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Trendzon Holdings Group Limited
卓航控股集團有限公司

(formerly known as Pipeline Engineering Holdings Limited 管道工程控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1865)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2021

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 consolidated audited results of the Group for the year ended 31 March 2021 (“**FY2021**”), together with the comparative figures for the year ended 31 March 2020 (“**FY2020**”), which have been reviewed by audit committee of the Company (the “**Audit Committee**”), and have been approved by the Board on 29 June 2021.

FINANCIAL SUMMARY

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Revenue	43,450	27,284
Gross profit	9,980	4,423
Profit before income tax	4,054	1,853
Profit for the year	3,254	1,568
Earnings per share for profit attributable to owners of the Company (expressed in Singapore cents per share)		
– Basic earnings per share	0.35	0.17
– Diluted earnings per share	0.35	0.17

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	Notes	2021 S\$'000	2020 S\$'000
Revenue	3	43,450	27,284
Cost of sales	6	<u>(33,470)</u>	<u>(22,861)</u>
Gross profit		9,980	4,423
Other income	4	3,017	703
Other (losses)/gains, net	5	(1,420)	654
Administrative expenses	6	<u>(7,152)</u>	<u>(3,864)</u>
Operating profit		4,425	1,916
Finance costs	8	<u>(371)</u>	<u>(63)</u>
Profit before income tax		4,054	1,853
Income tax expense	9	<u>(800)</u>	<u>(285)</u>
Profit for the year		<u>3,254</u>	<u>1,568</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>0.35</u>	<u>0.17</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Other comprehensive income/(loss)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	(1)	–
Other comprehensive loss for the year	(1)	–
Total comprehensive income for the year	<u>3,253</u>	<u>1,568</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 S\$'000	2020 S\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		22,055	8,529
Right-of-use assets		3,277	268
Intangible assets		9	49
Investment properties		–	1,020
Deposits	11	1,563	1,854
		<u>26,904</u>	<u>11,720</u>
Current assets			
Financial assets at fair value through profit or loss		882	–
Trade and other receivables	11	20,572	3,596
Contract assets	12	13,564	13,925
Fixed deposits		102	100
Cash and cash equivalents		11,912	15,619
		<u>47,032</u>	<u>33,240</u>
Total assets		<u>73,936</u>	<u>44,960</u>
EQUITY			
Share capital		1,589	1,589
Reserves		38,854	35,601
Total equity		<u>40,443</u>	<u>37,190</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 March 2021*

	<i>Notes</i>	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	8,864	399
Lease liabilities		3,061	–
Deferred income tax liabilities		813	1,077
		<u>12,738</u>	<u>1,476</u>
Current liabilities			
Trade and other payables	<i>13</i>	8,269	4,026
Contract liabilities	<i>12</i>	–	447
Borrowings	<i>14</i>	10,875	861
Lease liabilities		243	268
Current income tax liabilities		1,368	692
		<u>20,755</u>	<u>6,294</u>
Total liabilities		<u>33,493</u>	<u>7,770</u>
Total equity and liabilities		<u>73,936</u>	<u>44,960</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 36 Sungei Kadut Avenue, Singapore 729661. The principal place of business in Hong Kong is 23/F, Central 88, 88-89 Des Voeux Road Central, Hong Kong. The 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 consolidated financial statements have been approved by the Board of Directors on 29 June 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The 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 consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets measured at fair value through profit or loss, which are carried at fair values.

The preparation of 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) New and amended standards 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:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

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 interpretations not yet adopted

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

		Effective for annual periods beginning on or after
Amendments to IFRS 16	Covid-19-related rent concessions	1 June 2020
IAS 38, IFRS 4, IFRS 7, IFRS 9, and IFRS 16 (Amendments)	Interest rate benchmark reform – phase 2	1 April 2021
Annual Improvements Project (Amendments)	Annual improvements 2018–2020 cycle	1 April 2022
Accounting Guideline 5 (Revised)	Revised accounting guideline 5 – Merger accounting for common control combination	1 April 2022
IFRS 3, IAS 16 and IAS 37 (Amendments)	Narrow-scope amendments	1 April 2022
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 April 2023
IFRS 17	Insurance contracts	1 April 2023
IFRS 17 (Amendments)	Amendments to IFRS 17	1 April 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, amendments to existing standards, interpretations and accounting guideline. 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, amendments to existing standards, interpretations and accounting guideline 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 Group. The executive directors consider the segment from a business perspective. The Group has two (2020: one) 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 consolidated financial statements of the Group.

The executive directors 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	
	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Construction contracts	37,247	27,284	9,135	4,423
Trading of building materials	6,203	–	845	–
Total segment	43,450	27,284	9,980	4,423
Other income			3,017	703
Other (losses)/gains, net			(1,420)	654
Administrative expenses			(7,152)	(3,864)
Finance costs			(371)	(63)
Profit before income tax			4,054	1,853

For the year ended 31 March 2021, there was one customer (2020: two) which individually contributed over 10% of the Group's total revenue. During the years ended 31 March 2021 and 2020, the revenue contributed from each of these customers was as follows:

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Customer A	31,392	19,809
Customer B	N/A	3,089

As at 31 March 2021, the total assets in the construction contracts segment and trading of building materials segment were S\$54,633,000 and S\$17,008,000 respectively (2020: S\$38,896,000 in construction contracts segment and S\$nil in trading of building materials segment).

As at 31 March 2021, the total non-current assets other than deposits in Singapore and Hong Kong were S\$24,774,000 and S\$567,000 respectively (2020: S\$9,866,000 in Singapore and S\$nil in Hong Kong).

(a) Disaggregation of revenue from contracts with customers

	2021	2020
	S\$'000	S\$'000
Revenue from construction contracts		
Construction contracts relating to:		
– Gas	35,424	21,414
– Water	1,761	5,729
– Cable	62	141
	<u>37,247</u>	<u>27,284</u>
Revenue from trading of building materials		
Building materials	<u>6,203</u>	<u>–</u>
Total	<u>43,450</u>	<u>27,284</u>
	2021	2020
	S\$'000	S\$'000
Revenue from contracts with customers within the scope of IFRS 15:		
Recognised over time		
– Revenue from construction contracts	37,247	27,284
Recognised at a point in time		
– Revenue from trading of building materials	<u>6,203</u>	<u>–</u>
	<u>43,450</u>	<u>27,284</u>

For the year ended 31 March 2021			
	Revenue from construction contracts <i>S\$'000</i>	Revenue from trading of building materials <i>S\$'000</i>	Total <i>S\$'000</i>
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>

For the year ended 31 March 2020			
	Revenue from construction contracts <i>S\$'000</i>	Revenue from trading of building materials <i>S\$'000</i>	Total <i>S\$'000</i>
Geographical markets:			
– Singapore	27,284	–	27,284
	<u>27,284</u>	<u>–</u>	<u>27,284</u>

(b) Assets and liabilities related to contracts with customers

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

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Total contract assets:		
– Construction contracts	<u>13,564</u>	<u>13,925</u>
Total contract liabilities:		
– Construction contracts	<u>–</u>	<u>(447)</u>

Contract assets are related to fixed price specialised pipeline construction contracts. The contract assets balance decreased as there were less services provided ahead of the agreed payment schedules as at 31 March 2021.

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

4 OTHER INCOME, NET

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Rental income	133	33
Interest income	5	174
Government grants	2,125	86
Insurance claims	79	34
Others	675	376
	<u>3,017</u>	<u>703</u>

5 OTHER (LOSSES)/GAINS, NET

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Unrealised gains on fair value change on financial assets at fair value through profit or loss	15	–
Realised gains on disposal of financial assets at fair value through profit or loss	19	–
Gains on disposal of property, plant, and equipment	5	–
Written off of property, plant, and equipment	(522)	–
Unrealised losses on fair value changes in investment properties	(770)	–
Foreign exchange (losses)/gains	(167)	654
	<u>(1,420)</u>	<u>654</u>

6 EXPENSES BY NATURE

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Material costs	12,758	5,660
Subcontractor costs	4,189	3,891
Transportation costs	402	429
Auditor's remuneration		
– Audit services	183	185
– Non-audit services	–	5
Entertainment expenses	31	38
Rental expenses	957	437
Depreciation of property, plant and equipment	3,313	2,027
Amortisation of intangible asset	40	39
Depreciation of right-of-use assets	362	489
Professional fees	1,632	426
Vehicle-related expenses	771	913
Repair and maintenance expenses	389	786
Employee benefit costs	11,329	10,185
Insurance expenses	214	21
Project application fee	1,723	–
Stamp duties	424	–
Other expenses	1,905	1,194
	<u>40,622</u>	<u>26,725</u>
Total cost of sales and administrative expense	40,622	26,725

7 EMPLOYEE BENEFIT COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Wages and salaries	10,930	9,829
Employer's contribution to defined contribution plans	399	356
	<u>11,329</u>	<u>10,185</u>

8 FINANCE COSTS

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Hire purchase liabilities	30	40
Lease liabilities	155	12
Term loans	111	11
Bonds	75	–
	<u>371</u>	<u>63</u>

9 INCOME TAX EXPENSE

Tax has been provided at the applicable Singapore statutory corporate tax rate of 17% (2020: 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:

	2021 <i>S\$’000</i>	2020 <i>S\$’000</i>
Singapore profits tax		
Current year	1,138	413
Over-provision in prior years	(74)	(61)
	<u>1,064</u>	<u>352</u>
Deferred income tax	(264)	(67)
	<u><u>800</u></u>	<u><u>285</u></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.

	2021 <i>S\$’000</i>	2020 <i>S\$’000</i>
Profit attributable to owners of the Company	<u>3,254</u>	<u>1,568</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 cents</i>)	<u><u>0.35</u></u>	<u><u>0.17</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 2021 and 2020, 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

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Current:		
Trade receivables	7,977	2,949
Prepayments, deferred expenses, deposits, and other receivables:		
– Grant receivables	–	190
– Prepayments	686	146
– Deposits to suppliers	8,712	–
– Deferred expenses	–	170
– Deposits	592	141
– Other receivables	2,605	–
	<u>20,572</u>	<u>3,596</u>
Non-current:		
Non-refundable deposit for purchase of property	–	1,854
Deposit for purchase of subsidiaries	1,563	–
	<u>22,135</u>	<u>5,450</u>

The Group normally grants credit terms to its customers ranging from 30 to 45 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
1 to 30 days	7,499	2,712
31 to 60 days	471	1
61 to 90 days	7	236
	<u>7,977</u>	<u>2,949</u>

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

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
SGD	5,392	5,450
HKD	15,017	–
RMB	1,726	–
	<u>22,135</u>	<u>5,450</u>

Historically, the Group's loss arising credit risk relating to the customers are negligible as the Group's customers comprise mainly (i) gas, water, telecommunications and power utility companies in the private sector, and (ii) Singapore government agencies such as those governing water utility and catchment in the public sector. During the year, with the acquisition of a subsidiary in Hong Kong, the customers of the Group has further expanded to the construction companies in the private sector in Hong Kong. The expected credit loss rate for the Group's customers are 0% for the year ended 31 March 2021 and 2020 respectively and no impairment loss is recognised. The Group has assessed expected credit loss by grouping the receivables based on shared credit risk characteristics. Accordingly, the Group is of the view that the expected credit loss rate to be consistent throughout the financial year, by taking into consideration of the track record of regular repayment of receivables from the customers over time and also the outlook of economic environment from the perspective of each financial year. The Group assessed that there were no significant change in the actual credit loss rate over the financial year.

12 CONTRACT ASSETS/(LIABILITIES)

	2021	2020
	S\$'000	S\$'000
Comprising:		
Current		
Contract assets	13,564	13,925
Contract liabilities	–	(447)
	<u>13,564</u>	<u>13,478</u>

The contract assets primarily relate to the Group's conditional right to a consideration in exchange for a satisfied performance obligations at the reporting date in respect of construction contracts. The contract liabilities primarily relate to the Group's obligation to transfer services to customers for which the Group has received consideration (or an amount of consideration is due) from the customers.

As at 31 March 2021, retention receivables amounted to S\$262,000 (2020: S\$242,000) are included in contract assets.

Retention receivables is unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts.

The Group considered that the ECL for contract assets are negligible as the customers of the Group are reputable organisations.

13 TRADE AND OTHER PAYABLES

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Trade payables	4,163	3,055
Other payables:		
– Goods and services tax payables	478	55
– Advances received from customers	10	6
– Sundry creditors	196	86
Deferred income	–	190
Accrued expenses	479	230
Accrued for trade related costs	1,084	241
Accrual for employee benefit expenses	1,859	163
	<u>8,269</u>	<u>4,026</u>

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

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
1 to 30 days	2,449	1,498
31 to 60 days	1,257	907
61 to 90 days	438	343
Over 90 days	19	307
	<u>4,163</u>	<u>3,055</u>

The carrying amounts of trade and other payables approximate their fair values. The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
SGD	8,089	4,026
HKD	150	–
RMB	30	–
	<u>8,269</u>	<u>4,026</u>

14 BORROWINGS

	2021 S\$'000	2020 S\$'000
Bank borrowing – term loans (<i>note (i)</i>)	9,503	393
Hire purchase liabilities (<i>note (ii)</i>)	1,401	867
Bonds (<i>note (iii)</i>)	6,848	–
Other borrowings (<i>note (iv)</i>)	1,987	–
	<hr/>	<hr/>
Total borrowings	19,739	1,260
	<hr/> <hr/>	<hr/> <hr/>
Of which:		
– Current liabilities	10,875	861
– Non-current liabilities	8,864	399
	<hr/>	<hr/>
	19,739	1,260
	<hr/> <hr/>	<hr/> <hr/>

(i) Banking borrowings – term loans

At 31 March, the Group's term loans were repayable as follows:

	2021 S\$'000	2020 S\$'000
Bank borrowings		
Non-current, secured		
– Repayable later than 1 year and no later than 2 years	5,604	112
– Repayable later than 2 years and no later than 5 years	2,355	182
	<hr/>	<hr/>
	7,959	294
Current, secured		
– Repayable no later than 1 year	1,544	99
	<hr/>	<hr/>
	9,503	393
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of the Group's term loans approximate their fair values and are denominated in Singapore dollar.

As at 31 March 2021, the term loans were secured by leasehold properties (2020: investment property) and corporate guarantee from the Company.

For the year ended 31 March 2021, interest was charged at fixed rates of 1.68% and 2.25% (2020: 2.25% and 2.58%) per annum.

(ii) Hire purchase liabilities

At 31 March, the Group's hire purchase liabilities were repayable as follows:

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
– No later than 1 year	496	762
– Repayable later than 1 year and no later than 2 years	905	105
	<u>1,401</u>	<u>867</u>

For the year ended 31 March 2021, the effective interest rates on the hire purchase liabilities bore interest rates between 2.82% and 3.04% per annum (2020: 3.05% and 3.31%).

(iii) Bonds

At 31 March, the issued bonds of the Group were repayable as follows:

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
– No later than 1 year	<u>6,848</u>	<u>–</u>

The carrying amounts of the Group's bonds approximate their fair values and are denominated in Hong Kong dollar.

The unsecured bonds were issued on 26 January 2021. For the year ended 31 March 2021, the bonds bore a fixed interest rate of 6% per annum and are due in January 2022.

(iv) Other borrowings

At 31 March, the other borrowings of the Group were repayable as follows:

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
– No later than 1 year	<u>1,987</u>	<u>–</u>

The carrying amounts of the Group's other borrowings approximate their fair values and are denominated in Renminbi.

For the year ended 31 March 2021, other borrowings were unsecured and bore a fixed interest rate of 10% per annum.

15 DIVIDENDS

The Board does not recommend the payment of any final dividend for FY2021 (FY2020: Nil).

16 EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2021, the Group has acquired All Good Finance Limited, a company incorporated in Hong Kong and granted with a money lender's license, from an independent third party. The acquired company will engage in money lending business in Hong Kong, which will further help expand the business operations of the Group in Hong Kong. The transfer of shares was completed in June 2021.

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY OVERVIEW

The infrastructural pipeline market in Singapore remained relatively stable in FY2021 with no material adverse change in the industry the Group operated in. Despite the disruption of normal operation in Singapore caused by the implementation of measures of “Circuit Breaker to Minimise Further Spread of COVID-19”, the Group maintains a solid financial condition in FY2021.

BUSINESS REVIEW

The core business of the Group remains to be pipeline construction in Singapore in FY2021. The operation of the Group has further expanded to Hong Kong with the acquisition of a wholly owned subsidiary in October 2020. The entity in Hong Kong is engaged in local trading of building materials. Hence, starting from FY2021, the Group has 2 revenue streams – pipeline construction works for gas, water, and cable installation and trading of building materials. The customers of the Group consist of gas, water, telecommunications and power utility companies in the private sector, Singapore government agencies such as those governing water utility and catchment in the public sector, and construction companies in the private sector in Hong Kong.

For FY2021, the Group recorded a total revenue of approximately S\$43.5 million, representing an increase of approximately S\$16.2 million from approximately S\$27.3 million for FY2020. The increase in revenue was mainly due to the increase in revenue from projects relating to the supply and lay of gas mains and renewal services of approximately S\$10.0 million and the new revenue stream of trading of building materials business that contributed revenue of S\$6.2 million for the Group. During FY2021, the Group has been awarded two new gas projects and two new water projects with an aggregate contract sum of approximately S\$63.6 million, most of which commenced in FY2021.

Business strategies of the Group remained unchanged for FY2021. Since the listing of the Company, the management has continuously consolidated and strengthened the reputation of the Group through submission of tender invitation 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 FY2021, the Group has secured new projects, together with the ongoing projects in hand, its revenue could be sustained for the next financial year.

Looking forward, the Group will continue to focus on strengthening the market position in the building and construction industry in Singapore and to explore the industries with local potential business opportunities such as real estate, engineering infrastructure, culture, tourism, healthcare, hotel, finance, securities, tobacco and money lender in the PRC and other regions and countries in the Southeast Asia. The Group will implement the national Belt and Road strategy and promote the economic development of Southeast Asia based on the resource advantages of the Greater Bay Area.

The Board is proactively exploring new business opportunities for identifying markets with growth potential, so as to diversify the business development of the Group. 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, striving to deliver satisfactory return to shareholders of the Company.

ONGOING PROJECTS

As at 31 March 2021, the Group had four ongoing gas pipeline projects and seven water pipeline projects with an aggregated contract sum of approximately S\$94.2 million, of which approximately S\$37.4 million has been recognised as revenue as at 31 March 2021 (FY2020: six gas pipeline projects, seven water pipeline projects, one cable installation project with an aggregate contract sum of S\$48.2 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 2021.

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 FY2021 and FY2020.

	For the year ended 31 March					
	2021			2020		
Number of projects/contracts performed	Revenue (\$'000)	% of revenue (%)	Number of projects/contracts performed	Revenue (\$'000)	% of revenue (%)	
Gas pipeline	9	35,424	81.5	11	21,414	78.5
Water pipeline	10	1,761	4.1	12	5,729	21.0
Cable installation	1	62	0.1	3	141	0.5
	20	37,247	85.7	26	27,284	100.0
Trading of building materials		6,203	14.3		–	–
Total		43,450	100.0		27,284	100.0

Revenue of the Group has increased by approximately S\$16.2 million from S\$27.3 million in FY2020 to S\$43.5 million in FY2021 due to the following:

- (i) Increase in revenue from gas pipeline projects by approximately S\$14.0 million;
- (ii) Decrease in revenue from water pipeline projects by approximately S\$4.0 million; and
- (iii) New stream of revenue derived from trading of building materials of approximately S\$6.2 million.

The increase in revenue from the gas pipeline projects by approximately S\$14.0 million is 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\$14.4 million; and
- (ii) Decrease in revenue from other contracts relating to a gas transmission pipeline, in-line inspection and conversion of gas pressure networks by approximately S\$0.4 million.

The decrease in revenue from the water pipeline projects by approximately S\$4.0 million is due to the substantial completion of projects brought forward from previous years, where the revenue recognised amounted to approximately S\$1.3 million (FY2020: approximately S\$5.0 million), and partly offset by six new projects for FY2020 which generated approximately S\$0.2 million.

During the year, the Group had commenced the trading of building materials business and generated revenue of approximately S\$6.2 million (FY2020: S\$nil) which accounted for approximately 14.3% of the Group's revenue (FY2020: nil). The building materials for trading in FY2021 included marble and lightweight ceramsite.

The new stream of 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 increased by approximately S\$10.6 million or 46.4% from approximately S\$22.9 million in FY2020 to approximately S\$33.5 million for FY2021. While S\$5.2 million of the increased cost of sales is driven by the costs incurred on certain projects towards the completion stage, which was in line with the revenue growth. The other S\$5.4 million of increase was attributable to the new business line of trading of building materials.

Gross Profits and Gross Profit Margins

The Group's total gross profits increased by approximately S\$5.6 million from approximately S\$4.4 million in FY2020 to approximately S\$10.0 million in FY2021. Gross profit margin increased by approximately 6.8% from 16.2% in FY2020 to approximately 23.0% in FY2021. The increase in gross profit margin is mainly due to (i) the increase in revenue; and (ii) rebate of foreign worker's levy by the Singapore Government to defray the foreign worker's cost for FY2021.

Other Income

Other income increased by approximately S\$2.3 million from S\$703,000 in FY2020 to S\$3.0 million in FY2021, which is mainly attributable to government grant pertaining to Job Support Scheme and Foreign Worker Levy rebates received during FY2021.

Other (Losses)/Gains, net

Change in other (losses)/gains is mainly attributable to loss on write off of plant and equipment of approximately S\$0.5 million and loss on fair value adjustment on investment properties of approximately S\$0.8 million.

Administrative Expenses

The Group recorded administrative expenses amounting to approximately S\$7.2 million (FY2020: approximately S\$3.9 million). The increase is mainly due to (i) the increase of employee benefit costs of approximately S\$1.1 million; (ii) the increase of depreciation of property, plant and equipment of approximately S\$1.3 million; and (iii) the increase of professional fee of approximately S\$1.2 million.

Finance Costs

Finance costs of the Group has increased by S\$0.3 million from approximately S\$63,000 in FY2020 to approximately S\$371,000 in FY2021. The increment is mainly attributable by the increase in term loans interest and lease liabilities interest of S\$0.1 million and S\$0.2 million respectively.

Income Tax Expense

The Group recorded an increase of approximately S\$0.5 million in income tax expenses, from approximately S\$0.3 million for FY2020 to approximately S\$0.8 million for FY2021. Higher tax is recognised for FY2021 due to higher taxable profit.

Profit for the Year

Due to the above, profit for the year in FY2021 increased by approximately S\$1.7 million from S\$1.6 million in FY2020 to S\$3.3 million in FY2021.

Property, Plant and Equipment

Property, plant and equipment increased by approximately S\$13.5 million due to additions of approximately S\$17.4 million, offset by depreciation of approximately S\$3.3 million. The additions of property, plant and equipment include new property to be used as Group's new headquarter and new machineries used for the Group's subsidiary's operations.

Trade and Other Receivables

The Group's trade and other receivables increased by approximately S\$16.6 million from S\$5.5 million as at 31 March 2020 to S\$22.1 million as at 31 March 2021. The increase is mainly driven by the trade receivables from the new trading of building materials business amounting to S\$3.7 million, deposits paid to suppliers amounting to S\$8.7 million, and deposit for the purchase of a subsidiary for S\$2.0 million.

Contract Assets/(Liabilities)

Contract asset decreased by approximately S\$0.3 million from S\$13.9 million as at 31 March 2020 to S\$13.6 million as at 31 March 2021, mainly attributable to higher amount of work orders certified, thus contributing to high amount of billing raised.

No contract liabilities was recorded as at 31 March 2021 as compared to S\$0.4 million as at 31 March 2020, it is mainly attributable to the completion of certain projects which are in the stage of final claims.

Trade and Other Payables

Trade and other payables increased by approximately S\$4.3 million from S\$4.0 million as at 31 March 2020 to S\$8.3 million as at 31 March 2021 which is mainly due to higher trade payable balances as at 31 March 2021 and the increase in accrual for employee benefit expenses of approximately S\$1.7 million.

Borrowings

Borrowings increased by approximately S\$18.4 million from S\$1.3 million as at 31 March 2020 to S\$19.7 million as at 31 March 2021. The increase is mainly attributable to (i) a new term loan arising from purchase of new property to be used as Group's new headquarter; (ii) a new temporary bridging loan which was introduced by the Singapore Government in the Solidarity Budget 2020; and (iii) a bond amounting to S\$6.8 million with a fixed interest rate of 6% has been issued during the year.

Hire Purchase Liabilities

Hire purchase liabilities increased by approximately S\$0.5 million from S\$0.9 million as at 31 March 2020 to S\$1.4 million as at 31 March 2021 due to additions of machineries during the year of approximately S\$1.6 million, and offset by repayments of approximately S\$1.1 million.

Liquidity and Financial Resources

As at 31 March 2021, the Group maintained a healthy liquidity position with net current asset balance and net cash and bank deposits of approximately S\$26.3 million (2020: S\$26.9 million) and S\$12.0 million (2020: S\$15.7 million) respectively. The Group's gearing ratio (calculating by total interest-bearing debt over total equity) as at 31 March 2021 was 57.0%, increase of 52.9% from 4.1% as at 31 March 2020. The increase in gearing ratio was mainly due to the additions of borrowings and lease liabilities during FY2021.

Employees and Remuneration Policies

As at 31 March 2021, the Group had a total of 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 2021:

Use of net proceeds	Planned use of net proceeds <i>S\$'000</i>	Utilised in FY2021 <i>S\$'000</i>	Utilised from Listing up to 31 March 2021 <i>S\$'000</i>	Total remaining net proceeds available as at 31 March 2021 <i>S\$'000</i>
(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 1)	9,368	7,938	1,430	–
(b) Purchase two pipe jacking machines (Note 2)	4,896	–	–	4,896
(c) Working capital	1,428	–	1,428	–
	<u>15,692</u>	<u>7,938</u>	<u>2,858</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: As at 31 March 2021, the Group has completed the purchase of a new property. However, the Group has yet to relocate to the new property due to the current COVID-19 pandemic which had affected (i) the previous owner to be unable to immediately vacate the new property, which resulted in the Group granting an extension of the previous owner's tenancy at the new property until December 2020; and (ii) the difficulty to source for a contractor to carry out renovation works while complying with the measures implemented by the Singapore Government to curb the transmission of COVID-19. As of the date of this announcement, the Group has commenced the renovation and will relocate when it is ready for use. The Group has managed to obtain a short-term extension from the authorities on the current lease of its property at 36 Sungei Kadut Avenue Singapore 729661, until 31 July 2021 (previously the expiry of lease was on 31 October 2020). The Group has further applied for extension of lease until 31 December 2021.

Note 2: As at 31 March 2021, 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 postponed and expected to be utilised before 31 December 2021. The Group will continue to actively participate in available tenders that require the use of the pipe jacking machines.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During FY2021, 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 FY2021, 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 bonds will be due in early 2022 and 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 FY2021. 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

During FY2021, the Group held listed equity investments amounting S\$882,000 (2020: Nil).

Charges on Assets

As at 31 March 2021, carrying amount of plant and machinery and motor vehicles held under hire purchase loan was S\$2,213,000 (2020: S\$2,790,000). The carrying amount of properties pledged for bank borrowings was S\$14,436,000 (2020: S\$1,020,000).

Contingent Liabilities

As at 31 March 2021, the Group had no significant contingent liabilities.

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 FY2021.

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 A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Michael Shi Guan Wah is one of the Joint Chairmen of the Board and the Chief Executive Officer. With extensive experience in the infrastructural pipeline engineering industry, the Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors and six 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 FY2021. 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 FY2021.

Final Dividend

The Board did not recommend the payment of any final dividend for FY2021 (FY2020: Nil).

Audit Committee and Review of this Annual Results Announcement

The Audit Committee has reviewed the Group's audited financial results for FY2021 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 audited consolidated financial statements for FY2021.

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for FY2021 as set forth in the preliminary announcement have been agreed by the Group's auditor, Linksfield CPA Limited, to the amounts set forth in the Group's audited consolidated financial statements for the FY2021. The work performed by Linksfield CPA 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 Linksfield CPA Limited on this announcement.

Annual General Meeting

It is proposed that the forthcoming annual general meeting of the Company (the "AGM") will be held on Friday, 17 September 2021. A notice convening the AGM will be published and despatched to the Company's shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 September 2021 to Friday, 17 September 2021, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, (1) Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (on or before Wednesday, 4 August 2021) or (2) Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong (on or after Thursday, 5 August 2021) for registration not later than 4:30 p.m. on Monday, 13 September 2021.

Publication of the Results Announcement and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pipeline-engineering-holdings.com), and the annual report of the Company for the FY2021 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 and Michael Shi Guan Wah
Joint Chairmen

Hong Kong, 29 June 2021

As at the date of this announcement, the Board comprises Mr. Michael Shi Guan Wah, Ms. Feng Jiamin and Mr. Lok Ka Ho as executive Directors; Mr. Shek Jun Chong, Mr. Qiu Yue, Mr. Cher Choong Kiak, Mr. Chiam Soon Chian (Zhan Shunquan), Mr. Choo Chih Chien Benjamin and Mr. Tong Wing Chi as independent non-executive Directors.