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 2019

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 2019 (the "**Year**" or "**reporting year**" or "**2019**"). 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

During the reporting year, the Group has recorded a revenue of approximately S$77.7 million (31 December 2018: approximately S$93.5 million), representing a year-on-year decrease of approximately 16.9%. The contraction was principally due to the substantial completion of work relating to the Kuala Lumpur-Singapore High Speed Rail (HSR) project and intense competition within the sector.

Capitalising on its formidable reputation and professional expertise, the Group successfully secured 33 projects during the Year, with sizeable projects such as the Tuas Water Reclamation Plant and design and construction of North-South Corridor Tunnel for earthworks and ancillary services segment, and the upgrading projects by the Housing and Development Board as well as the additions and alterations to existing Stamford and Admiralty Substations for the general construction works segment, respectively.

* *For identification purposes only*

During the reporting year, gross profit and gross profit margin were approximately S$5.9 million and 7.7%, as compared to approximately S$8.7 million and 9.3% in 2018. The decrease was mainly attributable to the fall in revenue and increase in operating cost such as dumping expenses and diesel costs. With the consistently high administrative and other operating expenses and the increase of finance costs as a result of the increase in interest on lease liabilities, net profit consequently declined by approximately 67.3% to approximately S$1.0 million (31 December 2018: approximately S$3.1 million). Net profit margin was approximately 1.3% for the reporting year.

BUSINESS REVIEW

Group strategies

Overall market conditions remained challenging in the past year. The protracted trade tensions exacerbated the cyclical slowdown in global economic activities, where Singapore was no exception in these dynamics. Although construction demand appeared to be robust in 2019, the operating environment within the construction industry was gruelling as it was hampered by keen competition arising from the suspension of certain mega infrastructure projects and supply glut in residential property market.

Amidst a multitude of market factors, the Group experienced its transitional period. While the Group effectively maintained its business by leveraging its distinctive edge, the intense competition in the construction segment and consistently hefty operating cost exerted mounting pressure on the Group’s profitability, thereby adversely impacting our results performance during the reporting year. Notwithstanding, the financial position of the Group remains healthy with cash and cash equivalents of approximately S$44.8 million as of 31 December 2019.

During the reporting year, we continued to be driven by our abiding commitment to enhancing the Group’s competitiveness by strategically shifting our focus to public infrastructure tendering and continuously boosting our operational efficiency. The Group consequently managed to expand its capabilities and secure rewarding and sizeable projects particularly from the public sector. The significant projects won include the Tuas Water Reclamation Plant project and design and construction of North-South Corridor Tunnel for earthworks and ancillary services segment, and the upgrading projects by the Housing and Development Board as well as additions and alterations to existing Stanford and Admiralty Substations for the general construction works segment. The success in securing mega projects is a testimonial of the Group’s competence and further bolsters its market position.

Group revenue sector

Earthworks and ancillary services

Earthworks and ancillary services business continued to be the key revenue generator of the Group, contributing approximately S$67.6 million (31 December 2018: approximately S$76.8 million) in segmental revenue, which represented a year-on-year decrease of approximately 12.0% and accounted for approximately 87.1% of the Group's total revenue.

During the Year, the Group stepped up its efforts in reallocating more resources on tenders and strategically targeting public infrastructure projects with relatively higher profitability but lower risks. Reflecting its favourable market position and strategic tendering approach, the Group successfully secured 30 new projects with a total contract value of approximately S$141.8 million during the year, including the Tuas Water Reclamation Plant and design and construction of North-South Corridor Tunnel in this segment.

With continued endeavours to boost operational capacity, the Group acquired more machineries totalling approximately S$6.8 million during the Year. Notwithstanding, 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 4.4% to approximately S$7.1 million, and segmental profit consequently decreased to approximately S$6.3 million during the reporting year.

As at 31 December 2019, the Group had a total of 91 ongoing earthworks and ancillary services projects. It has also secured 7 new projects since 1 January 2020.

General construction works

The general construction works segment generated approximately S$10.0 million (31 December 2018: approximately S$16.6 million) in revenue, accounting for approximately 12.9% of the Group's total revenue. Due to fierce market competition, the Group's aggressive pricing strategy exerted downward pressure on the segment performance. This segment recorded a loss amounting to approximately S$36,000 for the year (31 December 2018: profit of approximately S$0.7 million).

The Group continued to tender sizable projects so as to bolster its business. As at 31 December 2019, the Group secured 3 new general construction works projects with a total contract value of approximately S$41.0 million. In respect of ongoing projects, the Group is presently conducting 7 projects, including the additions and alterations to existing Stamford and Admiralty Substations, as well as other upgrading projects by the Housing and Development Board.

FINANCIAL REVIEW

Results for the Year

Revenue and segment results

	2019		2018	
	Revenue	**Segment results**	Revenue	Segment results
	S$'000	***S$'000***	*S$'000*	*S$'000*
Earthworks and ancillary services	**67,625**	**6,344**	76,827	8,556
General construction works	**10,033**	**(36)**	16,649	717
Total	**77,658**	**6,308**	93,476	9,273

Under the weight of heavy competition during the Year, the overall revenue of the Group decreased to approximately S$77.7 million from approximately S$93.5 million in 2018, representing a decline of approximately 16.9%.

Earthworks and ancillary services

The Group has continued its major focus on nurturing its key revenue generator, earthworks and ancillary services segment. In order to maintain stable revenue stream, the Group placed tremendous efforts in tendering projects as a main contractor during the Year. However, the competition remained stiff and added pressure to the Group's tender price, while the contract values of certain projects had not been recognised as revenue during the Year due to early stage of project period, revenue in the segment decreased by approximately 12.0% from approximately S$76.8 million in 2018 to approximately S$67.6 million for the year ended 31 December 2019. The revenue contribution from this segment to the Group's total revenue was approximately 87.1%.

Owing to the decline in revenue as well as the increase in diesel cost and dumping expenses and other persistently high operating cost, the segmental profit reduced to approximately S$6.3 million, an approximately 25.9% decrease compared to last year (31 December 2018: approximately S$8.6 million).

As at 31 December 2019, the Group had 91 ongoing earthwork and related projects (31 December 2018: 82 projects), with an aggregate contract sum of approximately S$341.4 million (31 December 2018: approximately S$216.0 million). Leveraging its track record and capabilities, the Group was able to secure 7 new earthworks projects since 1 January 2020.

General construction works

During the reporting year, the general construction works segment accounted for approximately 12.9% of the Group's revenue. The revenue of this segment decreased to approximately S$10.0 million for the year ended 31 December 2019 from approximately S$16.6 million in 2018, primarily due to the keen market competition in securing new general construction works projects and the contract values of certain projects had not been recognised as revenue in 2019 due to early stage of project period.

With the decline in segmental revenue, coupled with the high overall operating cost, this segment consequently recorded a loss for the year amounting to approximately S$36,000 (31 December 2018: profit of approximately S$717,000).

The Group secured 3 new general construction works projects (31 December 2018: 6 new projects) with a total contract value of approximately S$41.0 million for the year ended 31 December 2019 (31 December 2018: approximately S$22.7 million) and had 7 ongoing general construction works projects as at 31 December 2019 (31 December 2018: 10 ongoing projects).

Gross profit and gross profit margin

Gross profit decreased to approximately S$5.9 million for the year ended 31 December 2019 mainly attributable to the increase in overall expenditure, particularly for diesel cost and dumping expenses, representing an approximate 31.9% decrease from approximately S$8.7 million for the year ended 31 December 2018. Gross profit margin was approximately 7.7% for the year ended 31 December 2019 (31 December 2018: approximately 9.3%).

Administrative and other operating expenses

Administrative and other operating expenses for the year ended 31 December 2019 remained stable, slightly dipped by approximately 0.9% to approximately S$6.3 million from approximately S$6.4 million in 2018.

Other income and gains

For the year ended 31 December 2019, other income and gains decreased by approximately 12.9% to approximately S$2.6 million, mainly contributed by the bad debts recovered, interest income on financial assets carried at amortised cost and gains on disposal of property, plant and equipments.

Other expenses

For the year ended 31 December 2019, other expenses decreased by approximately 68.9%, from approximately S$922,000 for the year ended 31 December 2018 to approximately S$287,000; primarily attributable to a decrease in provision for loss allowance.

Finance costs

For the year ended 31 December 2019, finance costs increased from approximately S$487,000 for the year ended 31 December 2018 to approximately S$669,000, mainly contributed by interest on lease liabilities.

Income tax expense

For the year ended 31 December 2019, income tax expense reduced by approximately 70.7% from approximately S$846,000 in 2018 to approximately S$248,000, in line with the decrease in profit before tax.

Profit for the year and net profit margin

Based on the combined effect of the above factors, the Group recorded a profit for the year of approximately S$1.0 million (31 December 2018: approximately S$3.1 million). Meanwhile, net profit margin was approximately 1.3% for the Year (31 December 2018: approximately 3.3%).

Earnings per share

For the year ended 31 December 2019, the basic earnings per share was S$0.10 cent, with the calculation based on the profit for the year of approximately S$998,000 and the weighted average number of 1,036,456,000 ordinary shares in issue during the Year.

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

Diluted earnings per share was the same as the basic earnings per share because the Group had no potential dilutive ordinary shares outstanding as at year end.

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 internally generated funds, cash in flows from operating activities 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 2019 and 2018:

	2019	2018
	S$'000	*S$'000*
Net cash generated from operating activities	**17,057**	9,216
Net cash used in from investing activities	**(1,529)**	(3,772)
Net cash used in financing activities	**(9,242)**	(3,624)

Operating activities

As at 31 December 2019, the Group generated net cash inflow from operating activities of approximately S$17.1 million (31 December 2018: net cash inflow from operating activities of approximately S$9.2 million).

The approximate S$6.9 million difference between the operating profit before working capital changes and net cash generated from operating activities was mainly attributable to (i) the increase in contract assets of approximately S$8.4 million; (ii) the decrease in trade receivables of approximately S$7.0 million; (iii) the decrease in deposits, prepayments and other receivables of approximately S$3.8 million; (iv) the increase in contract liabilities of approximately S$964,000; (v) the increase in trade payables of approximately S$4.5 million; and (vi) the decrease in other payables, accruals and deposits received of approximately S$461,000.

Investing activities

For the year ended 31 December 2019, the net cash used in investing activities was approximately S$1.5 million (31 December 2018: net cash outflow in investing activities of approximately S$3.8 million), mainly attributable to (i) the increase in time deposits with maturity over three months of approximately S$2.0 million; (ii) the proceeds from disposal of property, plant and equipment amounting to approximately S$505,000; (iii) the purchase of property, plant and equipment of approximately S$423,000; (iv) the purchase of right- of-use assets amounting to approximately S$541,000; (v) the proceeds from disposal of right-of-use assets of approximately S$393,000; and (vi) the interest and dividend received of approximately S$537,000.

Financing activities

For the year ended 31 December 2019, the net cash used in financing activities was approximately S$9.2 million (31 December 2018: net cash outflow in financing activities of approximately S$3.6 million), which was principally attributable to (i) the interest portion of the lease liabilities amounting to approximately S$669,000; (ii) the repayment of principal portion of the lease liabilities of approximately S$8.5 million; and (iii) the increase in pledged deposits of approximately S$31,000.

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 and lease liabilities. The cash flow interest rate risk was mainly concentrated on variable rate bank balances. Lease liabilities issued at fixed rates exposed the Group to fair value interest-rate risk. For the year ended 31 December 2019, the effective interest rates on lease liabilities were approximately 2.1% to 5.3% per annum.

Foreign currency risk

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

Credit risk

As at 31 December 2019, 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 recognised and reputable third parties. Before accepting any new contracts, evaluations were conducted based on the customer's past history of making payments when due and current ability to pay, and the Group 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 (as defined below), 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 2019, the Group had 550 (2018: 492) 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$19.7 million for the year ended 31 December 2019 (31 December 2018: approximately S$20.0 million).

Use of proceeds

The net proceeds from the global offering of the shares of the Company in 2016 (the "**Global Offering**") were approximately S$26.5 million (after deducting underwriting fees, commissions and listing expenses), out of which approximately S$15.1 million had been utilised as at 31 December 2019.

Intended applications	Net proceeds	1st re-allocation	Further re-allocation	Amount utilised as at 31 December 2019	Balance as at 31 December 2019
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
1. Purchase of excavation machines and tipper trucks	11,129	–	6,607	7,725	10,011
2. Purchase of softwares	2,085	–	–	715	1,370
3. Secure earth filling projects	6,607	(6,607)	–	–	–
4. Expand workforce	4,414	–	–	4,414	–
5. Working capital	2,247	–	–	2,247	–
6. Acquisition	–	6,607	(6,607)	–	–
Total	26,482	–	–	15,101	11,381

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

Borrowings and gearing ratio

As at 31 December 2019, the Group had no current and non-current bank borrowings but lease liabilities of approximately S$20.0 million (31 December 2018: finance lease liabilities of approximately S$19.4 million).

As at 31 December 2019, the Group's gearing ratio was approximately 0.21 times (31 December 2018: approximately 0.21 times). Gearing ratio was calculated by dividing lease liabilities by total equity as at the end of the year.

Cash and cash equivalents

As at 31 December 2019, the Group had cash and cash equivalents of approximately S$44.8 million (31 December 2018: approximately S$36.7 million). The Group had cash and cash balances of approximately S$48.1 million but the amount was reduced by the 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 $25.2 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 was denominated in U.S. 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 2019, the Group's banking facilities were secured by (i) the pledge of the Group's deposits of approximately S$3.4 million (31 December 2018: 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 2018: approximately S$1.3 million), while the Group's lease liabilities were secured by the charge over the leased assets of net book value of approximately S$22.1 million (31 December 2018: approximately S$23.0 million).

Contingent liabilities

As at 31 December 2019, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$2.8 million (31 December 2018: approximately S$8.8 million).

Capital expenditures and capital commitments

For the year ended 31 December 2019, the Group invested approximately S$7.0 million in the purchase of property, plant and equipment and right-of-use assets, which was mainly funded by lease liabilities and proceeds from the Global Offering.

As at 31 December 2019, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$2.6 million (31 December 2018: approximately $3.1 million).

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

The proposed acquisition agreement dated 11 December 2017 (the "**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 amount of S$6,607,000 which was originally designated to be the partial settlement of the second refundable 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.

The first refundable deposit of RMB60,000,000 (the "**First Deposit**") would be refunded to the Group by the vendor. During the reporting year, HK$20,000,000 (approximately RMB17,100,000) has been refunded by vendor as partial repayment of the First Deposit under Acquisition Agreement.

Further refund of part of First Deposit after the reporting year

On 16 March 2020, a further refund of HK$20,000,000 was received by the Group from the vendor as partial refundable deposit of the First Deposit.

Off-balance sheet transactions

As of 31 December 2019, 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 2019, no options were 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 2019.

PROSPECTS

Global economic growth is expected to remain sluggish. After slashing this year's projected global growth by 0.1 percentage point to 3.3% in January 2020, the International Monetary Fund (IMF) now warns that the growth will be slower than the 2.9% rate in 2019. Although certain risks have partially receded with the announcement of the U.S.-China Phase I trade deal and the lower likelihood of a no-deal Brexit, the possible emergence of further trade tensions and the outbreak of novel coronavirus disease (COVID-19) since the beginning of 2020 present additional challenges to the recovery of global economy.

In Singapore, the Ministry of Trade and Industry (MTI) further downgraded its economic growth forecast to between –0.5% and 1.5% in 2020, given that the COVID-19 outbreak is likely to dampen the economic outlook at different levels. In the building sector, the virus outbreak has exacerbated the existing manpower crunch particularly to construction players who are heavily dependent on Chinese workers and caused possible project delays. The Group, however, with strong and diverse base of foreign workers from other Asian countries and effective scheduling plan, managed to keep projects on track during this critical time. Precautionary measures have also been taken by offering protective gears such as face masks, hand sanitisers and thermometer to employees on and off sites for better prevention. Temperature screening and travel and health declarations are required for all visitors entering office building and sites.

Despite the economic headwinds and global uncertainties, the Group expects that the construction demand will continue to hold steady in near term. The Building and Construction Authority (BCA) projects construction demand in 2020 range from S$28 billion to S$33 billion, mainly led by public infrastructure megaprojects such as Changi Airport Terminal 5, Jurong Region MRT Line and Cross Island Line (CRL), developments of Jurong Lake District and public housing projects; as well as projects from private sector such as the continued redevelopment of en-bloc residential sites, berth facilities at Jurong Port and Tanjong Pagar Terminal, recreational developments at Mandai Park and Changi Airport new taxiway and so on.

To catch the demand momentum, the Group will continue to cautiously identify suitable projects and adopt strategic tendering approach with a stronger focus on infrastructure projects. The Group will strive with great exertion to complete the upgrading of contractor grade from level B1 to A2 and continue to focus on promising operations, including the possibility of working with other reputable companies on tendering for new projects with higher contract value.

Constant bolstering of business operations is also essential for realising growth. As an industry veteran, the Group will continue to develop and expand its principal business activities, earthworks and ancillary services and general construction work. In order to enhance the performance of earthworks and ancillary services segment, the Group has diverted considerable resources to replenish advanced equipment, and recruit and retain talents for the Group's near to long-term development. In addition, the Group will continue to strengthen its close partnership with clients and suppliers, complete projects with professionalism and ingenuity, and maintain its renowned, highest level of integrity in the business.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **S$'000**	2018 S$'000
Revenue	*5*	**77,658**	93,476
Direct costs		**(71,709)**	(84,743)
Gross profit		**5,949**	8,733
Other income and gains	*5*	**2,567**	2,947
Administrative and other operating expenses		**(6,314)**	(6,370)
Other expenses		**(287)**	(922)
Finance costs	*6*	**(669)**	(487)
Profit before income tax	*7*	**1,246**	3,901
Income tax expense	*8*	**(248)**	(846)
Profit for the year attributable to owners of the Company		**998**	3,055
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(178)**	535
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		**(134)**	(170)
Other comprehensive income for the year, net of tax		**(312)**	365
Total comprehensive income for the year attributable to the owners of the Company		**686**	3,420
Earnings per share attributable to owners of the Company			
– Basic and diluted *(S$ cents)*	*10*	**0.10**	0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** **S$'000**	2018 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,360**	26,139
Right-of-use assets		**25,412**	–
Investment property		**1,322**	1,334
Other assets		**364**	373
Deposits and other receivables		**296**	308
Financial assets at fair value through profit or loss		**1,398**	1,409
Financial assets at fair value through other comprehensive income		**939**	1,073
Financial assets at amortised costs		**1,250**	1,250
Deferred tax assets		**326**	–
		33,667	31,886
Current assets			
Contract assets		**26,399**	18,292
Trade receivables	*11*	**13,195**	20,142
Deposits, prepayments and other receivables		**9,947**	13,845
Pledged deposits		**3,359**	3,328
Cash and cash equivalents		**44,772**	36,664
		97,672	92,271
Current liabilities			
Contract liabilities		**3,088**	2,124
Trade payables	*12*	**10,695**	6,236
Other payables, accruals and deposits received		**3,385**	2,990
Finance lease liabilities		**–**	13,941
Lease liabilities		**12,229**	–
Income tax payable		**575**	552
		29,972	25,843
Net current assets		**67,700**	66,428
Total assets less current liabilities		**101,367**	98,314

	Notes	**2019** **S$'000**	2018 S$'000
Non-current liabilities			
Deposits received		**16**	–
Finance lease liabilities		**–**	5,415
Lease liabilities		**7,763**	–
Deferred tax liabilities		**245**	242
		8,024	5,657
Net assets		**93,343**	92,657
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**1,807**	1,807
Reserves		**91,536**	90,850
Total equity		**93,343**	92,657

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital	Share premium*	Treasury shares reserve*	Merger reserve*	Translation reserve*	Investment revaluation reserve*	Fair value through other comprehensive income reserve*	Retained profits*	Total
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*
At 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 2018	(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 fair value through other comprehensive income	–	–	–	–	–	–	(29)	29	–
At 31 December 2018 and 1 January 2019	1,807	27,860	–	5,166	(378)	–	(170)	58,372	92,657
Profit for the year	–	–	–	–	–	–	–	998	998
Other comprehensive income									
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(134)	–	(134)
Exchange differences arising on translation	–	–	–	–	(178)	–	–	–	(178)
Total comprehensive income for the year	–	–	–	–	(178)	–	(134)	998	686
At 31 December 2019	1,807	27,860	–	5,166	(556)	–	(304)	59,370	93,343

* These reserve accounts comprise the consolidated reserves of approximately S$91,536,000 (2018: approximately S$90,850,000) in the consolidated statement of financial position as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

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 2019

In current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") which are relevant to and effective for the Group's consolidated financial statements for the annual year beginning on 1 January 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2018 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2018 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015-2018 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2018 Cycle	Amendments to HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 Leases have been summarised in below.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balances of right-of-use assets and lease liabilities at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

As at 31 December 2018, the Group had no future minimum rental payables under non-cancellable operating lease. No corresponding right-of-use assets nor lease liabilities were recognised as at 1 January 2019.

The measurement of lease liabilities as at 1 January 2019 is as follow:

	S$'000
Reclassifying finance lease liabilities recognised as at 31 December 2018	19,356
Total lease liabilities as at 1 January 2019	19,356
Of which are:	
Current	13,941
Non-current	5,415
Total lease liabilities as at 1 January 2019	19,356

The following tables summarised the impact of the adoption of HKFRS 16 on the consolidated statement of financial position as at 1 January 2019 as follows:

	Carrying amount as at 31 December 2018	**Reclassification of HKFRS 16**	**Carrying amount as at 1 January 2019**
	S$'000	*S$'000*	*S$'000*
Assets:			
Property, plant and equipment	26,139	(23,362)	2,777
Right-of-use assets	–	23,362	23,362
Liabilities			
Finance lease liabilities (current)	13,941	(13,941)	–
Lease liabilities (current)	–	13,941	13,941
Finance lease liabilities (non-current)	5,415	(5,415)	–
Lease liabilities (non-current)	–	5,415	5,415

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased printers and copiers) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

The accounting policies have been applied to the Group's right-of-use assets and lease liabilities.

(iv) Accounting as a lessor

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of right-of-use assets and lease liabilities at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 and measure at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases and (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group has also leased majority of its plant and machinery, office equipment and motor vehicle which previously were classified as finance leases under HKAS 17. For these leases previously classified as finance leases under HKAS 17, the Group recognised the carrying amount of the lease assets and finance lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application of HKFRS 16.

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 HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Annual Improvements to HKFRSs 2015-2018 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 2015-2018 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 2015-2018 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 2015-2018 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.

Except for the adoption of HKFRS 16, the other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(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.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[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 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

Basis of compliance

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 chief operating decision-maker ("**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 earthwork 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 2019 and 2018. Operating revenue, direct costs, gain on disposals of property, plant and equipment (including plant and machinery and motor vehicles), interest expenses on leases liabilities, 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 2019			
Revenue from external customers	**67,625**	**10,033**	**77,658**
Reportable segment results	**6,344**	**(36)**	**6,308**
Unallocated other income and gains			**1,377**
Corporate and other unallocated expenses			**(6,439)**
Profit before income tax			**1,246**

	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

During the year ended 31 December 2019, the corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipment and other centralised administrative cost for the Group's headquarter (2018: 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	
	2019	2018
	S$'000	*S$'000*
Earthworks & ancillary services	**58,762**	54,923
General construction works	**7,602**	9,292
Total	**66,364**	64,215
Additions to non-current segment assets		
Earthworks & ancillary services	**10,794**	12,233
General construction works	**–**	–
Total	**10,794**	12,233

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	
	2019	2018
	S$'000	*S$'000*
Reportable segment assets	**66,364**	64,215
Unallocated property, plant and equipment	**561**	618
Unallocated right-of-use assets	**522**	–
Financial assets at FVTPL	**1,398**	1,409
Financial assets at amortised cost	**1,250**	1,250
Financial assets at FVOCI	**939**	1,073
Investment property	**1,322**	1,334
Other assets	**364**	373
Deferred tax assets	**326**	–
Pledged deposits	**3,359**	3,328
Cash and cash equivalents	**44,772**	36,664
Corporate and other unallocated assets	**10,162**	13,893
Group assets	**131,339**	124,157

Corporate and other unallocated assets mainly included deposits, office expenses, other receivables due from related parties and vendor in respect 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	
	2019	2018
	S$'000	*S$'000*
Earthworks & ancillary services	**29,308**	25,835
General construction works	**4,045**	1,881
Total	**33,353**	27,716

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	
	2019	2018
	S$'000	*S$'000*
Reportable segment liabilities	**33,353**	27,716
Deferred tax liabilities	**245**	242
Corporate and other unallocated liabilities	**4,398**	3,542
Group liabilities	**37,996**	31,500

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 2019				
Gain on disposals of property, plant and equipment	**299**	**–**	**–**	**299**
Gain on disposals of right-of-use assets	**92**	**–**	**–**	**92**
Depreciation of property, plant and equipment	**584**	**8**	**176**	**768**
Depreciation of right-of-use assets	**7,961**	**34**	**111**	**8,106**
Bad debts recovered	**705**	**94**	**–**	**799**
Provision for impairment of contract assets	**228**	**27**	**–**	**255**
Reversal of impairment of trade receivables	**(235)**	**142**	**–**	**(93)**
Provision for impairment of other receivables	**–**	**–**	**114**	**114**
Finance costs	**668**	**1**	**–**	**669**

	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

(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	
	2019	2018
	S$'000	*S$'000*
Customer A – attributable to Earthworks & ancillary services	**n/a**	23,312
Customer B – attributable to General construction works	**n/a**	11,281
Customer C – attributable to Earthworks & ancillary services	**9,055**	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	
	2019	2018
	S$'000	*S$'000*
Earthworks & ancillary services *(note)*	**67,625**	76,827
General construction works	**10,033**	16,649
	77,658	93,476

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

	2019	2018
	S$'000	*S$'000*
Transferred over time:		
Earthworks & ancillary services *(note)*	**67,625**	76,827
General construction works	**10,033**	16,649
	77,658	93,476

Note:

Earthworks & ancillary services include revenue of approximately S$62,401,000 (2018: approximately S$71,780,000) from earthworks and approximately S$5,224,000 (2018: approximately S$5,047,000) from earthwork ancillary services.

(b) Transaction price allocated to remaining performance obligations

At 31 December 2019, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to project works are approximately S$174,593,000 (2018: approximately S$88,523,000). The directors of the Company expect that the unsatisfied performance obligation will be recognised as revenue from 1 to 5 years according to the contract period.

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

	2019	2018
	S$'000	*S$'000*
Other income		
Management service income	**234**	160
Interest income on financial assets carried at amortised cost	**483**	98
Bad debts recovered	**799**	1,468
Rental income from investment property	**113**	105
Dividend income from financial assets at FVOCI	**54**	16
Sales of scrap materials and consumables	**216**	241
Change in fair value of financial assets at FVTPL	**–**	36
Gain on disposal of financial assets at FVOCI	**–**	120
Others	**274**	186
	2,173	2,430
Gains		
Gain on disposals of property, plant and equipment	**299**	496
Gain on disposals of right-of-use assets	**92**	–
Net exchange gain	**3**	21
	2,567	2,947

6. FINANCE COSTS

	2019	2018
	S$'000	*S$'000*
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on lease liabilities	**669**	–
– Interest on finance leases	**–**	484
– Interest on bank loans wholly repayable within five years	**–**	3
	669	487

7. PROFIT BEFORE INCOME TAX

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

	2019	2018
	S$'000	*S$'000*
Auditor's remuneration	**198**	234
Depreciation of property, plant and equipment	**768**	7,338
Depreciation of right-of-use-assets	**8,106**	–
Depreciation of investment property	**12**	12
Direct operating expenses arising from investment property that generated rental income	**28**	19
Net exchange gain	**(3)**	(21)
Operating lease rental expenses in respect of		
– Office equipment and machineries	**–**	16,337
– Warehouses, premises, dormitories and workshops	**–**	2,024
	–	18,361
Employee benefit expenses (including directors' remuneration):		
– Salaries, wages and bonuses	**16,431**	16,476
– Defined contribution retirement plan	**742**	722
– Other short-term benefits	**2,568**	2,838
	19,741	20,036
Provision for impairment of contract assets	**255**	–
(Reversal)/provision for impairment of trade receivables	**(93)**	922
Provision for impairment of other receivables	**114**	–
Impairment loss on other assets	**9**	–
Fair value loss on financial assets at fair value through profit or loss	**11**	–

8. INCOME TAX EXPENSE

Income tax

	2019	2018
	S$'000	*S$'000*
Current tax – Singapore income tax		
Tax for the year	**109**	580
Under/(over) provision for prior year	**462**	(28)
	571	552
Deferred tax		
(Credit)/charged to profit or loss for the year	**(323)**	294
Income tax expense	**248**	846

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 (2018: Nil).

9. DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 December 2019 (2018: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2019 is based on the profit attributable to owners of the Company of approximately S$998,000 (2018: approximately S$3,055,000) and on the weighted average number of 1,036,456,000 (2018: weighted average number of 1,036,456,000) 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 years ended 31 December 2019 and 2018.

11. TRADE RECEIVABLES

	2019	2018
	S$'000	*S$'000*
Trade receivables	**14,663**	16,112
Retention receivables	**894**	7,284
	15,557	23,396
Less: Provision for impairment of trade receivables	**(2,362)**	(3,254)
	13,195	20,142

(a) During the year, credit period granted to the Group's customers generally within 30 (2018: 30) days from invoice date of the relevant contract revenue. Some construction contracts stipulate that the customers 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) Based on invoice date, ageing analysis of the Group's trade receivables is as follows:

	2019	2018
	S$'000	*S$'000*
0 to 30 days	**8,879**	5,856
31 to 90 days	**2,533**	4,149
91 to 180 days	**604**	1,230
181 to 365 days	**518**	1,798
Over 365 days	**449**	753
	12,983	13,786
Retention receivables	**212**	6,356
	13,195	20,142

12. TRADE PAYABLES

	2019	2018
	S$'000	*S$'000*
Trade payables	**10,556**	5,844
Retention payables	**139**	392
	10,695	6,236

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:

	2019	2018
	S$'000	*S$'000*
0 to 30 days	**8,030**	2,765
31 to 90 days	**1,351**	1,223
91 to 180 days	**472**	498
Over 180 days	**842**	1,750
	10,695	6,236

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries 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 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 CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lim Kui Teng ("**Mr. Lim**") serves as the chairman and also acts as chief executive of the Company, which constitutes a deviation from the Code Provision A.2.1.

The Board is of the view that the roles of the Chairman and the chief executive officer (the "**Chief Executive Officer**") of the Company being served by Mr. Lim will allow for more effective planning and execution of business strategies and will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

– During the period from 25 November 2019, the date of passing away of Mr. Ng Ka Lok, a then Independent Non-executive Director of the Company, to 17 December 2019, the date of appointment of an Independent Non-executive Director of the Company, Mr. Wee Hian Eng, Cyrus, the composition of the Board was not in compliance with Rule 3.10(I) of the Listing Rules which requires the Board to include at least three independent non-executive directors, Rule 3.10A of the Listing Rules which requires at least one third of the Board must be independent non-executive directors, and Rule 3.21 of the Listing Rules which requires majority of the audit committee members must be independent non-executive directors. Save as aforesaid, the Board, during the Year, had three independent non-executive directors, being one-third of the Board and at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

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 2019.

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 2019 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 2019 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 2019. 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, 30 March 2020

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. Wee Hian Eng, Cyrus as independent non-executive Directors.