000 (the "**Acquisition**") has lapsed on 31 December 2018, as certain conditions were not fulfilled.

The first refundable deposit of RMB60,000,000 (the "**First Deposit**") will be returned to the Group by the Vendor on or before 31 March 2019. The amount of S$6,607,000 which was originally designated to be the partial settlement of the second refundable deposit (the "**Second Deposit**") was reallocated for the purpose of acquiring excavation machines and tipper trucks.

The Board considers that the lapse of the Acquisition has no material adverse impact on the business or financial position of the Group and the Shareholders as a whole.

Off-balance sheet transactions

As of 31 December 2018, the Group did not enter into any material off-balance sheet transactions.

Shares Option Scheme

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to the written resolutions of the Shareholders of the Company passed on 10 May 2016. The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants, as incentives or rewards for their contribution to the Group. As at 31 December 2018, no options had been granted or agreed to be granted pursuant to the Share Option Scheme.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

Prospects

As one of the most export-reliant nations in Asia, Singapore's growth prospects are closely tied to the outlook for the global economy and trade. Major uncertainties in the global economy linger over trade conflicts between China and the US, the two economic powerhouses, and mounting fears of no-deal Brexit, whilst the financial market has been rattled and dragged by anxious investor sentiment. Notwithstanding, the Building and Construction Authority anticipates the construction industry to recover from a challenging three-year spell of industry contraction and forecasts a positive total construction demand in 2019 as a result of the pick-up in the public sector construction demand attributable to the increase in public residential developments and the upcoming large infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5. Hence, the Group is optimistic about the performance of the construction sector, while being watchful for the potential impact of an economic downturn.

The Group will continue to develop and expand its two core businesses, namely earthworks and ancillary services and general construction works, by furthering its investment in the purchase of tipper trucks and excavators. Benefited from such investment, the Group has successfully secured valuable new projects including the Tuas Water Reclamation project of approximately S$73.1 million. In addition, the Group will make use of the net proceeds from its global offering to increase its competitiveness when tendering earthworks projects from government bodies as a main contractor.

Further, the Group is currently considering a joint venture arrangement with an A1 level contractor for the purpose of tendering for mega civil engineering and road works projects. The Group will also continue to seek for an upgrade in its general contractor grade from level B1 to A2 in order to raise its tendering limit from S$40 million to S$85 million.

Going forward, the Group will continue to pay close attention to any opportunity that will help boost its income, thus enhance the long-term development prospects of the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 S$'000	2017 S$'000
Revenue	5	**93,476**	87,281
Direct costs		**(84,743)**	(76,121)
Gross profit		**8,733**	11,160
Other income and gains	5	**2,947**	1,944
Administrative and other operating expenses		**(6,370)**	(5,993)
Other expenses		**(922)**	(1,059)
Finance costs	6	**(487)**	(325)
Profit before income tax	7	**3,901**	5,727
Income tax expense	8	**(846)**	(170)
Profit for the year attributable to owners of the Company		**3,055**	5,557
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Losses in revaluation of available-for-sale financial assets		**–**	(63)
Exchange differences arising on translation		**535**	(2,519)
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**(170)**	–
Other comprehensive income for the year, net of tax		**365**	(2,582)
Total comprehensive income for the year attributable to the owners of the Company		**3,420**	2,975
Earnings per share attributable to owners of the Company	10		
– Basic and diluted *(S$ cents)*		**0.29**	0.54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 *S$'000*	2017 *S$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**26,139**	21,314
Investment property		**1,334**	1,346
Other assets		**373**	373
Deposits and other receivables		**308**	346
Available-for-sale financial assets		**–**	1,957
Financial assets at fair value through profit or loss		**1,409**	–
Financial assets at fair value through other comprehensive income		**1,073**	–
Financial assets at amortised costs		**1,250**	–
Deferred tax assets		**–**	52
		31,886	25,388
Current assets			
Due from customers for contract work		**–**	21,862
Contract assets		**18,292**	–
Trade receivables	*11*	**20,142**	24,116
Deposits, prepayments and other receivables		**13,845**	13,543
Pledged deposits		**3,328**	3,307
Cash and cash equivalents		**36,664**	34,309
		92,271	97,137
Current liabilities			
Due to customers for contract work		**–**	2,381
Contract liabilities		**2,124**	–
Trade payables	*12*	**6,236**	9,970
Other payables, accruals and deposits received		**2,990**	6,078
Bank borrowings		**–**	62
Finance lease obligations		**13,941**	6,048
Income tax payable		**552**	632
		25,843	25,171
Net current assets		**66,428**	71,966
Total assets less current liabilities		**98,314**	97,354

	Notes	**2018**	2017
	Notes	***S$'000***	*S$'000*
Non-current liabilities			
Deposits received		**–**	11
Bank borrowings		**–**	65
Finance lease obligations		**5,415**	7,254
Deferred tax liabilities		**242**	–
		5,657	7,330
Net assets		**92,657**	90,024
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**1,807**	1,808
Reserves		**90,850**	88,216
Total equity		**92,657**	90,024

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital *S$'000*	**Share premium*** *S$'000*	**Treasury shares reserve*** *S$'000*	**Merger reserve*** *S$'000*	**Translation reserve*** *S$'000*	**Investment revaluation reserve*** *S$'000*	**Fair value through other comprehensive income reserve*** *S$'000*	**Retained profits*** *S$'000*	**Total** *S$'000*
At 1 January 2017	1,808	27,929	–	5,166	1,606	(348)	–	50,958	87,119
Transactions with owners:									
Shares repurchased	–	–	(70)	–	–	–	–	–	(70)
Profit for the year	–	–	–	–	–	–	–	5,557	5,557
Other comprehensive income									
Loss in revaluation of available-for-sale financial assets	–	–	–	–	–	(63)	–	–	(63)
Exchange differences arising on translation	–	–	–	–	(2,519)	–	–	–	(2,519)
Total comprehensive income for the year	–	–	–	–	(2,519)	(63)	–	5,557	2,975
At 31 December 2017 and 1 January 2018	**1,808**	**27,929**	**(70)**	**5,166**	**(913)**	**(411)**	**–**	**56,515**	**90,024**
Initial application of HKFRS 9	–	–	–	–	–	411	29	(1,227)	(787)
As restated	1,808	27,929	(70)	5,166	(913)	–	29	55,288	89,237
Share repurchased in prior year and cancelled in FY2018	(1)	(69)	70	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	–	–	3,055	3,055
Other comprehensive income									
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(170)	–	(170)
Exchange differences arising on translation	–	–	–	–	535	–	–	–	535
Total comprehensive income for the year	–	–	–	–	535	–	(170)	3,055	3,420
Transfer reserves to retained profits on disposal of financial assets at FVOCI	–	–	–	–	–	–	(29)	29	–
At 31 December 2018	**1,807**	**27,860**	**–**	**5,166**	**(378)**	**–**	**(170)**	**58,372**	**92,657**

* These reserve accounts comprise the consolidated reserves of approximately S$90,850,000 (2017: approximately S$88,216,000) in the consolidated statement of financial position as at 31 December 2018.

NOTES:

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 August 2015. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is located at 20 Senoko Drive, Singapore 758207.

The principal activity of the Company is investment holding. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. The Company had listed its shares on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 8 June 2016.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs effective 1 January 2018

The Group has applied the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are first effective and relevant for the Group's financial statements for the annual period beginning on 1 January 2018.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

A HKFRS 9 – Financial Instruments

(I) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves and retained profits as of 1 January 2018 as follows (increase/(decrease)):

	S$'000
Retained profits	
Retained profits as at 31 December 2017	56,515
Increase in expected credit losses ("**ECLs**") in trade receivables (note 2(a)A(II)(i) below)	(787)
Reclassify available-for-sale financial assets to financial assets at fair value through profit or loss ("**FVPL**") (note 2(a)A(I)(ii) below)	(440)
Restated retained profits as at 1 January 2018	55,288
Investment revaluation reserve	
Reserves balances at 31 December 2017	(411)
Reclassify available-for-sale financial assets to financial assets at FVPL (note 2(a)A(I)(ii) below)	440
Reclassify available-for-sale financial assets to financial assets at fair value through other comprehensive income ("**FVOCI**") (note 2(a)A(I)(i) below)	(29)
Restated reserves balance as at 1 January 2018	–
FVOCI reserve	
Reserves balances at 31 December 2017	–
Reclassify available-for-sale financial assets to financial assets at FVOCI (note 2(a)A(I)(i) below)	29
Restated reserves balance as at 1 January 2018	29

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at FVOCI; or (iii) FVPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVPL	FVPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (equity instruments)	Equity investments at FVOCI are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(i) As of 1 January 2018, certain investment in listed equity investments were reclassified from available-for-sale financial assets to financial assets at FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value of S$584,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gain of S$29,000 were reclassified from the investment revaluation reserve to FVOCI reserve on 1 January 2018.

(ii) In addition, investment in life insurance policy were reclassified from available-for-sale financial assets to financial assets at FVPL, as it does not meet the SPPI criterion. As such, investment in life insurance policy with a fair value of S$1,373,000 were reclassified from available-for-sale financial assets to financial assets at FVPL and the fair value loss of S$440,000 were reclassified from the investment revaluation reserve on 1 January 2018 to the retained profits.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** *S$'000*	**Carrying amount as at 1 January 2018 under HKFRS 9** *S$'000*
Listed equity investments	Available-for-sale (at fair value) *(note 2(a)A(I)(i))*	FVOCI	584	584
Investment in life insurance policy at fair value	Available-for-sale (at fair value) *(note 2(a)A(I)(ii))*	FVPL	1,373	1,373
Trade receivables	Loans and receivables *(note 2(a)A(II)(i))*	Amortised cost	24,116	23,329
Deposits and other receivables	Loans and receivables *(note 2(a)A(II)(iii))*	Amortised cost	434	434
Cash and cash equivalents	Loans and receivables	Amortised cost	34,309	34,309
Pledged deposits	Loans and receivables	Amortised cost	3,307	3,307

(II) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECLs model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs and contract assets earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVPL are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(i) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk as the trade receivables.

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were S$787,000.

The directors of the Company considered that the ECL for contract assets is insignificant as at 31 December 2017.

(ii) Impairment of debt investments

All of the Group's other debt investments at amortised costs recognised are considered to have low credit risk. No impairment is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

(iii) Impairment of other financial assets at amortised costs

Other financial assets at amortised cost of the Group include deposits and other receivables, pledged deposits and cash and cash equivalents. No impairment is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

(III) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

B HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method with practical expedient. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (i.e. 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The transition of HKFRS 15 had no impact on the opening balances of retained profits.

The following tables summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018. There was no material impact on the Group's consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018:

Impact on the consolidated statement of financial position as of 31 December 2018

	S$'000
Assets	
Current assets	
Contract assets *(note 2(a)B)*	18,292
Due from customers for contract work *(note 2(a)B)*	(18,292)
Total current assets	–
Total assets	–
Liabilities	
Current tax liabilities	
Due to customers for contract work *(note 2(a)B)*	(2,124)
Contract liabilities *(note 2(a)B)*	2,124
Total current liabilities	–
Total liabilities	–
Equity	–
Total equity	–

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
Provision of Earthworks and ancillary services and General construction works	For the performance obligation related to the provision of earthwork and general construction works, the Group determines that the customers controls all the work in progress when the earthwork and general construction work is provided. The work in progress is being enhanced during the terms of the contracts. For the earthwork ancillary services, the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. Therefore, revenue from these contracts are recognised over time. Invoices are issued according to contractual terms and are usually payable within 30 days. Uninvoiced amounts are presented as contract assets.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of HKFRS 15, the Group has to made reclassification from due from customers for contract works to contract assets since under HKFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise a contract asset. Upon the adoption of HKFRS 15, the Group has also made reclassification from due to customers for contract works to contract liabilities.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

Save as disclosed above, the adoption of these amendments has no impact on the Group's consolidated financial statements.

(b) New/amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective, and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] *Effective for annual periods beginning on or after 1 January 2019*

[2] *Effective for annual periods beginning on or after 1 January 2020*

[3] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.*

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Under HKAS 17, the Group has already recognised the assets and related finance lease obligations for finance lease arrangements for plant & machinery and motor vehicles where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

As at 31 December 2018, the Group has no non-cancellable operating lease arrangements under HKAS 17. The Group does not expect the application of HKFRS 16 would have material impact on the Group's consolidated financial statements and results of operations. The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met – instead of at FVPL.

Amendments to HKAS 28

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Save as disclosed elsewhere in the financial statements, the Group is in the process of making an assessment of the potential impact of these new pronouncements. The Directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group's financial performance and financial position upon application.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

4. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group determines its operating segments based on the reports reviewed by CODM that are used to make strategic decisions. Financial statements reported to the CODM, based on the following segments:

(i) Provision of earthworks and related services, mainly include excavation, earth disposal, demolition and various ancillary services (collectively referred as "**Earthworks & ancillary services**"); and

(ii) Provision of general construction works, mainly include construction of new buildings, alternation and addition works (collectively referred as "**General construction works**").

(a) Segment revenue and results

Segment revenue below represents revenue from external customers. There were no inter-segment revenue during the years ended 31 December 2018 and 2017. Operating revenue, direct costs, gain on disposals of property, plant and equipment (including plant and machinery and motor vehicles), interest expenses on finance leases, provision for impairment of trade receivables and bad debts recovered, are allocated to different segments to assess corresponding performance.

The segment revenue and results, and the totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements are as follows:

	Earthworks & ancillary services *S$'000*	General construction works *S$'000*	Total *S$'000*
Year ended 31 December 2018			
Revenue from external customers	**76,827**	**16,649**	**93,476**
Reportable segment results	**8,556**	**717**	**9,273**
Unallocated other income and gains			**1,001**
Corporate and other unallocated expenses			**(6,370)**
Interest on bank loans			**(3)**
Profit before income tax			**3,901**

	Earthworks & ancillary services *S$'000*	General construction works *S$'000*	Total *S$'000*
Year ended 31 December 2017			
Revenue from external customers	71,601	15,680	87,281
Reportable segment results	9,578	753	10,331
Unallocated other income and gains			1,396
Corporate and other unallocated expenses			(5,993)
Interest on bank loans			(7)
Profit before income tax			5,727

During the year ended 31 December 2018, the corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipment, operating lease expenses and other centralised administrative cost for the Group's headquarter (2017: directors' emoluments, employee benefits expenses, depreciation of office equipment, operating lease expenses and other centralised administrative cost for the Group's headquarter).

(b) Segment assets and liabilities

The following is an analysis of the Group's segment assets by reportable and operating segment:

Reportable segment assets

	As at 31 December	
	2018	2017
	S$'000	*S$'000*
Earthworks & ancillary services	**54,923**	56,632
General construction works	**9,292**	10,623
Total	**64,215**	67,255
Additions to non-current segment assets		
Earthworks & ancillary services	**12,233**	12,464
General construction works	**–**	–
Total	**12,233**	12,464

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	As at 31 December	
	2018	2017
	S$'000	*S$'000*
Reportable segment assets	**64,215**	67,255
Unallocated property, plant and equipment	**618**	383
Available-for-sale financial assets	**–**	1,957
Financial assets at FVPL	**1,409**	–
Financial assets at amortised cost	**1,250**	–
Financial assets at FVOCI	**1,073**	–
Investment property	**1,334**	1,346
Other assets	**373**	373
Deferred tax assets	**–**	52
Pledged deposits	**3,328**	3,307
Cash and cash equivalents	**36,664**	34,309
Corporate and other unallocated assets	**13,893**	13,543
Group assets	**124,157**	122,525

Corporate and other unallocated assets mainly included deposits, prepayments paid for operating leases and office expenses, other receivables due from related parties and vendor in respective of the deposit paid for acquisition of a company.

The following is an analysis of the Group's segment liabilities by reportable and operating segment:

Reportable segment liabilities

	As at 31 December	
	2018	2017
	S$'000	*S$'000*
Earthworks & ancillary services	**25,835**	20,525
General construction works	**1,881**	5,128
Total	**27,716**	25,653

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	As at 31 December	
	2018	2017
	S$'000	*S$'000*
Reportable segment liabilities	**27,716**	25,653
Bank borrowings	**–**	127
Deferred tax liability	**242**	–
Corporate and other unallocated liabilities	**3,542**	6,721
Group liabilities	**31,500**	32,501

Corporate and other unallocated liabilities mainly included accruals for employee benefit expenses, and payable of office operating expenses, and utilities.

(c) Other segment information

	Earthworks & ancillary services	**General construction works**	**Unallocated**	**Total**
	S$'000	***S$'000***	***S$'000***	***S$'000***
Year ended 31 December 2018				
Gain on disposals of property, plant and equipment	**478**	**–**	**18**	**496**
Depreciation of property, plant and equipment	**7,108**	**42**	**188**	**7,338**
Bad debts recovered	**1,468**	**–**	**–**	**1,468**
Provision for impairment of trade receivables	**921**	**1**	**–**	**922**
Finance costs	**483**	**1**	**3**	**487**

	Earthworks & ancillary services *S$'000*	General construction works *S$'000*	Unallocated *S$'000*	Total *S$'000*
Year ended 31 December 2017				
Gains on disposals of property, plant and equipment	486	–	–	486
Depreciation of property, plant and equipment	5,766	42	147	5,955
Bad debts recovered	62	–	–	62
Provision for impairment of trade receivables	1,040	19	–	1,059
Finance costs	314	4	7	325

(d) Geographical information

The Group's non-current assets are all based in Singapore. No geographical information is presented for the Group's business segment as the Group is principally engaged projects in Singapore.

(e) Revenue from customers for the year over 10% of the Group's total revenue is as follows:

	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
Customer A – attributable to Earthworks & ancillary services	**22,979**	n/a
Customer B – attributable to General construction works	**11,281**	n/a

n/a: Transactions during the year did not exceed 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

(a) Revenue, which is also the Group's turnover, represents revenue from Earthworks & ancillary services and General construction works. Revenue recognised from the principal activities during the year is as follows:

	Revenue from external customers	
	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
Earthworks & ancillary services *(note)*	**76,827**	71,601
General construction works	**16,649**	15,680
	93,476	87,281

The timing of revenue recognition for the year is as follows:

	2018	2017
	S$'000	*S$'000*
Transferred over time:		
Earthworks & ancillary services *(note)*	**76,827**	71,601
General construction works	**16,649**	15,680
	93,476	87,281

Note:

Earthworks & ancillary services include revenue of approximately S$71,780,000 from earthworks and approximately S$5,047,000 from earthwork ancillary services.

(b) An analysis of the Group's other income and gains during the year is as follows:

	2018	2017
	S$'000	*S$'000*
Other income		
Management service income	**160**	233
Interest income on financial assets carried at amortised cost	**98**	225
Bad debts recovered	**1,468**	62
Rental income from investment property	**105**	131
Dividend income from financial assets at FVOCI	**16**	–
Dividend income from available-for-sale financial assets	**–**	2
Sales of scrap materials and consumables	**241**	101
Change in fair value of financial assets at FVPL	**36**	–
Gain on disposal of financial assets at FVOCI	**120**	–
Others	**186**	241
	2,430	995
Gains		
Gain on disposals of property, plant and equipment	**496**	486
Net exchange gain	**21**	463
	2,947	1,944

6. FINANCE COSTS

	2018	2017
	S$'000	*S$'000*
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on finance leases	**484**	318
– Interest on bank loans wholly repayable within five years	**3**	7
	487	325

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2018	2017
	S$'000	*S$'000*
Auditor's remuneration	**234**	303
Depreciation of property, plant and equipment	**7,338**	5,955
Depreciation of investment property	**12**	12
Direct operating expenses arising from investment property that generated rental income	**19**	24
Net exchange gain	**(21)**	(463)
Operating lease rental expenses in respect of:		
– Office equipment and machineries	**16,337**	9,679
– Warehouses, premises, dormitories and workshops	**2,024**	1,724
	18,361	11,403
Employee benefit expenses (including directors' remuneration)		
– Salaries, wages and bonuses	**16,476**	15,579
– Defined contribution	**722**	642
– Other short-term benefits	**2,838**	2,377
	20,036	18,598
Provision for impairment of trade receivables	**922**	1,059

8. INCOME TAX EXPENSE

	2018	2017
	S$'000	*S$'000*
Current tax – Singapore income tax		
Tax for the year	**580**	632
Over provision for prior year	**(28)**	(375)
	552	257
Deferred tax		
Charged/(credit) to profit or loss for the year	**294**	(87)
Income tax expense	**846**	170

Singapore income tax has been provided at the rate of 17% on the estimated assessable profits.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2017: Nil).

9. DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 December 2018 (2017: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2018 is based on the profit attributable to owners of the Company of approximately S$3,055,000 (2017: approximately S$5,557,000) and on the weighted average number of 1,036,456,000 (2017: weighted average number of 1,037,282,619) ordinary shares in issue during the year.

Dilutive earnings per share is the same as the basic earnings per share because the Group has no diluted potential shares during the two years ended 31 December 2018 and 2017.

11. TRADE RECEIVABLES

	2018	2017
	S$'000	*S$'000*
Trade receivables	**16,112**	20,632
Retention receivables	**7,284**	6,497
	23,396	27,129
Less: Provision for impairment of trade receivables	**(3,254)**	(3,013)
	20,142	24,116

(a) Some construction contracts stipulate that the customers will withhold a portion of total contract sum (usually 5%) until a specified period (usually 1 year) after completion of the contract. Retention receivables is unsecured and interest-free.

(b) During the year, credit period granted to the Group's customers generally within 30 (2017: 30) days from invoice date of the relevant contract revenue.

(c) Based on invoice date, ageing analysis of the Group's trade receivables is as follows:

	2018	2017
	S$'000	*S$'000*
0 to 30 days	**5,856**	6,404
31 to 90 days	**4,149**	5,044
91 to 180 days	**1,230**	3,574
181 to 365 days	**1,798**	2,475
Over 365 days	**753**	775
	13,786	18,272
Retention receivables	**6,356**	5,844
	20,142	24,116

12. TRADE PAYABLES

	2018	2017
	S$'000	*S$'000*
Trade payables	**5,844**	9,250
Retention payables	**392**	720
	6,236	9,970

The Group's trade payables are non-interest bearing and generally have payment terms of 30 days.

Ageing analysis of trade payables, based on invoice date, is as follows:

	2018	2017
	S$'000	*S$'000*
0 to 30 days	**2,765**	5,312
31 to 90 days	**1,223**	2,498
91 to 180 days	**498**	451
Over 180 days	**1,750**	1,709
	6,236	9,970

LAPSE THE MAJOR TRANSACTION AND RE-ALLOCATION USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Reference made to the announcements of the Company dated 31 December 2018 and 23 January 2019, respectively; in relation of the lapse of the major transaction ("**Major Transaction**") (the details of "Major Transaction" please referred to the annoucements of the Company dated 11 December 2017, 20 December 2017, 3 January 2018, 9 January 2018, 7 February 2018, 29 March 2018, 11 May 2018, 11 June 2018, 11 July 2018, 11 October 2018 and 31 October 2018, respectively and the circular issued on 8 March 2018).

In light of the lapse of the Major Transaction, the second deposit for the Major Transaction is no longer necessary and accordingly the Board resolved to further re-allocate the net proceeds in the amount of approximately S$6,607,000, being the net proceeds previously re-allocated to secure earth filling project for partial settlement of the second deposit, for the purchase of excavation machines and tipper trucks.

The table below sets out the re-allocation of the net proceeds of the Global offering and the balance subsequent to the implementation of such changes:

Intended applications	**Net Proceeds (as disclosed in the Prospectus)**	**Balance as at 31 December 2018**	**Further re-allocation**	**Balance subsequent to the re-allocation**
	S$'000 (%)	*S$'000*	*S$'000*	*S$'000*
Purchase of excavation machines and tipper trucks	11,129 (42%)	4,218	6,607	10,825
Secure earth filling project	6,607 (25%)	–	–	–
Expand workforce	4,414 (17%)	–	–	–
Purchase of software	2,085 (8%)	1,583	–	1,583
Working capital	2,247 (8%)	–	–	–
Acquisition	–	6,607	(6,607)	–
	26,482	12,408	–	12,408

The Board considers that the re-allocation of the use of the net proceeds from the Global offering is in accordance with the use of proceeds as disclosed in the prospectus of the Company dated 25 May 2016 and is in the best interests of the Company and its shareholders as a whole.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the Year, 1,044,000 shares repurchased ordinary shares of the Company on October 2017 were cancelled on 8 January 2018 and the number of issued share of the Company was reduced accordingly.

Save as disclosed above, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as a code of conduct regarding directors' securities transactions. All Directors of the board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the Year. The Model Code also applies to other specified senior management of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, save and except below, the Company has complied with the code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the Year.

The roles of the chairman (the "**Chairman**") and the chief executive officer (the "**Chief Executive Officer**") of the Company are served by Mr. Lim Kui Teng and have not segregated as required under Code A.2.1 of the CG Code. However, the Company considers that the combination of the roles of the Chairman and the Chief Executive Officer will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and policies adopted by the Group and the annual results for the year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its shares as required under the Listing Rules throughout the Year.

PUBLICATION OF ANNUAL REPORT

The 2018 annual report of the Company containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and available on the Company's website at www.chuanholdings.com and HKExnews website at www.hkexnews.hk in due course.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of this announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by BDO Limited on this announcement.

APPRECIATION

The Board would like to express our gratitude to all our customers, management and staff of our Group, business partners and shareholders for their continuous support.

By order of the Board
Chuan Holdings Limited
Lim Kui Teng
Chairman and Executive Director

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises Mr. Lim Kui Teng, Mr. Quek Sze Whye, Mr. Bijay Joseph, Mr. Lau Yan Hong and Mr. Wong Kee Chung as executive Directors; and Mr. Lee Cheung Yuet Horace, Mr. Phang Yew Kiat and Mr. Ng Ka Lok as independent non-executive Directors.