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卓航控股集團

Trendzon Holdings Group Limited

Trendzon Holdings Group Limited

卓航控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1865)

**UNAUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Trendzon Holdings Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated financial results of the Group for the year ended 31 March 2022 (“**FY2022**”) (“**FY2022 Unaudited Results**”), together with the audited comparative figures for the year ended 31 March 2021 (“**FY2021**”). For the reasons explained in the Paragraph headed “Review of the FY2022 Unaudited Results” in this announcement, the audit process for the annual results of the Group for the year ended 31 March 2022 has not been completed.

FINANCIAL SUMMARY

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Revenue	58,827	43,450
Gross profit	9,710	9,980
Profit before income tax	448	4,054
Profit for the year	130	3,254
Earnings per share for the profit attributable to owners of the company for the year (expressed in Singapore cents per share)		
– Basic earnings per share	0.01	0.35
– Diluted earnings per share	0.01	0.35

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	Notes	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Revenue	3	58,827	43,450
Cost of sales		<u>(49,117)</u>	<u>(33,470)</u>
Gross profit		9,710	9,980
Other income	4	2,232	3,017
Other losses, net	5	(738)	(1,420)
Share of loss of a joint venture		(142)	–
Impairment loss on trade and other receivables		(77)	–
Administrative expenses		<u>(8,974)</u>	<u>(7,152)</u>
Operating profit		2,011	4,425
Finance costs	8	<u>(1,563)</u>	<u>(371)</u>
Profit before income tax	6	448	4,054
Income tax expense	9	<u>(318)</u>	<u>(800)</u>
Profit for the year		<u>130</u>	<u>3,254</u>
Earnings per share for the profit attributable to owners of the Company for the year			
Basic and diluted (Singapore dollar “SGD” in cents)	10	<u>0.01</u>	<u>0.35</u>

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Other comprehensive loss		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	<u>(425)</u>	<u>(1)</u>
Other comprehensive loss for the year	<u>(425)</u>	<u>(1)</u>
Total comprehensive (loss)/income for the year	<u><u>(295)</u></u>	<u><u>3,253</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		19,313	22,055
Right-of-use assets		3,414	3,277
Intangible assets		42	9
Investment in a joint venture		6,202	–
Deposits		346	1,563
		<u>29,317</u>	<u>26,904</u>
Current assets			
Financial assets at fair value through profit or loss		–	882
Trade and other receivables	11	23,716	20,572
Loan receivables		12,545	–
Amount due from a joint venture		2,895	–
Contract assets		23,309	13,564
Fixed deposits		102	102
Cash and cash equivalents		9,054	11,912
		<u>71,621</u>	<u>47,032</u>
Total assets		<u>100,938</u>	<u>73,936</u>
EQUITY			
Share capital		1,589	1,589
Reserves		38,559	38,854
Total equity		<u>40,148</u>	<u>40,443</u>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

As at 31 March 2022

	<i>Notes</i>	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		10,334	8,864
Lease liabilities		3,284	3,061
Deferred income tax liabilities		504	813
		14,122	12,738
Current liabilities			
Trade and other payables	<i>12</i>	10,844	8,269
Borrowings		35,187	10,875
Lease liabilities		189	243
Current income tax liabilities		448	1,368
		46,668	20,755
Total liabilities		60,790	33,493
Total equity and liabilities		100,938	73,936

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1 GENERAL INFORMATION

The Company was incorporated on 17 July 2018 in the Cayman Islands as an exempted company with limited liability under the Companies Law (Cap 22, Law 3 of 1961 as consolidated and revised) (now known as the Companies Act (2021 Revision)) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Main Board**”) on 27 March 2019 (the “**Listing**”).

The Company’s registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Singapore is 38 Senoko Road, Singapore 758110. The principal place of business in Hong Kong is Suite 2108, Prudential Tower, The Gateway, Harbour City, Hong Kong. The unaudited consolidated financial statements are presented in thousands of units of Singapore dollars (“**S\$’000**”), unless otherwise stated.

The Company is an investment holding company. The Group is principally engaged in (i) infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries services; and (ii) trading of building materials.

The unaudited consolidated financial statements have been approved by the Board of Directors on 30 June 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The unaudited consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. The unaudited consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties and financial assets measured at fair value through profit or loss, which are carried at fair values.

The preparation of unaudited consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) Amendments adopted by the Group

The Group has applied the following new and amendments to IFRSs and new interpretation issued by the IASB for the first time in the current year:

IFRS 16 (Amendments)	Covid-19 Related Rent Concessions
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
IFRS 16 (Amendments)	Covid-19 Related Rent Concessions beyond 30 June 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and amendments not yet adopted

The following new standards and amendments have been published that are not mandatory for the current reporting period and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Annual Improvements (Amendments)	Annual Improvements to IFRSs 2018-2020	1 January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
IAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards and amendments to existing standards. These standards and amendments are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards and amendments to existing standards when they become effective.

3 SEGMENT INFORMATION

The Company's executive directors monitor the operating results of its operating segment for the purpose of making decisions about resource allocation and performance assessment.

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors consider the segment from a business perspective. The Group has two (2021: two) operating segments that qualify as reporting segment under IFRS 8 and the information that is regularly reviewed by the executive directors for the purposes of allocating resources and assessing performance of the operating segment is the unaudited consolidated financial statements of the Group.

The executive directors of the Company assess the performance based on a measure of profit before income tax, and consider all businesses are included in the two segments.

	Segment revenue		Segment results	
	2022	2021	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Construction contracts	46,096	37,247	7,127	9,135
Trading of building materials	12,731	6,203	2,583	845
Total segment	58,827	43,450	9,710	9,980
Other income			2,232	3,017
Other losses, net			(738)	(1,420)
Administrative expenses			(8,974)	(7,152)
Finance costs			(1,563)	(371)
Impairment loss on trade and other receivables			(77)	–
Share of loss of a joint venture			(142)	–
Profit before income tax			448	4,054

For the year ended 31 March 2022, there was one customer (2021: one) which individually contributed over 10% of the Group's total revenue. During the years ended 31 March 2022 and 2021, the revenue contributed from this customer was as follows:

	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Audited)
Customer A	42,649	31,392

As at 31 March 2022, the total assets in the construction contracts segment and trading of building materials segment were S\$55,556,000 and S\$18,384,000 respectively (2021: S\$54,633,000 in construction contracts segment and S\$17,008,000 in trading of building materials segment).

As at 31 March 2022, the total non-current assets, other than deposits and investment in a joint venture in Singapore and Hong Kong were S\$22,406,000 and S\$363,000 respectively (2021: S\$24,774,000 in Singapore and S\$567,000 in Hong Kong).

(a) Disaggregation of revenue from contracts with customers

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Revenue from construction contracts		
Construction contracts relating to:		
– Gas	43,352	35,424
– Water	2,578	1,761
– Cable	166	62
	<u>46,096</u>	<u>37,247</u>
Revenue from trading of building materials		
Building materials	<u>12,731</u>	<u>6,203</u>
Total	<u><u>58,827</u></u>	<u><u>43,450</u></u>
	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Revenue from contracts with customers within the scope of IFRS 15:		
Recognised over time		
– Revenue from construction contracts	46,096	37,247
Recognised at a point in time		
– Revenue from trading of building materials	<u>12,731</u>	<u>6,203</u>
	<u><u>58,827</u></u>	<u><u>43,450</u></u>

For the year ended 31 March 2022			
	Revenue from construction contracts <i>S\$'000</i> (Unaudited)	Revenue from trading of building materials <i>S\$'000</i> (Unaudited)	Total <i>S\$'000</i> (Unaudited)
Geographical markets:			
– Singapore	46,096	–	46,096
– Hong Kong	–	12,731	12,731
	<u>46,096</u>	<u>12,731</u>	<u>58,827</u>
For the year ended 31 March 2021			
	Revenue from construction contracts <i>S\$'000</i> (Audited)	Revenue from trading of building materials <i>S\$'000</i> (Audited)	Total <i>S\$'000</i> (Audited)
Geographical markets:			
– Singapore	37,247	–	37,247
– Hong Kong	–	6,203	6,203
	<u>37,247</u>	<u>6,203</u>	<u>43,450</u>

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2022 <i>S\$'000</i> (Unaudited)	2021 <i>S\$'000</i> (Audited)
Total contract assets:		
– Construction contracts	<u>23,309</u>	<u>13,564</u>
Total contract liabilities:		
– Construction contracts	<u>–</u>	<u>–</u>

Contract assets are related to fixed price specialised pipeline construction contracts.

No contract liabilities for specialised pipeline construction contracts were recognised as at year end as there was no prepayment for the contract activities (FY2021: Nil).

(c) **Unsatisfied performance obligation**

The following table shows unsatisfied performance obligations resulting from contracts and when the Group expects to recognise as revenue:

	31 March 2022		
	Revenue from construction contracts <i>S\$'000</i> (Unaudited)	Revenue from trading of building materials <i>S\$'000</i> (Unaudited)	Total <i>S\$'000</i> (Unaudited)
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied:			
– Within 1 year after financial year	49,694	–	49,694
– Between 2 to 5 years after financial year	1,060	–	1,060
	<u>50,754</u>	<u>–</u>	<u>50,754</u>
	31 March 2021		
	Revenue from construction contracts <i>S\$'000</i> (Audited)	Revenue from trading of building materials <i>S\$'000</i> (Audited)	Total <i>S\$'000</i> (Audited)
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied:			
– Within 1 year after financial year	34,064	–	34,064
– Between 2 to 5 years after financial year	16,847	–	16,847
– More than 5 years after financial year	5,938	–	5,938
	<u>56,849</u>	<u>–</u>	<u>56,849</u>

(d) **Trade receivables from contracts with customers**

	2022 <i>S\$'000</i> (Unaudited)	2021 <i>S\$'000</i> (Audited)
Total contract assets:		
– Construction contracts	3,210	4,229
– Trading of building materials	<u>9,710</u>	<u>3,748</u>
	<u>12,920</u>	<u>7,977</u>

4 OTHER INCOME

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Rental income	–	133
Loan interest income	36	–
Interest income	3	5
Government grants	1,152	2,125
Insurance claims	–	79
Others	1,041	675
	<u>2,232</u>	<u>3,017</u>

5 OTHER LOSSES, NET

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Unrealised gains on fair value change on financial assets at fair value through profit or loss	–	(15)
Realised losses/(gains) on disposal of financial assets at fair value through profit or loss	52	(19)
Losses/(gains) on disposal of property, plant, and equipment	124	(5)
Written off of property, plant, and equipment	–	522
Unrealised losses on fair value changes in investment properties	–	770
Foreign exchange losses	–	167
Revaluation deficit on property, plant and equipment	562	–
	<u>738</u>	<u>1,420</u>

6 EXPENSES BY NATURE

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Material costs under construction operation	10,172	7,400
Cost of building materials sold	10,147	5,358
Impairment loss on trade and other receivables	77	–
Auditor's remuneration		
– Audit services	130	183
– Non-audit services	–	–
Depreciation of property, plant and equipment	2,615	3,313
Amortisation of intangible asset	24	40
Depreciation of right-of-use assets	581	362

7 EMPLOYEE BENEFIT COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Wages and salaries	12,069	10,930
Employer's contribution to defined contribution plans	199	399
	<u>12,268</u>	<u>11,329</u>

8 FINANCE COSTS

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Hire purchase liabilities	34	30
Lease liabilities	7	48
Term loans	180	218
Bonds	1,342	75
	<u>1,563</u>	<u>371</u>

9 INCOME TAX EXPENSE

Tax has been provided at the applicable Singapore statutory corporate tax rate of 17% (2021: 17%) on the estimated assessable profit during the financial year. Companies within the Group that are incorporated in the Cayman Islands and the British Virgin Island ("BVI") are not subject to any income tax. The applicable tax rates for group company incorporated in Hong Kong is 8.25% on the first HK\$2,000,000 of assessable profit and 16.5% on the remaining. The applicable tax rate for group company incorporated in the People's Republic of China (the "PRC") is 25%. No overseas taxes were provided as no assessable profit were derived in overseas companies.

The amount of income tax expense charged to the consolidated statement of profit or loss represents:

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Singapore profits tax		
Current year	638	1,138
Over-provision in prior years	(11)	(74)
	<u>627</u>	<u>1,064</u>
Deferred income tax	(309)	(264)
	<u>318</u>	<u>800</u>

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Profit attributable to owners of the Company	<u>130</u>	<u>3,254</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>920,000</u>	<u>920,000</u>
Basic earnings per share (<i>Singapore dollar in cents</i>)	<u><u>0.01</u></u>	<u><u>0.35</u></u>

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue.

(b) Diluted

For the years ended 31 March 2022 and 2021, diluted earnings per share is the same as basic earnings per share as there was no potential dilutive ordinary shares.

11 TRADE AND OTHER RECEIVABLES

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Trade receivables	12,920	7,977
Prepayments, deposits, and other receivables	<u>10,796</u>	<u>12,595</u>
	<u><u>23,716</u></u>	<u><u>20,572</u></u>

The Group normally grants credit terms to its customers ranging from 60 to 90 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
1 to 30 days	3,060	7,499
31 to 60 days	3,877	471
61 to 90 days	<u>5,983</u>	<u>7</u>
	<u><u>12,920</u></u>	<u><u>7,977</u></u>

12 TRADE AND OTHER PAYABLES

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
Trade payables	5,579	4,163
Accrued expenses and other payables	5,265	4,106
	<u>10,844</u>	<u>8,269</u>

The ageing analysis of the trade payables based on invoice date were as follows:

	2022 S\$'000 (Unaudited)	2021 S\$'000 (Audited)
1 to 30 days	3,610	2,449
31 to 60 days	1,647	1,257
61 to 90 days	322	438
Over 90 days	–	19
	<u>5,579</u>	<u>4,163</u>

13 DIVIDENDS

The Board does not recommend the payment of any final dividend for FY2022 (FY2021: Nil).

14 EVENTS AFTER THE REPORTING PERIOD

On 4 May 2022, the Company has granted a total of 92,000,000 share options (the “**Share Options**”) to eleven employees of the Group (the “**Grantees**”) under the share option scheme adopted by the Company on 26 February 2019 to subscribe for a total of 92,000,000 ordinary shares of the Company, representing 10% of the issued share capital of the Company, at the exercise price of HK\$0.346 per share. The Share Options are valid for a period of 3 years from the date of grant. None of the Grantees of the Share Options is a director, chief executive, or substantial shareholder of the Company. Details are set out in the Company’s announcement dated 4 May 2022.

On 16 May 2022, the Company entered into two subscription agreements with two subscribers, Zhongbei Capital Co., Limited and Shanghai Heri Investment Company Limited (the “**Subscription Agreement**”). Pursuant to the Subscription Agreement, the Company has agreed to allot and issue, and the two subscribers have conditionally agreed to subscribe 184,000,000 subscription shares at HK\$0.475 per share. All the conditions of the Subscription Agreements have been fulfilled and the Subscription Shares were allotted and issued to two independent subscribers on 20 June 2022. Details of above are set out in the Company’s announcements dated 16 May 2022, 23 May 2022, 24 May 2022, 6 June 2022, 13 June 2022 and 20 June 2022.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The global economy was adversely affected by the outbreak of the novel coronavirus COVID-19 pandemic, which has posed significant challenges to the global recovery, and brought severe challenges to global economy.

For the infrastructural pipeline market in Singapore, the outbreak of hostilities in Ukraine has further caused prices of materials and energy to soar. In addition, labour costs have also increased due to limited supply of manpower. These unfavorable factors have adversely affected the Singapore operations of the Group.

The Group recorded a total revenue of approximately S\$58.8 million in FY2022, representing an increase of approximately S\$15.3 million from approximately S\$43.5 million in FY2021. The increase in revenue was mainly due to the increase in revenue from projects relating to the water pipeline projects, supply and lay of gas mains and renewal services, gas transmission pipeline, in-line inspection and conversion of gas pressure networks by approximately S\$8.8 million and the increase in revenue from trading of building materials business of approximately S\$6.5 million for the Group during FY2022 as compared with FY2021. During FY2022, the Group has been awarded eight new gas and water projects with an aggregate contract sum of approximately S\$32.0 million, most of which commenced in FY2022.

Business strategies of the Group remained unchanged for FY2022. Since the Listing of the Company, the management has continuously consolidated and strengthened the reputation of the Group through submission of tenders to keep its presence in the market. Leveraging its listing status, the Group's core business continued to earn good reputation and provided the Group with sound track record for potential business opportunities. Subsequent to FY2022, the Group has secured new projects, together with the ongoing projects on hand, its revenue could be sustained for the next financial year.

Despite challenging operating conditions in the year ahead, the Group believes that it is positioned on the right track for sustainable development. Looking ahead, The Group will continue to focus on maintaining its market position in the pipeline construction industry in Singapore and continue to keep a close watch on the global economy trend and market situations to capture business opportunities in turn achieve better operating results.

The Board is of the opinion that the development of potential business represents a good opportunity for increasing the sources of revenue of the Group. The Group is well-positioned for the challenges and competition ahead, to carry out research to prepare for the development of different business and new business opportunities. This enables the Group to enrich the Group business portfolio and create a sustainable business development model to striving to deliver satisfactory return to shareholders of the Company.

ONGOING PROJECTS

As at 31 March 2022, the Group had three ongoing gas pipeline projects and five water pipeline projects with an aggregated contract sum of approximately S\$85.5 million, of which approximately S\$34.7 million has been recognised as revenue as at 31 March 2022 (FY2021: four gas pipeline projects and seven water pipeline projects, with an aggregate contract sum of S\$94.2 million). The remaining balance will be recognised as the Group's revenue in subsequent periods in accordance with IFRS 15.

The management considered that all ongoing projects were on schedule and none of which is expected to cause the Group to indemnify the third parties and incur any contingent liabilities as at 31 March 2022.

FINANCIAL REVIEW

Revenue

Revenue from contracts with customers

The following table sets out the breakdown of the Group's revenue from contracts with customers, the number of projects/contracts performed and the percentage contribution to total revenue for FY2022 and FY2021.

	For the year ended 31 March					
	2022			2021		
	Number of projects/ contracts performed (Unaudited)	Revenue (S\$'000) (Unaudited)	Percentage of revenue (%) (Unaudited)	Number of projects/ contracts performed (Audited)	Revenue (S\$'000) (Audited)	Percentage of revenue (%) (Audited)
Gas pipeline	10	43,352	73.7	9	35,424	81.5
Water pipeline	11	2,578	4.4	10	1,761	4.1
Cable installation	1	166	0.3	1	62	0.1
	22	46,096	78.4	20	37,247	85.7
Trading of building materials		12,731	21.6		6,203	14.3
Total		58,827	100		43,450	100.0

Revenue of the Group has increased by approximately S\$15.3 million from S\$43.5 million in FY2021 to S\$58.8 million in FY2022 due to the following:

- (i) Increase in revenue from gas pipeline projects by approximately S\$8.0 million;
- (ii) Increase in revenue from water pipeline projects by approximately S\$0.8 million; and
- (iii) Increase in revenue derived from trading of building materials by approximately S\$6.5 million.

The increase in revenue from the gas pipeline projects by approximately S\$8.0 million in FY2022 as compared with FY2021 was due to the following:

- (i) Increase in revenue from projects relating to the supply and lay of gas mains and renewal services by approximately S\$3.0 million; and
- (ii) Increase in revenue from other contracts relating to a gas transmission pipeline, in-line inspection and conversion of gas pressure networks by approximately S\$5.0 million.

The increase in revenue from the water pipeline projects by approximately S\$0.8 million in FY2022 as compared with FY2021 was due to the substantial completion of projects brought forward from previous years, where the revenue recognised amounted to approximately S\$2.6 million (FY2021: approximately S\$1.8 million).

The trading of building materials business has generated a revenue of approximately S\$12.7 million (FY2021: S\$6.2 million) which accounted for approximately 21.6% of the Group's revenue (FY2021: 14.3%). The building materials for trading in FY2022 included marble and lightweight ceramsite.

The revenue contributed by trading of building materials is carried out by a subsidiary of the Group located in Hong Kong.

Cost of Sales

Cost of sales of the Group significantly increased by approximately S\$15.6 million or 46.6% from approximately S\$33.5 million in FY2021 to approximately S\$49.1 million in FY2022 which was mainly due to the significant increase in material costs under construction operation and cost of building materials sold in FY2022.

Gross Profits and Gross Profit Margins

The Group's total gross profits slightly dropped by approximately S\$0.3 million from approximately S\$10.0 million in FY2021 to approximately S\$9.7 million in FY2022. Gross profit margin decreased by approximately 6.5% from 23.0% in FY2021 to approximately 16.5% in FY2022 which was mainly due to the significant increase in cost of sales as mentioned above.

Administrative Expenses

The Group recorded administrative expenses amounting to approximately S\$9.0 million in FY2022 (FY2021: approximately S\$7.2 million). The increase was mainly attributable to the administrative staff costs and the administrative professional fee.

Finance Costs

Finance costs of the Group has increased by approximately S\$1.2 million from approximately S\$0.4 million in FY2021 to approximately S\$1.6 million in FY2022. The increment was mainly attributable by the additional borrowings during FY2022.

Profit for the Year

Due to the above, profit for the year in FY2022 dropped by approximately S\$3.1 million from S\$3.3 million in FY2021 to approximately S\$130,000 in FY2022.

Borrowings

Borrowings increased by approximately S\$25.8 million from approximately S\$19.7 million as at 31 March 2021 to approximately S\$45.5 million as at 31 March 2022. The increase was mainly attributable to bonds issued during FY2022.

Liquidity and Financial Resources

As at 31 March 2022, the Group maintained a healthy liquidity position with net current asset balance and net cash and bank deposits of approximately S\$25.0 million (2021: S\$26.3 million) and S\$9.1 million (2021: S\$11.9 million) respectively. The Group's gearing ratio (calculating by total interest-bearing debt over total equity) as at 31 March 2022 was 122.0%, increase of 65.0% from 57.0% as at 31 March 2021. The increase in gearing ratio was mainly due to the additions of borrowings during FY2022.

Employees and Remuneration Policies

As at 31 March 2022, the Group had a total of 355 employees (FY2021: 314 employees). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognises the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries, bonus and allowances.

Use of Listing Proceeds

The total net proceeds raised from the Listing (the “**Net Proceeds**”) received by the Company, after deducting related listing expenses, were approximately HK\$90.2 million (approximately S\$15.7 million).

Set out below are details of the allocation of the Net Proceeds, the utilised and unutilised amounts of Net Proceeds as at 31 March 2022:

Use of net proceeds	Planned use of net proceeds <i>S\$'000</i>	Utilised in FY2022 <i>S\$'000</i>	Utilised from Listing up to 31 March 2022 <i>S\$'000</i>	Total remaining net proceeds available as at 31 March 2022 <i>S\$'000</i> (Note 1)
(a) Relocate to a new property to be acquired to be used as our new office, foreign worker dormitory and warehouse for our machinery (Note 2)	9,368	7,938	9,368	–
(b) Purchase two pipe jacking machines (Note 3)	4,896	–	–	4,896
(c) Working capital	1,428	–	1,428	–
	<u>15,692</u>	<u>7,938</u>	<u>10,796</u>	<u>4,896</u>

The Net Proceeds were used and expected to be used according to the intentions previously disclosed in the Company’s prospectus dated 14 March 2019 (the “**Prospectus**”). As at the date of this announcement, there were no changes of business plan from that disclosed in the Prospectus.

Note 1: The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group, it will be subjected to change based on current and future development of market conditions.

Note 2: The Group has completed the renovation of the headquarters and had since relocated to the new headquarter since 1 January 2022.

Note 3: As at 31 March 2022, the Group has yet to acquire the pipe jacking machines as the Group has been tendering but not awarded with projects that require the use of certain models of pipe jacking machines as mentioned in the Prospectus. Furthermore, based on the current economic development, the available tenders, the ongoing and potential projects and the overall cost versus benefit, the proceeds in relation to purchase of two pipe jacking machines will be further postponed and expected to be utilised before 31 December 2022. The Group will continue to actively participate in available tenders that require the use of the pipe jacking machines.

Material Acquisition, Disposal and significant investment of Subsidiaries, Associates and Joint Ventures

- (1) On 13 September 2021, a direct wholly-owned subsidiary of the Company, Jumbo Harvest Group Limited (“**Jumbo Harvest**”) entered into an acquisition agreement with VBG International Holdings Limited (“**VBG**”), the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8365), pursuant to which Jumbo Harvest acquired 85% of the entire issued share capital of Wealth Link Securities Limited (“**Wealth Link**”) which is mainly engaged in the provision of (i) corporate finance advisory services; (ii) placing and underwriting services; (iii) securities brokerage and margin financing; (iv) asset management services; and (v) business consulting services in Hong Kong and is licensed by the SFC to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. At the date of this announcement, the acquisition is not yet completed and completion shall take place after the fulfillment or waiver of the conditions precedent under the acquisition agreement.

With the view to diversify the Group’s existing business portfolio and to broaden its source of income, the Directors have been reviewing the market conditions of the financial services sector and believe the acquisition will enable the Group to enter into financial services industry and to diversify its revenue stream.

Further details in respect of this disclosable acquisition are set out in the announcements dated 13 September 2021 and 20 September 2021.

- (2) In light of the national strategic plan and industrial policy of “Made in China 2025” to further develop the manufacturing sector of the PRC since 2015, the PRC government has been encouraging scientific and technology production. Further, Zhongshan city and Banfu Town has issued various policies to support and facilitate the development of intelligent manufacturing. In this premises, the Company entered into a strategic cooperation agreement with the Diandian Science and Technology Innovation City Project Investment and Development (Zhongshan) Co., Ltd (點點科創城項目投資開發(中山)有限公司) (“**JV Partner**”) on 7 June 2021 to form the Trendzon Park Project Investment and Development (Zhongshan) Company Limited (卓航科創城項目投資開發(中山)有限公司) (the “**JV Company**”) to construct and develop an intelligent manufacturing demonstration base in Guangzhou (廣州智能製造示範基地), which offers factory areas, office areas and warehouses, targeting and gathering high-tech companies together to build an intelligent manufacturing professional city (智能製造裝備專業鎮). On 5 October 2021, Trendzon Guangzhou Industrial Park Investments Development Co., Ltd. (卓航(廣州)產業園投資發展有限公司) (a wholly-owned subsidiary of the Company) entered into a capital contribution agreement with JV Partner and the JV Company. Pursuant to capital contribution agreement, Trendzon Guangzhou Industrial Park Investments Development Co., Ltd. and the JV Partner agreed to provide capital contribution, in proportion to their equity interest in the JV Company, of up to RMB45,000,000 and RMB44,100,000 respectively as shareholders’ loans to the JV Company for payment of the construction cost of the first phase of the establishment of integrated industrial operation platform in certain industrial real estates and/or upgrades of regional industrial structure in the PRC for the creation of industrial parks by the Company under the name 卓航•點點科創城 (transliterated in English as Trendzon Diandian Science and Technology Innovation City).

For details of this disclosable transaction, please refer to the announcement of the Company dated 18 November 2021.

- (3) On 5 October 2021, Trendzon Park Project Investment and Development (Zhongshan) Company Limited (卓航科創城項目投資開發(中山)有限公司) (a joint venture of the Company) (“**Trendzon Zhongshan**”) entered into a construction contract with Zhongshan Leixin Earthwork Company Limited (中山市磊鑫土石方工程有限公司) (the “**Construction Contractor**”) for the construction of basic infrastructure for Trendzon Diandian Science and Technology Innovation City at the consideration of RMB18,000,000 (equivalent to approximately HK\$21,744,000) (the “**Construction Contract**”).

On 5 October 2021, Trendzon Zhongshan entered into a construction design contract with Zhongshan No.2 Architecture Design Institute Company Limited No.1 branch (中山市第二建築設計院有限公司第一分公司) (the “**Construction Designer**”) for the construction design in relation to Trendzon Diandian Science and Technology Innovation City at the consideration of RMB10,500,000 (equivalent to approximately HK\$12,684,000) (the “**Construction Design Contract**”).

The Group considers that the entering into of the Construction Contract and the Construction Design Contract are vital to progressing for the establishment of Trendzon Diandian Science and Technology Innovation City.

The Construction Contractor and the Construction Designer have conducted business in the construction industry in the PRC for many years and has comprehensive experience in construction work and construction design respectively. The Directors believe that engaging the Construction Contractor and the Construction Designer to carry out the construction work and construction design would allow the Group to successfully leverage their respective technical expertise and experience, and that the appointment of the Construction Contractor and the Construction Designer as contractors can meet the needs of the construction work and construction design in Trendzon Diandian Science and Technology Innovation City.

The Construction Contract and the Construction Design Contract on an aggregate basis exceeds 5% but is less than 25%, the entering into of the Construction Contract and the Construction Design Contract and the transactions contemplated thereunder constitute a discloseable transaction for the Company. For details, please refer to the announcement of the Company dated 5 October 2021.

Save as disclosed in this announcement, during FY2022, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Foreign Exchange Exposure

The Group has operations in Singapore, Hong Kong, and the PRC. Foreign exchange risk arises when a group entity has transactions denominated in currencies other than its own functional currency.

During FY2022, the Group issued bonds denominated in Hong Kong dollar. Therefore, the Group is subject to the foreign exchange risk deriving from the movement in the exchange rate of Hong Kong dollar and Singapore dollar. The Group did not, and does not anticipate to, experience any significant difficulty or impact on its operation or liquidity due to the fluctuation in the exchange rate between Hong Kong dollar and Singapore dollar. Other than that, most of the transactions of the group entities are denominated in their own functional currencies and hence, the foreign exchange risk is minimal.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus, maintained a healthy liquidity position throughout FY2022. The finance department of the Group is responsible for treasury management functions, which include, amongst others, researching and sourcing investment options for further consideration by the management and the Board, and monitoring the investments on a continuous basis.

Investments Held

As at 31 March 2022, the Group did not hold any listed equity investments (2021: S\$882,000).

Charges on Assets

As at 31 March 2022, carrying amount of plant and machinery and motor vehicles held under hire purchase loan was S\$1,448,000 (2021: S\$2,213,000). The carrying amount of properties pledged for bank borrowings was S\$13,430,000 (2021: S\$14,436,000).

Contingent Liabilities

As at 31 March 2022, the Group had no significant contingent liabilities.

Events after Reporting Period

1. Reference to the Company's announcement dated 4 May 2022, the Company has granted a total of 92,000,000 share options (the "**Share Options**") to eleven employees of the Group (the "**Grantees**") under the share option scheme adopted by the Company on 26 February 2019 to subscribe for a total of 92,000,000 ordinary shares of the Company, representing 10% of the issued share capital of the Company, at the exercise price of HK\$0.346 per share. The Share Options are valid for 3 years from 4 May 2022. None of the Grantees of the Share Options is a director, chief executive, or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.
2. Reference to the announcements of the Company dated 16 May 2022, 23 May 2022, 24 May 2022, 6 June 2022, 13 June 2022, and 20 June 2022, the Company entered into two subscription agreements with two independent subscribers, Zhongbei Capital Co., Limited and Shanghai Heri Investment Company Limited (the "**Subscription Agreements**"). Pursuant to the Subscription Agreements, the Company has agreed to allot and issue, and the two independent subscribers have conditionally agreed to subscribe 184,000,000 subscription shares at HK\$0.475 per share (the "**Subscription Shares**"). All of the conditions of the Subscription Agreements have been fulfilled and the Subscription Shares were allotted and issued to two independent subscribers on 20 June 2022.

Save as disclosed above, the Directors are not aware of any subsequent event which had a material effect on the Group which have occurred since 31 March 2022.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listings of Shares on the Stock Exchange (the "**Listing Rules**") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors of the Company confirms that they have fully complied with the relevant requirements set out in its own code of conduct throughout the FY2022.

Compliance with Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

Summary of deviation of the CG Code:

Code Provision C.2.1

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Mr. Michael Shi Guan Wah has resigned as the Joint Chairman of the Board on 29 October 2021. Under the current organisation structure of the Company, Ms. Feng Jiamin is the Chairman of the Board and Mr. Michael Shi Guan Wah is the Chief Executive Officer which satisfied the code provision C.2.1 of the CG Code. The Board currently comprises four executive Directors and four independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code throughout the FY2022. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Purchase, Sale or Redemption of the Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the FY2022.

Final Dividend

The Board did not recommend the payment of any final dividend for FY2022 (FY2021: Nil).

Review of the FY2022 Unaudited Results

The Company's auditing process for the annual results for the year ended 31 March 2022 has not been completed due to the implementation of the COVID-19 pandemic prevention and control quarantine measures in certain cities in the PRC, including delay in sending and receiving audit confirmations to and from banks, suppliers and customers due to delays in postal services, and suspension of work and closure of some of the companies' offices in the PRC due to lockdown measures in the PRC which affected the preparation and gathering process of necessary documents and information required for the audit work. Given that McMillian Woods (Hong Kong) CPA Limited as auditor of the Company requires additional time for conducting its audit work.

The FY2022 Unaudited Results contained herein have not been agreed with the Company's auditors as required under Rules 13.49(1) and 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

An announcement relating to the audited results for the year ended 31 March 2022 will be made when the auditing process has been completed in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. The Company currently expects that the auditing process should be completed on or before 26 July 2022.

The Audit Committee has reviewed the Group's FY2022 Unaudited Results and the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with the management including a review of the unaudited consolidated financial statements for FY2022.

Publication of the Unaudited Annual Results Announcement, Audited Annual Results Announcement and Annual Report

This unaudited annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.trendzon1865.com). The audited annual results announcement and annual report of the Company for the FY2022 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Trendzon Holdings Group Limited
Feng Jiamin
Chairman

Hong Kong, 30 June 2022

As at the date of this announcement, the Board comprises Ms. Feng Jiamin, Mr. Michael Shi Guan Wah, Mr. Lok Ka Ho and Mr. Fong Hang Fai as executive directors; Mr. Shek Jun Chong, Mr. Qiu Yue, Mr. Lui Kwun Yuen, and Mr. Wong Kwong Fai as independent non-executive directors.