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 2020

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 2020 (the "**Year**" or "**Reporting Year**" or "**2020**"). 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 continued to be challenged by the difficult market environment. The economic fallout seriously arisen from the Coronavirus Disease 2019 ("**Covid-19**" or the "**pandemic**") plunged Singapore into the worst recession since its independence. Several months of Covid-19 restrictions and workplace closures during the "circuit breaker" (the "**CB**") period, coupled with various social distancing and public health safety measures implemented by the Singapore government, battered the country's construction sector during the year of 2020. The suspension of most of the Group's construction projects consequently hindered its progressive recognition of its revenue in the first half of the financial year. Yet, the management spared no efforts in ensuring business recovery and continuous development. Following the phased re-opening in Singapore with pandemic restrictive measures tapering off in the second half of the year, the Group gradually resumed its operations so as to catch up on the project schedule lagged behind during the suspension period and managed to narrow down the financial impact. Total revenue during the Reporting Year decreased by approximately 6.8% to approximately S$72.4 million as compared to that of the previous year.

* *For identification purposes only*

Despite that the Group promptly adopted various cost control measures such as temporary salary reduction scheme and benefitted from the construction supporting package from the Singapore government, such financial relief was overshadowed by the consistently high operating costs and increased prolongation costs as a result of the CB and other pandemic control measures in Singapore, which exerted downward pressure to the Group's margin and adversely impacted its profitability. Subsequently, the Group recorded gross loss of approximately 5.6%. Alongside an increase in impairment losses on deposits, receivables and contract assets totaling S$5.5 million, the Group's profit for the year turned negative with a net loss of approximately S$8.4 million (31 December 2019: profit of approximately S$1.0 million) during the Reporting Year. Notwithstanding, the Group maintained a healthy and solid financial position with cash and cash equivalents of approximately S$46.2 million (31 December 2019: approximately S$44.8 million).

Leveraging its professional expertise and formidable reputation, the Group successfully secured a total of 21 projects through these difficult times of the year. Among which, there were sizeable infrastructure projects such as the design and construction of Singapore's longest Transit Priority Corridor North-South Corridor ("**NSC**") project for earthworks and ancillary services segment, and the upgrading project of Pioneer Terminal Building for the general construction works segment, respectively.

During the Reporting Year, gross profit turned negative and recorded gross loss and gross loss margin of approximately S$4.1 million and 5.6%, as compared to a gross profit and gross profit margin of approximately S$5.9 million and 7.7% in 2019. The decrease was mainly attributable to the fall in revenue in the construction project and related ancillary service coupled with hefty operational cost and additional costs incurred from prolongation of projects as a result of the implementation of CB measures to control the pandemic in this year. Based on the combined effect of the above factors, the Group recorded a loss for the year of approximately S$8.4 million (31 December 2019: profit of approximately S$1.0 million). Negative net profit margin was approximately 11.6% for the Reporting Year (31 December 2019: positive net profit margin of approximately 1.3%).

BUSINESS REVIEW

In 2020, the Covid-19 has been declared a global public health emergency. The outbreak of the pandemic has had profound impact on the lives of people and brought upon unprecedented challenges to global economy, with business and trade activities coming to a grinding halt due to various lockdown measures across different countries. The International Monetary Fund ("**IMF**") estimated a global contraction of 3.9% in 2020, the biggest peacetime decline since the Great Depression. In Singapore, to stem the community spread of Covid-19, the government implemented CB measures from 7 April to 1 June 2020, ordering the closure of most physical workplace premises in the country. With business not being able to operate following the stay-at-home order and the implementation of cordon sanitaire, the country's economy was inevitably impeded as its annual real GDP was estimated to reduce by 2.2% during the CB period. The Ministry of Trade and Industry ("**MTI**") announced that the economy in Singapore shrank by 5.4% in 2020, marking its worst ever recession since independence.

For construction industry, the total construction demand in Singapore fell by 37% to S$21 billion on account of the disrupted project implementation schedules caused by the pandemic. Some of the major infrastructure projects in the public sector required more time to assess the pandemic's impact on resource management, leading to a drop of 33% in public sector construction demand. Meanwhile, the private sector construction demand registered a notable decline of 43% given the contraction in demand for residential and industrial building works. Overall construction output of 2020 dropped by 30% to S$19.7 billion in the wake of the suspension of construction activities during the CB period. This was further aggravated by the need to implement safe management measures at construction worksites under the pandemic, which brought about a slow recovery of construction activities. As a result, contractors in the industry continue to suffer from tight cash flow and decreasing margins.

Since Singapore uplifted the CB measures in June 2020 and embarked on a three-phased approach to resume economic activities, operations within the construction sector began to pick up with stringent safety measures. Meanwhile, the Building and Construction Authority ("**BCA**") rolled-out a new S$1.36 billion construction support package to support local construction companies, amongst the hardest-hit by Covid-19, to cope with the impact of the pandemic and recommence work safely. Following the phased resumption of construction activities after uplifting the CB measures, contracts awarded recorded a stronger rebound during the fourth quarter, and partially offset the declines in the first three quarters.

During the Reporting Year, the Group was inevitably impacted by the pandemic. In face of the challenging environment, the Group made every possible effort in cost control as well as recovery of business, and adopted a competitive pricing approach to protect its profitability while securing new projects.

The Group's strategies

In 2020, our Group's business was severely hit by the unprecedented CB measures imposed by the Singapore government between April and June, a complete business shut down on non-essential activities across the island arising from Covid-19. Under the stringent public health and safety measures implemented by the government, overall construction output in 2020 dropped by 30% in the wake of the suspension of non-essential construction activities during the CB period. It was an appalling moment for the Group, our professional management teams including all executive Directors had to work tirelessly mapping out the plans and formulate different operation plans and methods in line with the different regulatory measures issued by the government from time to time to maintain the Group's business operation, subject to this, our workers had patiently remained indoor in their respective accommodations waiting for instructions from their division managers. Operating under the strict guidelines during the CB period, a small selective group of our mechanics and supervisors had to travel periodically to various worksites across the island to maintain all our deployed equipment in the fields to ensure their operational readiness.

While the ordeal lasted for close to 122 days, it has also created the first loss in the Group's 25 years history. Walking out the new measures from the CB, we had to adapt to new ways of workings and the Group also made every possible effort to resume its construction activities. However, the additional works put on the compliance with strict safe management measures at construction worksites brought about a slow recovery of construction activities, and resulted in lower revenue recognition. Against the backdrop of this difficult operating environment of the Group, which was aggravated by the consistently high operating costs and additional costs incurred from prolongation of projects, the Group recorded a loss for the Reporting Year. Notwithstanding, the financial position of the Group remains sound and healthy with cash and cash equivalents of approximately S$46.2 million as at 31 December 2020.

The Group will continue to strengthen its close partnership with customers, subcontractors and suppliers, complete projects with professionalism and ingenuity, and maintain its highest level of integrity in the business. While vaccinations have been rolled-out in Singapore, the Group remains vigilant of the potential environment volatility and taking the necessary cautious steps to keep abreast of the latest pandemic development, while necessitating feasible, contingency measures to protect its staff and operation from relevant impact.

The "lock down" period has also given an opportunity for the Board to evaluate its existing business and operations. The management team always holds the belief that perseverance and foresight are essential in times of challenges. Driven by our abiding commitment to enhancing the Group's competitiveness, we placed tremendous efforts in strategically shifting our focus to public infrastructure tendering during the Reporting Year. Leveraging our proven and solid track record in the industry, the Group managed to secure mega projects such as the design and construction of Singapore's longest Transit Priority Corridor NSC project in 2020, which was a strong testimony to our capability in handling sizeable infrastructure projects.

Meanwhile, the Group stepped up its efforts in completing the upgrading of the contractor grade from level B1 to A2, giving the Group higher project tender limits bid for public works. The Group also continued to focus on promising operations by exploring opportunities to work with more reputable companies and tendering for new projects with higher contract value and margins.

As part of the Group's continued endeavours to better control costs and boost operational efficiency, capital will be allocated in 2021 to acquire advanced and environmentally friendly machineries and equipment. The Group believes that we have a critical role to play in helping Singapore construction industry to evolve into a more sustainable built environment.

The Group will remain committed to fortifying its business foundation and raising its competitiveness to achieve greater project differentiation and market leadership in going "Green". Through strictly aligning our business strategies to operational excellence, the Board firmly believes that the Group has and will emerge stronger with more competitive services after the pandemic is over.

Revenue by segment

Earthworks and ancillary services

Earthworks and ancillary services projects remained the key revenue generator of the Group during the Reporting Year, which accounted for approximately 72.9% of its total revenue.

Owing to the suspension of most construction activities during the CB period and the slow resumption of projects which translated into lower revenue recognition, the Group recorded segmental revenue of approximately S$52.8 million during the Year (31 December 2019: approximately S$67.6 million).

During the Reporting Year, the Group continued to step up its efforts in reallocating more resources on tenders and strategically targeting public infrastructure projects with relatively higher profitability. 17 new earthworks and ancillary services projects with a total contract value of approximately S$59.6 million were successfully secured, including the sizeable infrastructure project of NSC. The Group had a total of 73 ongoing earthworks and ancillary services projects as at 31 December 2020 with an aggregate contract sum of approximately S$327.8 million.

General construction works

During the Reporting Year, the Group achieved notable improvement in general construction works segment with an increase of revenue of approximately 96.0% to approximately S$19.6 million (31 December 2019: approximately S$10.0 million), which accounted for approximately 27.1% of the Group's total revenue. The revenue growth in this segment was mainly attributable to the fulfillment of contracts that were secured in 2019, and before and after the CB period in 2020.

As at 31 December 2020, the Group had 8 ongoing general construction works projects with an aggregate contract sum of approximately S$57.0 million as compared to 7 projects as at 31 December 2019. With the efforts of our team in tendering sizeable projects, the Group acquired 4 new general construction works projects, with total contract values of approximately S$11.1 million.

FINANCIAL REVIEW

Results for the Year

Revenue and segment results

	2020		2019	
	Revenue	**Segment results**	Revenue	Segment results
	S$'000	***S$'000***	*S$'000*	*S$'000*
Earthworks and ancillary services	**52,772**	**(4,028)**	67,625	6,344
General construction works	**19,629**	**1,029**	10,033	(36)
Total	**72,401**	**(2,999)**	77,658	6,308

The overall revenue of the Group for the year ended 31 December 2020 amounted to approximately S$72.4 million, representing a decline of approximately S$5.3 million or 6.8% as compared to that in the previous year. The decrease was mainly attributable to the aforementioned CB measures in Singapore effective from April to June 2020, which had shuttered the Group's construction activities, as well as the slow pace of work resumption after the country uplifted the CB.

Earthworks and ancillary services

For the year ended 31 December 2020, the earthworks and ancillary services segment continued to be the Group's key revenue generator, contributing approximately 72.9% to its overall revenue. Despite the Group's unwavering efforts in catching up on projects behind schedule, the suspension of most earthworks projects from the CB measures imposed by the Singapore government to combat Covid-19 as well as the slow resumption of work during the post-CB period had caused severe disruption to the Group's project management. Revenue of the segment therefore decreased by approximately 22.0% from approximately S$67.6 million in 2019 to approximately S$52.8 million for the year ended 31 December 2020.

Owing to the decrease in revenue and the additional costs arising from prolongation of projects during the CB lockdown and compliance with more stringent virus safety measures at work sites, segmental loss of approximately S$4.0 million (31 December 2019: segmental profit of approximately S$6.3 million) was subsequently recorded.

As at 31 December 2020, the Group had 73 ongoing earthworks and ancillary services projects (31 December 2019: 91 projects), with an aggregate contract sum of approximately S$327.8 million (31 December 2019: approximately S$341.4 million). In order to catch up on the progress of projects in its order book, the Group held back on tendering for new projects and secured only 17 new earthworks and ancillary services projects with contract values of approximately S$59.6 million during the Reporting Year.

General construction works

During the Reporting Year, the Group's general construction works segment witnessed an improved performance as compared to the previous reporting year, with an increase in revenue of approximately 96.0% to approximately S$19.6 million for the year ended 31 December 2020 (31 December 2019: approximately S$10.0 million). The increase was primarily due to fulfilment of contracts that were secured in 2019 as well as before and after the CB. Revenue of this segment contributed approximately 27.1% of the Group's overall revenue.

Unlike another segment, the impact of the pandemic on the Group's general construction works segment was less consequential as the segment saw an increase in revenue. Since the Group engaged external subcontractors for this segment, operating costs were only based on actual subcontractors works were performed. With increase in revenue, segmental profit increased to approximately S$1.0 million (31 December 2019: segmental loss of approximately S$36,000).

The Group had 8 ongoing general construction works projects as at 31 December 2020 (31 December 2019: 7 projects), with an aggregate contract sum of approximately S$57.0 million. The Group secured 4 new general construction works projects (31 December 2019: 3 new projects) with a total contract value of approximately S$11.1 million during the Reporting Year.

Gross (loss)/profit and gross (loss)/profit margin

Gross profit turned negative and recorded gross loss of approximately S$4.1 million for the year ended 31 December 2020 (31 December 2019: gross profit of approximately S$5.9 million), largely attributable to the decline in revenue, coupled with hefty operational cost and additional costs incurred from prolongation of projects as a result of the implementation of CB measures to control the pandemic. Gross loss margin was approximately 5.6% for the year ended 31 December 2020 (31 December 2019: gross profit margin of approximately 7.7%).

Administrative and other operating expenses

Administrative and other operating expenses for the year ended 31 December 2020 reduced by approximately 9.0% to approximately S$5.7 million from approximately S$6.3 million in the previous year, primarily due to the decrease in staff cost and employee benefit expenses.

Other income and gains

For the year ended 31 December 2020, other income and gains rose by approximately S$4.7 million to approximately S$7.2 million, mainly attributable to the bad debts recovered as well as the financial relief from the Singapore government in the form of Construction Restart Booster, foreign worker levy rebate and wage support which helped defray part of the Group's costs during the Reporting Year.

Other expenses

As at 31 December 2020, other expenses surged from approximately S$287,000 for the year ended 31 December 2019 to approximately S$5.8 million, mainly representing the impairment losses on deposits, receivables and contract assets totaling approximately S$5.8 million made based on the management's latest assessment of risk of default in the Group's financial assets during the Reporting Year.

Finance costs

Finance costs decreased by approximately 13.3% from approximately S$669,000 for the year ended 31 December 2019 to approximately S$580,000 as at 31 December 2020, principally due to the decrease in interest on lease liabilities.

Income tax credit/(expense)

As at 31 December 2020, income tax expense changed to credit of approximately S$590,000 on the grounds of business loss, while tax expense of approximately S$248,000 was recorded for the year ended 31 December 2019.

(Loss)/profit for the year and net (loss)/profit margin

Based on the combined effect of the above factors, the Group recorded a loss for the year of approximately S$8.4 million (31 December 2019: profit of approximately S$1.0 million). Meanwhile, negative net profit margin was approximately 11.6% for the Reporting Year (31 December 2019: positive net profit margin of approximately 1.3%).

(Loss)/earnings per share

For the year ended 31 December 2020, the basic loss per share was S$0.81 cent, with the calculation based on the loss for the Year of approximately S$8.4 million and the weighted average number of 1,036,456,000 ordinary shares in issue during the Year.

For the year ended 31 December 2020, basic loss per share is the same as diluted loss per share. There are no dilutive effects on the impact of the exercise of the share options as they are anti-dilutive.

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.

Diluted earnings per share for the year ended 31 December 2019 was the same as the basic earnings per share because the Group had no potential dilutive ordinary shares outstanding as at year ended 2019.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

During the Reporting Year, the financial position of the Group remained healthy, with working capital mainly financed by its internally generated funds, net proceeds from the global offering of the shares of the Company in 2016 (the "**Global Offering**"), cash inflows from operating activities and bank borrowings. As at 31 December 2020, the Group had cash and cash equivalents of approximately S$46.2 million (31 December 2019: approximately S$44.8 million) and unutilised banking facilities of approximately S$24.2 million (31 December 2019: approximately S$29.3 million).

Cash flows analysis

The table below summaries the Group's cash flows for the years ended 31 December 2020 and 2019:

	2020	2019
	S$'000	*S$'000*
Net cash generated from operating activities	**4,071**	17,057
Net cash generated from/(used in) investing activities	**2,875**	(1,529)
Net cash used in financing activities	**(3,425)**	(9,242)

Operating activities

As at 31 December 2020, the Group generated net cash inflow from operating activities of approximately S$4.1 million (31 December 2019: net cash inflow from operating activities of approximately S$17.1 million).

The approximate S$1.7 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$2.5 million; (ii) the increase in trade receivables of approximately S$456,000; (iii) the decrease in deposits, prepayments and other receivables of approximately S$789,000; (iv) the increase in contract liabilities of approximately S$1.2 million; (v) the increase in trade payables of approximately S$602,000; and (vi) the decrease in other payables, accruals and deposits received of approximately S$860,000.

Investing activities

For the year ended 31 December 2020, the net cash generated from investing activities was approximately S$2.9 million (31 December 2019: net cash outflow in investing activities of approximately S$1.5 million), mainly attributable to (i) the decrease 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$35,000; (iii) the purchase of property, plant and equipment of approximately S$660,000; (iv) the proceeds from disposals of right-of-use assets of approximately S$1.2 million; (v) the purchase of right-of-use assets amounting to approximately S$347,000; and (vi) the interest and dividend received of approximately S$614,000.

Financing activities

For the year ended 31 December 2020, the net cash used in financing activities was approximately S$3.4 million (31 December 2019: net cash outflow in financing activities of approximately S$9.2 million), which was principally attributable to (i) the interest portion of the lease liabilities amounted to approximately S$519,000; (ii) the repayment of principal portion of the lease liabilities of approximately S$7.8 million; (iii) the increase in proceeds from bank borrowings of approximately S$5.0 million; (iv) the increase in pledged deposits of approximately S$33,000; and (v) the interests paid of approximately S$61,000.

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 2020, the effective interest rate on fixed-rate borrowings was approximately 2.1% to 5.3% per annum.

Foreign currency risk

Transactions of the Group 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 United States 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 deemed necessary.

Credit risk

As at 31 December 2020, 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 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 closely monitored the utilisation of borrowings and ensured compliance with loan covenants.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group had 489 (2019: 550) employees including foreign workers.

Employees of the Group were remunerated according to their job duties. All employees were also entitled to discretionary bonus depending on their respective performance. 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$17.0 million for the year ended 31 December 2020 (2019: approximately S$19.7 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) (the "**Net Proceeds**"), out of which approximately S$24.2 million was utilised as at 31 December 2020.

Intended applications	Planned use of the Net Proceeds	Amount utilised up to 31 December 2019	Amount utilised during the year ended 31 December 2020	Amount utilised up to 31 December 2020	Utilised Balance up to 31 December 2020	Expected timeline of full utilisation of the remaining unutilised
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*(Note 2)*
1. Purchase of excavation machines and tipper trucks *(Note 1)*	17,736	7,725	8,752	16,477	1,259	On or before 31 December 2022
2. Purchase of softwares	2,085	715	334	1,049	1,036	On or before 31 December 2022
3. Secure earth filling projects *(Note 1)*	–	–	–	–	–	
4. Expand workforce	4,414	4,414	–	4,414	–	
5. Working capital	2,247	2,247	–	2,247	–	
Total	26,482	15,101	9,086	24,187	2,295	

Notes:

1. As disclosed in the prospectus of the Company dated 25 May 2016 (the "**Prospectus**") and the circular of the Company dated 7 March 2018, since the Company did not enter into any agreement for securing earth filling project by 31 October 2017, the unutilised Net Proceeds of approximately S$6,607,000 originally assigned to securing earth filling project (the "**Reallocated Proceeds**") would be reassigned to the purchase of additional excavation machines and tipper trucks. After taking into the then business scale and projects of the Company, the number of tipper trucks, excavators acquired by the Group since the listing of shares of the Company in 2016 and the average replacement cycle of tipper truck, excavator and telescopic excavator, the Group decided to reassign the Reallocated Proceeds to partially finance the second deposit for the acquisition of the entire issued share capital of Cosmic Achiever Holdings Limited (the "**Major Transaction**") in March 2018. As disclosed in the announcement of the Company dated 23 January 2019, since the Major Transaction subsequently lapsed on 31 December 2018, the Reallocated Proceeds were further reassigned to the purchase of excavation machines and tipper trucks in January 2019.

2. The expected timeline for utilising the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

As at 31 December 2020, the Group did not fully utilise the planned Net Proceeds to purchase excavation machines and tipper trucks as the Group has been offered favourable interest rate to finance the purchases by banks and decided to purchase excavation machines and tipper trucks by hire purchase instead of cash purchase since June 2016. The hire purchase only required 10% of cash payment, which was financed by the Net Proceeds. As a result, there was a delay in fully utilising the Net Proceeds assigned to purchase excavation machines and tipper truck. It is expected the unutilised amount will be fully utilised on or before 31 December 2022.

As for the unutilised planned Net Proceeds to purchase softwares, the Group had purchased softwares from a vendor which charged the Group at a lower price than originally quoted, resulting in a huge saving to the Company. As a result, there was a delay in fully utilising the Net Proceeds assigned to purchase softwares. It is expected the unutilised amount will be fully utilised on or before 31 December 2022.

The Net Proceeds were used in accordance with the intended purposes as previously disclosed and there was no material change in the use of proceeds. The unutilised amount is expected to be used in accordance with the intended purposes as disclosed.

The balance of Net Proceeds is deposited in licensed financial institutions in Singapore.

Borrowings and gearing ratio

As at 31 December 2020, the Group had an aggregate of current and non-current bank borrowings and lease liabilities of approximately S$18.9 million, a slight decrease from approximately S$20.0 million as at 31 December 2019.

As at 31 December 2020, the Group's gearing ratio was approximately 0.22 times (31 December 2019: approximately 0.21 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 and cash equivalents

As at 31 December 2020, the Group had cash and cash equivalents of approximately S$46.2 million (31 December 2019: approximately S$44.8 million). The Group had cash and cash balances of approximately S$49.6 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 $21.5 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 2020, the Group's banking facilities were secured by the pledge of the Group's deposits of approximately S$3.4 million (31 December 2019: approximately S$3.4 million), while the Group's lease liabilities were secured by the charge over the leased assets of net book value of approximately S$14.7 million (31 December 2019: approximately S$22.1 million).

Contingent Liabilities

As at 31 December 2020, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$2.6 million (31 December 2019: approximately S$2.8 million).

Capital expenditure and capital commitments

For the year ended 31 December 2020, the Group invested approximately S$2.3 million in the purchase of property, plant and equipment and right-of-use assets, which was mainly funded by finance lease liabilities and proceeds from the Global Offering.

As at 31 December 2020, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$3.0 million (31 December 2019: approximately S$2.6 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 first refundable deposit of RMB60,000,000 (the "**First Deposit**") would be returned to the Group by the vendor. During the Reporting Year, HK$20,000,000 (approximately RMB17,100,000) was returned as partial repayment of the First Deposit under the Acquisition Agreement.

On 16 March 2020, the amount of HK$20,000,000 (approximately RMB17,100,000) was returned from the vendor as further repayment of the First Deposit under the Acquisition Agreement. During the Reporting Year, the Group received a total of HK$40,000,000 as repayment of the First Deposit and a sum of HK$30,000,000 of the First Deposit remains outstanding from the vendor.

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.

Off-balance sheet transactions

As of 31 December 2020, 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 employees and eligible participants, as incentives or rewards for their contribution to the Group.

According to the announcement of the Company on 28 October 2020, 79,224,000 share options to subscribe for a total of 79,224,000 ordinary shares of HK$0.01 each of the Company, representing approximately 7.6% of the issued shares of the Company, were granted in accordance with the terms and conditions of the Share Options Scheme adopted by the Company on 10 May 2016 to certain eligible directors of the Company and the employees of the Group (the "**Grantees**"), subject to the acceptance of the Grantees.

Details of the Share Option Scheme will be disclosed in the "Report of the Directors" and the Consolidated Financial Statement of the 2020 annual report.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020.

PROSPECTS

The outbreak of Covid-19 is unprecedented in its global reach and impact, posing formidable challenges to the global economy. On a positive note, business activities have largely recovered in a sensibly cautious manner following the aggressive containment efforts across different countries. The IMF estimates the global economy to grow at 5.5% in 2021, hinting high expectation of economic recovery boosted by vaccination and additional policy support in various nations.

In Singapore, the MTI maintained its GDP growth forecast at 4% to 6% for 2021. Given the wave of COVID-19 infections has relaxed to a large extent, many construction projects have gradually resumed operations. The BCA estimated the total construction demand to reach between S$23 billion and S$28 billion in 2021, driven by an anticipated stronger demand for public housing and infrastructure projects.

The Group will continue to catch the momentum of rising demand and seek fresh opportunities particularly in infrastructure projects in public sector in order to fuel future growth. Apart from forging close ties with its existing clients, the management will adhere to the Group's strategic tendering approach by identifying suitable projects and strategically focusing on tendering mega infrastructure projects with better profit margins to safeguard its profitability. The management is pleased that the Group has already secured several contracts under significant infrastructure projects in Singapore including Jurong Region MRT Line, the Cross Island MRT Line Phase 1 and the Deep Tunnel Sewerage System Phase 2. As part of its continued endeavours to enhance competitiveness, the Group has applied for completing the upgrading of its contractor grade from level B1 to A2, with a view to bolstering its reputation and highest level of business integrity in the industry in the long run.

In near term, the Group expects its operations will continue to face a challenging landscape as presented by the shortage of manpower and compliance with the stringent safety requirements at work sites under Covid-19. The Group will continue to pay close attention to the macroeconomic environment and implement contingency plans in a timely manner. Meanwhile, it will continue to ensure smooth progress of its projects and practice tight cost controls through recovery of debts, energy-saving scheme with careful utilisation of the grants and assistance from the Singapore government, which helps defray costs incurred from prolongation of projects and compliance with the stringent pandemic safety measures. Another step the Group has taken and will continue to take is the acquisition and introduction of advanced environmentally friendly machines and equipment. The Group believes that its operating cost in diesel consumption will be reduced and achieve operational efficiency, thereby protecting its profitability.

As a veteran of earthworks and construction industry, the Group has overcome a number of hardships over the past two decades since establishment. The Group will be well-equipped to rise to new challenges that may appear, and will remain dedicated to preserving its market leadership while creating greater value for its shareholders.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 S$'000	2019 S$'000
Revenue	5	**72,401**	77,658
Direct costs		**(76,475)**	(71,709)
Gross (loss)/profit		**(4,074)**	5,949
Other income and gains	5	**7,218**	2,567
Administrative and other operating expenses		**(5,745)**	(6,314)
Other expenses		**(5,778)**	(287)
Finance costs	6	**(580)**	(669)
(Loss)/profit before income tax	7	**(8,959)**	1,246
Income tax credit/(expense)	8	**590**	(248)
(Loss)/profit for the year attributable to owners of the Company		**(8,369)**	998
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(55)**	(178)
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		**(270)**	(134)
Other comprehensive income for the year, net of tax		**(325)**	(312)
Total comprehensive income for the year attributable to the owners of the Company		**(8,694)**	686
(Loss)/earnings per share attributable to owners of the Company	10		
– Basic (S$ cents)		**(0.81)**	0.10
– Diluted (S$ cents)		**(0.81)**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 S$'000	2019 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,603**	2,360
Right-of-use assets		**17,862**	25,412
Investment property		**1,310**	1,322
Other assets		**367**	364
Deposits and other receivables		**302**	296
Financial assets at fair value through profit or loss		**1,383**	1,398
Financial assets at fair value through other comprehensive income		**669**	939
Financial assets at amortised costs		**–**	1,250
Deferred tax assets		**825**	326
		25,321	33,667
Current assets			
Contract assets		**28,685**	26,399
Trade receivables	*11*	**13,288**	13,195
Deposits, prepayments and other receivables		**3,935**	9,947
Financial assets at amortised costs		**1,250**	–
Pledged deposits		**3,392**	3,359
Cash and cash equivalents		**46,238**	44,772
		96,788	97,672
Current liabilities			
Contract liabilities		**4,316**	3,088
Trade payables	*12*	**11,297**	10,695
Other payables, accruals and deposits received		**2,541**	3,385
Bank borrowing		**704**	–
Lease liabilities		**7,973**	12,229
Income tax payable		**203**	575
		27,034	29,972

	Notes	2020	2019
	Notes	***S$'000***	*S$'000*
Net current assets		**69,754**	67,700
Total assets less current liabilities		**95,075**	101,367
Non-current liabilities			
Deposits received		**–**	16
Bank borrowing		**4,296**	–
Lease liabilities		**5,963**	7,763
Deferred tax liabilities		**–**	245
		10,259	8,024
Net assets		**84,816**	93,343
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**1,807**	1,807
Reserves		**83,009**	91,536
Total equity		**84,816**	93,343

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital S$'000	Share premium* S$'000	Merger reserve* S$'000	Share option reserve* S$'000	Translation reserve* S$'000	Fair value through other comprehensive income reserve* S$'000	Retained profits* S$'000	Total S$'000
At 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 and 1 January 2020	1,807	27,860	5,166	–	(556)	(304)	59,370	93,343
Loss for the year	–	–	–	–	–	–	(8,369)	(8,369)
Other comprehensive income								
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(270)	–	(270)
Exchange differences arising on translation	–	–	–	–	(55)	–	–	(55)
Total comprehensive income for the year	–	–	–	–	(55)	(270)	(8,369)	(8,694)
Equity-settled share option arrangements	–	–	–	167	–	–	–	167
At 31 December 2020	1,807	27,860	5,166	167	(611)	(574)	51,001	84,816

* These reserve accounts comprise the consolidated reserves of approximately S$83,009,000 (2019: approximately S$91,536,000) in the consolidated statement of financial position as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

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 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	Covid-19 ("Covid-19") Related Rent Concessions (early applied)
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies. In addition, the Group has early adopted amendment to HKFRS 16, Covid-19-Related Rent Concessions ahead of the effective date and applied the amendment from 1 January 2020.

Amendments to HKFRS 16 – Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

(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 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018-2020[2]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

[4] Effective for annual periods beginning on or after 1 January 2023

[5] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the application of them is unlikely to have a significant impact on the Group's future consolidated 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 2020 and 2019. Operating revenue, direct costs, gain on disposals of property, plant and equipment (including plant and machinery and motor vehicles), and right-of-use assets, 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 total 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	General construction works	Total
	S$'000	*S$'000*	*S$'000*
Year ended 31 December 2020			
Revenue from external customers	**52,772**	**19,629**	**72,401**
Reportable segment results	**(4,028)**	**1,029**	**(2,999)**
Unallocated other income and gains			**5,080**
Corporate and other unallocated expenses			**(10,979)**
Interest on bank borrowing			**(61)**
Loss before income tax			**(8,959)**

	Earthworks & ancillary services	General construction works	Total
	S$'000	*S$'000*	*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

Corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipment, provision for impairment of other receivables 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	
	2020	2019
	S$'000	*S$'000*
Earthworks & ancillary services	**49,079**	58,762
General construction works	**12,515**	7,602
Total	**61,594**	66,364
Additions to non-current segment assets		
Earthworks & ancillary services	**2,565**	10,794
General construction works	**–**	–
Total	**2,565**	10,794

The total 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	
	2020	2019
	S$'000	*S$'000*
Reportable segment assets	**61,594**	66,364
Unallocated property, plant and equipment	**621**	561
Unallocated right-of-use assets	**411**	522
Financial assets at FVTPL	**1,383**	1,398
Financial assets at amortised cost	**1,250**	1,250
Financial assets at FVOCI	**669**	939
Investment property	**1,310**	1,322
Other assets	**367**	364
Deferred tax assets	**825**	326
Pledged deposits	**3,392**	3,359
Cash and cash equivalents	**46,238**	44,772
Corporate and other unallocated assets	**4,049**	10,162
Group assets	**122,109**	131,339

Corporate and other unallocated assets mainly included deposits, prepayments, other receivables due from related parties and advance payment to supplier.

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

Reportable segment liabilities

	As at 31 December	
	2020	2019
	S$'000	*S$'000*
Earthworks & ancillary services	**24,404**	29,308
General construction works	**4,801**	4,045
Total	**29,205**	33,353

The total 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	
	2020	2019
	S$'000	*S$'000*
Reportable segment liabilities	**29,205**	33,353
Bank borrowing	**5,000**	–
Deferred tax liabilities	**–**	245
Corporate and other unallocated liabilities	**3,088**	4,398
Group liabilities	**37,293**	37,996

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 *S$'000*	General construction works *S$'000*	Unallocated *S$'000*	Total *S$'000*
Year ended 31 December 2020				
Gain on disposals of property, plant and equipment	**35**	**–**	**–**	**35**
Gain on disposals of right-of-use assets	**440**	**–**	**–**	**440**
Depreciation of property, plant and equipment	**911**	**8**	**203**	**1,122**
Depreciation of right-of-use assets	**8,093**	**16**	**111**	**8,220**
Bad debts recovered	**1,320**	**–**	**–**	**1,320**
Provision for impairment of contract assets	**66**	**116**	**–**	**182**
Provision of impairment of trade receivables	**346**	**17**	**–**	**363**
Provision for impairment of other receivables	**–**	**–**	**5,217**	**5,217**
Finance costs	**519**	**–**	**61**	**580**

	Earthworks & ancillary services *S$'000*	General construction works *S$'000*	Unallocated *S$'000*	Total *S$'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

(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	
	2020	2019
	S$'000	*S$'000*
Customer A – attributable to Earthworks & ancillary services	**11,173**	n/a
Customer B – attributable to General construction works	**8,344**	n/a
Customer C – attributable to General construction works	**7,964**	n/a
Customer D – attributable to Earthworks & ancillary services	**n/a**	9,055

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	
	2020	2019
	S$'000	*S$'000*
Revenue from contacts with customer and recognised over time:		
Earthworks & ancillary services *(note)*	**52,772**	67,625
General construction works	**19,629**	10,033
	72,401	77,658

Note:

Earthworks & ancillary services include revenue of approximately S$48,384,000 (2019: approximately S$62,401,000) from earthworks and approximately S$4,388,000 (2019: approximately S$5,224,000) from earthwork ancillary services.

(b) Transaction price allocated to remaining performance obligations

At 31 December 2020, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to project works are approximately S$183,552,000 (2019: approximately S$174,593,000). 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:

	2020	2019
	S$'000	*S$'000*
Other income		
Management service income	**234**	234
Interest income on financial assets carried at amortised cost	**563**	483
Bad debts recovered	**1,320**	799
Rental income from investment property	**109**	113
Dividend income from financial assets at FVOCI	**51**	54
Sales of scrap materials and consumables	**270**	216
Government grants	**4,067**	165
Covid-19-related rent concession	**65**	–
Others	**64**	109
	6,743	2,173
Gains		
Gain on disposals of property, plant and equipment	**35**	299
Gain on disposals of right-of-use assets	**440**	92
Net exchange gain	**–**	3
	475	394
Total	**7,218**	2,567

6. FINANCE COSTS

	2020	2019
	S$'000	*S$'000*
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on lease liabilities	**519**	669
– Interest on bank borrowing wholly repayable within five years	**61**	–
	580	669

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2020	2019
	S$'000	*S$'000*
Auditor's remuneration	**181**	198
Depreciation of property, plant and equipment	**1,122**	768
Depreciation of right-of-use-assets	**8,220**	8,106
Depreciation of investment property	**12**	12
Direct operating expenses arising from investment property that generated rental income	**13**	28
Net exchange loss/(gain)	**78**	(3)
Employee benefit expenses (including directors' remuneration):		
– Salaries, wages and bonuses	**14,738**	16,431
– Equity-settled share option expense	**167**	–
– Defined contribution retirement plan	**669**	742
– Other short-term benefits	**1,453**	2,568
	17,027	19,741
Provision for impairment of contract assets	**182**	255
Provision/(reversal) for impairment of trade receivables	**363**	(93)
Provision for impairment of other receivables	**5,217**	114
(Reversal)/provision of impairment loss on other assets	**(3)**	9
Fair value loss on financial assets at FVTPL	**15**	11

8. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax

	2020	2019
	S$'000	*S$'000*
Current tax – Singapore income tax		
Tax for the year	**67**	109
Under provision for prior year	**87**	462
	154	571
Deferred tax		
Credit to profit or loss for the year	**(744)**	(323)
Income tax (credit)/expense	**(590)**	248

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 (2019: Nil).

9. DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 December 2020 (2019: Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2020 is based on the loss attributable to owners of the Company of approximately S$8,369,000 and on the weighted average number of 1,036,456,000 ordinary shares in issue during the year ended 31 December 2020. The basic loss per share is the same as diluted loss per share. There are no dilutive effect on the impact of the exercise of the share options as they are anti-dilutive.

The calculation of basic earning 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 and on the weighted average number of 1,036,456,000 ordinary shares in issue during the year ended 31 December 2019. The 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 ended 2019.

11. TRADE RECEIVABLES

	2020	2019
	S$'000	*S$'000*
Trade receivables	**14,252**	14,663
Retention receivables	**441**	894
	14,693	15,557
Less: Provision for impairment of trade receivables	**(1,405)**	(2,362)
	13,288	13,195
Total trade receivables, net		
– Third parties	**11,719**	11,651
– Related parties	**1,569**	1,544
	13,288	13,195

(a) During the year, credit period granted to the Group's customers generally within 30 (2019: 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:

	2020	2019
	S$'000	*S$'000*
0 to 30 days	**7,552**	8,879
31 to 90 days	**3,834**	2,533
91 to 180 days	**775**	604
181 to 365 days	**23**	518
Over 365 days	**932**	449
	13,116	12,983
Retention receivables	**172**	212
	13,288	13,195

12. TRADE PAYABLES

	2020	*2019*
	S$'000	*S$'000*
Trade payables	**10,705**	10,556
Retention payables	**592**	139
	11,297	10,695
Total trade payables		
– Third parties	**10,213**	9,573
– Related parties	**1,084**	1,122
	11,297	10,695

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:

	2020	*2019*
	S$'000	*S$'000*
0 to 30 days	**8,869**	8,030
31 to 90 days	**1,818**	1,351
91 to 180 days	**49**	472
Over 180 days	**561**	842
	11,297	10,695

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 to the Listing Rules throughout the Year, except for the Code Provisions of A.2.1, A.1.3 and A.5.1:

– The CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer ("**CEO**") 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 CEO of the Company, which constitutes a deviation from the Code Provision A.2.1.

Mr. Lim has relinquished as the Chairman of the Board but remained to act as CEO and Executive Director and Mr. Phang Yew Kiat was appointed as the Chairman of the Board of the Company on 16 October 2020, therefore the Company has complied with Code Provision A.2.1 of the CG Code.

- The CG Code Provision A.1.3 stipulates that the notice of a regular board meeting should be given to all directors at least 14 days for an opportunity for all directors to attend. The Company held two regular board meetings during the Year without 14 days' notice, which constitute a deviation from the Code Provision A.1.3. However, the Company has issued a consent letter to all Directors to seek for their approval to agree and confirm to convene the meeting under short notice (the short notice was issued to all Directors before 10 days of the meeting). The Company believes that all Directors have sufficient time to read the meeting materials and to be able to attend the meeting in time.

- The CG Code Provision A.5.1 provides that an issuer should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. However, the chairman of the committee is still chaired by Mr. Lim (the former Chairman of the Board), which constitutes a deviation from the Code Provision of A.5.1. The Board considered that since Mr. Lim relinquished his role as the Chairman of the Board and delegated the execution power to the two committee members to execute, all of them are Independent Non-executive Directors of the Company. The Company will decide to appoint Mr. Phang Yew Kiat, the Chairman of the Board to act as the chairman of the committee as soon as practicable to replace Mr. Lim, for the purpose of complying with the requirement of CG Code Provision A.5.1.

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 2020.

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 2020 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 2020 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 2020. 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
Phang Yew Kiat
Chairman and Non-executive Director

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises Mr. Lim Kui Teng, Mr. Quek Sze Whye, Mr. Bijay Joseph and Mr. Lau Yan Hong as executive Directors; Mr. Phang Yew Kiat as non-executive Director; and Mr. Chan Po Siu, Mr. Wee Hian Eng, Cyrus and Mr. Xu Fenglei as independent non-executive Directors.