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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)

INTERIM RESULT ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2021, together with the comparative figures for the six months ended 30 September 2020, which have been reviewed by the audit committee of the Company (the “**Audit Committee**”), and have been approved by the Board on 26 November 2021.

FINANCIAL SUMMARY

	For the six months ended	
	30 September	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Revenue from contracts with customers	27,487	7,586
Gross profit/(loss)	625	(1,330)
Loss before income tax	(3,088)	(2,898)
Loss and total comprehensive loss for the period	(3,259)	(2,898)
Loss per share for loss attributable to the owners of the Company for the period (expressed in Singapore cents per share)		
– Basic and diluted loss per share	(0.35)	(0.32)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

		Six months ended	
		30 September	
		2021	2020
		<i>S\$'000</i>	<i>S\$'000</i>
	Notes	(unaudited)	(unaudited)
Revenue from contracts with customers	5	27,487	7,586
Cost of sales	8	<u>(26,862)</u>	<u>(8,916)</u>
Gross profit/(loss)		625	(1,330)
Other income	6	849	1,482
Other gains/(losses), net	7	45	(481)
Administrative expenses	8	(4,059)	(2,518)
Finance costs	10	<u>(548)</u>	<u>(51)</u>
Loss before income tax		(3,088)	(2,898)
Income tax expense	11	<u>(171)</u>	<u>–</u>
Loss and total comprehensive loss for the period		<u>(3,259)</u>	<u>(2,898)</u>
Basic and diluted loss per share for loss attributable to equity holders of the Company for the period (expressed in Singapore cents per share)			
Basic and diluted	12	<u><u>(0.35)</u></u>	<u><u>(0.32)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		20,455	22,055
Intangible assets		53	9
Right-of-use assets		3,197	3,277
Deposits	13	—	1,563
		<u>23,705</u>	<u>26,904</u>
Current assets			
Financial assets at fair value through profit or loss		466	882
Trade and other receivables	13	32,457	20,572
Contract assets	14	8,335	13,564
Fixed deposits		1,736	102
Cash and cash equivalents		12,936	11,912
		<u>55,930</u>	<u>47,032</u>
Total assets		<u><u>79,635</u></u>	<u><u>73,936</u></u>

		As at 30 September 2021 <i>S\$'000</i> (unaudited)	As at 31 March 2021 <i>S\$'000</i> (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital		1,589	1,589
Share premium		17,138	17,138
Merger reserve		1,500	1,500
Exchange reserve		12	(1)
Retained profits		17,078	20,217
		<u>37,317</u>	<u>40,443</u>
Current liabilities			
Trade and other payables	15	6,480	8,269
Contract liabilities	14	1,101	–
Borrowings	16	20,182	11,284
Lease liabilities		292	243
Current income tax liabilities		891	1,368
		<u>28,946</u>	<u>21,164</u>
Non-current liabilities			
Borrowings	16	9,611	8,455
Lease liabilities		2,948	3,061
Deferred tax liabilities		813	813
		<u>13,372</u>	<u>12,329</u>
Total liabilities		<u>42,318</u>	<u>33,493</u>
Total equity and liabilities		<u><u>79,635</u></u>	<u><u>73,936</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 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 (the “**Main Board**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 March 2019.

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

The unaudited condensed consolidated financial information was approved by the Board of Directors of the Company on 26 November 2021.

2. BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 September 2021 is prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”. The condensed consolidated financial information have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”). The condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2021.

The unaudited condensed consolidated financial information are presented in Singapore Dollars (“**S\$**”), unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 April 2021.

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 April 2021:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	Covid-19-Related Rent Concessions Beyond 1 June 2021

The adoption of these new and amended standards does not have significant impact on the condensed consolidated financial statements of the Group.

4 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 (1H2021: 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.

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	
	Six months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Construction contracts	14,797	7,586	(1,074)	(1,330)
Trading of building materials	12,690	–	1,699	–
	<u>27,487</u>	<u>7,586</u>	<u>625</u>	<u>(1,330)</u>
Total segment				
Other income			849	1,482
Other gains/(losses), net			45	(481)
Administrative expenses			(4,059)	(2,517)
Finance costs			(548)	(52)
			<u>(3,088)</u>	<u>(2,898)</u>
Profit before income tax				

Revenue reported in Note 5 below represented transactions with third parties and are reported to the executive directors in a manner consistent with that in the condensed consolidated statement of profit or loss.

For the six months ended 30 September 2021, there were three customers (1H2021: one) which individually contributed over 10% of the Group's total revenue. During the six months ended 30 September 2021 and 2020, the revenue contributed from each of these customers was as follows:

	Six months ended 30 September	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Customer A	13,647	4,833
Customer X	5,352	–
Customer Y	4,040	–
	<u>23,039</u>	<u>4,833</u>

	For the six months ended 30 September 2021		
	Revenue from construction contracts	Revenue from trading of building materials	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Geographical markets:			
– Singapore	14,797	–	14,797
– Hong Kong	–	12,690	12,690
	<u>14,797</u>	<u>12,690</u>	<u>27,487</u>

	For the six months ended 30 September 2020		
	Revenue from construction contracts	Revenue from trading of building materials	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Geographical markets:			
– Singapore	7,586	–	7,586
	<u>7,586</u>	<u>–</u>	<u>7,586</u>

(b) Assets and liabilities related to contracts with customers

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

	As at six months ended		As at
	30 September 2021	2020	31 March 2020
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)	(audited)
Total contract assets:			
– Construction contracts	<u>8,335</u>	<u>5,047</u>	<u>13,925</u>
Total contract liabilities:			
– Construction contracts	<u>(1,101)</u>	<u>(406)</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 30 September 2021.

Contract liabilities for specialised pipeline construction contracts increased following the greater amount of prepayment received for the contract activities during the reporting period.

(c) **Unsatisfied performance obligation**

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

	As at 30 September 2021		
	Revenue from	Revenue	Total
	construction	from trading	
	contracts	of building	
	<i>S\$'000</i>	materials	<i>S\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied:			
– Within 1 year after financial year	69,384	–	69,384
– Between 1 to 2 years after financial year	2,740	–	2,740
– More than 2 years after financial year	1,609	–	1,609
	<u>73,733</u>	<u>–</u>	<u>73,733</u>

	As at 30 September 2020		
	Revenue from	Revenue	Total
	construction	from trading	
	contracts	of building	
	<i>S\$'000</i>	materials	<i>S\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied:			
– Within 1 year after financial year	62,886	–	62,886
– Between 1 to 2 years after financial year	20,057	–	20,057
– More than 2 years after financial year	3,428	–	3,428
	<u>86,371</u>	<u>–</u>	<u>86,371</u>

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

	As at 30 September		As at
	2021	2020	31 March
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)	(audited)
Trade receivables from contracts with customers:			
– Construction contracts	3,435	2,105	2,949
– Trading of building materials	9,838	–	–
	<u>13,273</u>	<u>2,105</u>	<u>2,949</u>

6. OTHER INCOME

	Six months ended 30 September	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Rental income	–	126
Interest income	1	4
Government grant	658	1,318
Insurance claims	3	19
Others	187	15
	<u>849</u>	<u>1,482</u>

7. OTHER GAINS/(LOSSES), NET

	Six months ended 30 September	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Unrealised gains on fair value change on financial assets at fair value through profit or loss	1	–
Write off of property, plant and equipment	(6)	(433)
Foreign exchange gains/(losses)	80	(48)
Realised losses on disposal of financial assets at fair value through profit or loss	(30)	–
	<u>45</u>	<u>(481)</u>

8. EXPENSES BY NATURE

	Six months ended 30 September	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Material costs	16,022	2,498
Subcontractor costs	2,660	1,054
Transportation costs	103	80
Auditor's remuneration	35	68
Entertainment expenses	58	7
Rental expenses	456	121
Depreciation of property, plant and equipment	1,728	1,096
Depreciation of right-of-use	161	231
Amortisation of intangible asset	13	20
Professional fees	919	227
Vehicle-related expenses	651	303
Repair and maintenance expenses	606	118
Employee benefit costs (<i>Note 9</i>)	5,260	4,079
Other expenses	2,249	1,532
	<hr/>	<hr/>
Total cost of sales and administrative expenses	30,921	11,434
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Cost of sales	26,862	8,916
Administrative expenses	4,059	2,518
	<hr/>	<hr/>
	30,921	11,434
	<hr/> <hr/>	<hr/> <hr/>

9. EMPLOYEE BENEFIT COSTS – INCLUDING DIRECTORS’ EMOLUMENTS

	Six months ended 30 September	
	2021	2020
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Wages and salaries	5,017	3,888
Employer’s contribution to defined contribution plans	243	191
	<u>5,260</u>	<u>4,079</u>

Employee benefits costs have been included in the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 September	
	2021	2020
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Cost of sales	3,653	2,811
Administrative expenses	1,607	1,268
	<u>5,260</u>	<u>4,079</u>

10. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Bonds interest	304	–
Hire purchase liabilities	21	8
Lease liabilities	34	25
Term loan	189	18
	<u>548</u>	<u>51</u>

11. INCOME TAX EXPENSE

Tax for group company incorporated in Singapore has been provided at the applicable Singapore statutory corporate tax rate of 17% (1H2021: 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 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 condensed consolidated statement of profit or loss represents:

	Six months ended 30 September	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Tax expense attributable to profit is made up of:		
– Current income tax – Hong Kong	171	–
– Deferred income tax	–	–
	<u>171</u>	<u>–</u>

12. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the reporting period.

	Six months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
Loss attributable to owners of the Company (<i>S\$'000</i>)	<u>(3,259)</u>	<u>(2,898)</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>920,000</u>	<u>920,000</u>
Basic loss per share (<i>Singapore cents</i>)	<u>(0.35)</u>	<u>(0.32)</u>

(b) Diluted loss per share

For the six months ended 30 September 2021 and 2020, the diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares.

13. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Current		
Trade receivables	13,273	7,977
Prepayments, deferred expenses, deposits and other receivables		
Prepayments	794	686
Deposits to suppliers	6,657	8,712
Deposits	1,983	592
Other receivables	9,750	2,605
	<u>32,457</u>	<u>20,572</u>
Non-current		
Deposit for purchase of a subsidiary	–	1,563
	<u>32,457</u>	<u>22,135</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:

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Within 30 days	13,219	7,499
31 to 60 days	6	471
61 to 90 days	10	7
Over 90 days	38	–
	<u>13,273</u>	<u>7,977</u>

The carrying amounts of the Group's trade and other receivables are denominated in Singapore Dollars.

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 FY2021, with the acquisition of a subsidiary in Hong Kong, the customers of the Group further expanded to the construction companies in the private sector in Hong Kong.

The expected credit loss rate for the Group's customers are negligible for the periods ended 30 September 2021 and 2020 respectively. The Group is of the view that no impairment allowance is necessary in respect of these balances, by taking into consideration of the track record of regular repayment from the customers and also the outlook of economic environment for the financial periods ended 30 September 2021 and 2020, respectively.

14. CONTRACT ASSETS/(LIABILITIES)

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Comprising:		
Current		
Contract assets	8,335	13,564
Contract liabilities	<u>(1,101)</u>	<u>–</u>
	<u>7,234</u>	<u>13,564</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 30 September 2021, retention receivables amounted to S\$262,000 (31 March 2021: S\$262,000) 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.

15. TRADE AND OTHER PAYABLES

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Trade payables	3,115	4,163
Other payables		
– Goods and service tax (receivable)/payables	226	478
– Advances received from customers	10	10
– Sundry creditors	278	196
Accrued expenses	731	479
Accrued for trade related costs	113	1,084
Accrual for employee benefit expenses	<u>2,007</u>	<u>1,859</u>
	<u>6,480</u>	<u>8,269</u>

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

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Within 30 days	2,051	2,449
31 to 60 days	855	1,257
61 to 90 days	159	438
Over 90 days	50	19
	<u>3,115</u>	<u>4,163</u>

The carrying amounts of the Group's trade payables are denominated in Singapore dollars. The carrying amounts of trade payables approximate their fair values.

16. BORROWINGS

	As at 30 September 2021 S\$'000 (unaudited)	As at 31 March 2021 S\$'000 (audited)
Bank borrowings-term loans (i)	10,703	9,503
Hire purchase liabilities (ii)	1,092	1,401
Bonds (iii)	15,967	6,848
Other borrowings (iv)	2,031	1,987
	<u>29,793</u>	<u>19,739</u>
Total borrowings	<u>29,793</u>	<u>19,739</u>
Of which		
– Current liabilities	20,182	11,284
– Non-current liabilities	9,611	8,455
	<u>29,793</u>	<u>19,739</u>

(i) **Bank borrowings – term loans**

The Group's term loan were repayable as follows:

	As at 30 September 2021 <i>S\$'000</i> (unaudited)	As at 31 March 2021 <i>S\$'000</i> (audited)
Bank borrowings		
Non-current, secured		
– Repayable later than 1 year and no later than 2 years	5,774	5,604
– Repayable later than 2 years and no later than 5 years	2,984	2,355
	<u>8,758</u>	<u>7,959</u>
Current, secured		
– Repayable no later than 1 year	1,945	1,544
	<u>10,703</u>	<u>9,503</u>

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

Term loans are secured by leasehold properties and corporate guarantee from the Company.

For the period ended 30 September 2021, interest was charged at fixed rate of 1.68% and 2.25% (31 March 2021: 1.68% and 2.25%) per annum.

(ii) **Hire purchase liabilities**

The Group's hire purchase liabilities were repayable as follows:

	As at 30 September 2021 <i>S\$'000</i> (unaudited)	As at 31 March 2021 <i>S\$'000</i> (audited)
– No later than 1 year	938	905
– Later than 1 year and no later than 2 years	154	496
	<u>1,092</u>	<u>1,401</u>

For the period ended 30 September 2021, the effective interest rates on the hire purchase liabilities bore interest rate between 2.82% and 3.04% (31 March 2021: 2.82% and 3.04%) per annum.

(iii) Bonds

The issued bonds of the Group were repayable as follows:

	As at 30 September 2021 S\$'000	As at 31 March 2021 S\$'000
– No later than 1 year	15,268	6,848
– Later than 1 year and no later than 2 years	699	–
	<u>15,967</u>	<u>6,848</u>

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

The unsecured bonds amounted to HK\$40 million were issued on 26 January 2021. For the period ended 30 September 2021, the bonds bore a fixed interest rate of 6% per annum and are due in January 2022.

The unsecured bonds amounted to RMB\$40 million were issued on 13 August 2021. For the period ended 30 September 2021, the bonds bore a fixed interest rate of 14.3% per annum and are due in August 2022.

The unsecured bonds amounted to HK\$4 million were issued on 8 September 2021. For the period ended 30 September 2021, the bonds bore a fixed interest rate of 7% per annum and are due in September 2023.

(iv) Other borrowings

The other borrowings of the Group were repayable as follows:

	As at 30 September 2021 S\$'000	As at 31 March 2021 S\$'000
– No later than 1 year	<u>2,031</u>	<u>1,987</u>

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

Other borrowings were unsecured and bore a fixed interest rate of 10% per annum during the period ended 30 September 2021.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

The core business of the Group remains to be pipeline construction in Singapore in the first half of FY2022. The Group has further expanded its operations 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 the period ended 30 September 2021, the Group recorded a total revenue of approximately S\$27.5 million, representing an increase of approximately S\$19.9 million from approximately S\$7.6 million for the period ended 30 September 2020. 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\$6.4 million and the new revenue stream of trading of building materials business that contributed revenue of S\$12.7 million for the Group. During the period, the Group has been awarded three new gas projects, one new water project and one cable installation project with an aggregate contract sum of approximately S\$31.7 million, all of them have been commenced in the reporting period.

Business strategies of the Group remained unchanged for the period ended 30 September 2021. 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.

Looking forward, the Group will continue to focus on strengthening the market position in the pipeline 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 30 September 2021, the Group had six ongoing gas pipeline projects, six ongoing water pipeline projects and one ongoing cable installation project with an aggregated contract sum of approximately S\$125.9 million, of which approximately S\$52.2 million has been recognised as revenue as at 30 September 2021 (30 September 2020: nine gas pipeline projects, ten water pipeline projects and one cable installation project with an aggregate sum of approximately S\$124.7 million). The remaining balance will be recognised as our 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 30 September 2021.

Financial Review

Six months ended 30 September 2021 (“1H2022”) compared to six months ended 30 September 2020 (“1H2021”).

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 1H2022 and 1H2021.

	For the six months ended 30 September					
	2021			2020		
	Number of projects/contracts performed	Revenue (\$’000)	% of revenue (%)	Number of projects/contracts performed	Revenue (\$’000)	% of revenue (%)
Gas pipeline	7	13,840	50.4	9	7,433	98.0
Water pipeline	8	916	3.3	10	142	1.9
Cable installation	1	41	0.1	1	11	0.1
	<u>16</u>	<u>14,797</u>	<u>53.8</u>	<u>20</u>	<u>7,586</u>	<u>100.0</u>
Trading of building materials		<u>12,690</u>	<u>46.2</u>		<u>-</u>	<u>-</u>
Total		<u>27,487</u>	<u>100.0</u>		<u>7,586</u>	<u>100.0</u>

Revenue of the Group has increased by approximately S\$19.9 million from approximately S\$7.6 million in 1H2021 to approximately S\$27.5 million in 1H2022 due to the following:

- (i) Increase in revenue from gas pipeline projects by approximately S\$6.4 million;
- (ii) Increase in revenue from water pipeline projects by approximately S\$0.8 million;
- (iii) Increase in revenue from cable installation projects by approximately S\$30,000; and
- (iv) New stream of revenue derived from trading of building materials of approximately S\$12.7 million.

The increase in revenue from the gas pipeline projects by approximately S\$6.4 million was due to (i) the increase in revenue from existing and new projects relating to the supply and lay of gas mains and renewal services; and (ii) the increase in revenue from other contracts relating to a gas transmission pipeline, in-line inspection and conversion of gas pressure networks.

The increase in revenue from the water pipeline projects by approximately S\$0.8 million was due to (i) the substantial completion of water projects during 1H2022; and (ii) the increase in revenue from ongoing projects relating to supply and laying of water mains.

The increase in revenue relating to cable installation project by approximately S\$30,000 was mainly attributable to a new cable installation project which commenced during the reporting period.

During the reporting period, the new stream of the building materials trading business generated revenue of approximately S\$12.7 million (1H2021: Nil) which amounted to approximately 46.2% of the Group's revenue (1H2021: Nil). The building materials for trading in 1H2022 included marble and decoration materials.

The new revenue stream contributed by trading of building materials is carried by a subsidiary of the Group incorporated in Hong Kong.

Cost of Sales

Our cost of sales increased by approximately S\$18.0 million or 202.2% from approximately S\$8.9 million in 1H2021 to approximately S\$26.9 million for 1H2022. The increase in cost of sales was in line with the increase in Group's revenue.

Gross Profits/Loss and Gross Profits/Loss Margins

Gross profit of the Group for 1H2022 amounted to approximately S\$0.6 million, as compared to the gross loss amounted to approximately S\$1.3 million for 1H2021.

The gross profit margin of the Group for 1H2022 was 2.3%, representing an increase of approximately 19.8% from gross loss margin of 17.5% for 1H2021. The increase was mainly due to (i) a project for supply and lay of gas mains and renewal services incurred additional costs towards the completion stage; and (ii) the gross profit margin in building materials trading business is rather stable than in pipeline construction business.

Other Income

Other income decreased by approximately S\$0.6 million from approximately S\$1.5 million in 1H2021 to approximately S\$0.8 million in 1H2022, it was mainly attributable to the decrease in government grants received during 1H2022.

Other Gains/(Losses), net

Increase in other gains/(losses) was mainly attributable to (i) the decrease in the write-off of machinery and equipment; and (ii) the increase in foreign exchange gains.

Administrative Expenses

The Group recorded administrative expenses amounting to approximately S\$4.0 million in 1H2022 (1H2021: approximately S\$2.5 million). The increase was mainly due to (i) the increase in administrative employee benefit costs ; and (ii) the increase in administrative professional fee.

Income Tax Expense

The Group recorded income tax expense amounting to approximately S\$0.2 million for 1H2022 (1H2021: Nil).

Loss and Total Comprehensive Loss for the Period

Loss and total comprehensive loss for 1H2022 amounted to approximately S\$3.3 million, representing an increase of approximately S\$0.4 million from loss and total comprehensive loss of the Group of approximately S\$2.9 million for 1H2021.

Property, Plant and Equipment

Property, plant and equipment decreased by approximately S\$1.6 million was due to additions of approximately S\$0.1 million, offset by depreciation of approximately S\$1.7 million.

Trade and Other Receivables

The Group's trade and other receivables increased by approximately S\$11.9 million from approximately S\$20.6 million as at 31 March 2021 to approximately S\$32.5 million for 1H2022. The increase was mainly attributable to the increase in the trade receivables from building material trading business of approximately S\$6.1 million and the increase in the other receivables of approximately S\$7.2 million.

Contract Assets/(Liabilities)

Contract asset decreased by approximately S\$5.3 million from approximately S\$13.6 million as at 31 March 2021 to approximately S\$8.3 million for 1H2022. It was mainly attributable to higher amount of work orders certified, thus contributing to high amount of billing raised.

Contract liability was approximately S\$1.1 million as at 30 September 2021 (1H2021: Nil). It was mainly attributable to the greater amount of prepayment received from certain contracts during the reporting period.

Trade and Other Payables

Trade and other payables decreased by approximately S\$1.8 million from approximately S\$8.3 million as at 31 March 2021 to approximately S\$6.5 million for 1H2022. It was mainly due to the decrease in trade payables of approximately S\$1.1 million.

Bank Borrowings-Term Loans

Term loans increased by approximately S\$1.2 million from approximately S\$9.5 million as at 31 March 2021 to approximately S\$10.7 million as at 30 September 2021. The increase was mainly attributable to a new term loan of approximately S\$2.0 million to finance the renovation of the Group's new headquarters.

Hire Purchase Liabilities

Hire purchase creditors decreased by approximately S\$0.3 million from approximately S\$1.4 million as at 31 March 2021 to approximately S\$1.1 million as at 30 September 2021 due to additions of machinery during the period of approximately S\$0.2 million, and mitigated by repayments of approximately S\$0.5 million.

Liquidity and Financial Resources

The Group finances its daily operations through a combination of internally-generated funds from operations, borrowings and net proceeds from the share offer in year 2019.

As at 30 September 2021, the Group maintained a healthy liquidity position with net current asset balance and net cash and bank deposits of approximately S\$27.0 million (31 March 2021: S\$25.9 million) and S\$14.7 million (31 March 2021: S\$12.0 million) respectively. The Group's gearing ratio (calculating by total interest-bearing debt over total equity) as at 30 September 2021 was 79.8%, increase of 22.8% from 57.0% as at 31 March 2021. The increase in gearing ratio is mainly due to (i) a new term loan arising to finance the renovation of the Group's new headquarters; and (ii) bonds issued to finance certain new projects and businesses.

Capital Structure

The Group manages its capital to ensure that it will be able to continue as going concern while maximising the return to shareholders through the optimisation debt and equity balance. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities, hire purchase liabilities and bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, reserves and retained earnings.

The management reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Management regularly monitors compliance with the financial covenants imposed by financial institutions for the facilities granted to the Group. As at the end of the reporting period, the Group is in compliance with externally imposed financial covenants requirements.

Interim Dividend

The Board has resolved not to declare any interim dividend for 1H2022 (1H2021: Nil).

Employees and Remuneration Policies

As at 30 September 2021, the Group had a total of 306 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). Please refer to the Prospectus for more details.

Set out below are details of the allocation of the Net Proceeds, the utilised and unutilised amounts of Net Proceeds as at 30 September 2021:

Use of Net Proceeds	Planned use of net proceeds S\$'000	Utilised for the six months ended 30 September 2021 S\$'000	Utilised from Listing up to 31 March 2021 S\$'000	Total remaining net proceeds available as at 30 September 2021 S\$'000	Expected timeline for utilising the remaining proceeds (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	–	9,368	–	N/A Before 31 December 2021
(b) Purchase two pipe jacking machines (Note 3)	4,896	–	–	4,896	N/A
(c) Working capital	1,428	–	1,428	–	N/A
	<u>15,692</u>	<u>–</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 date 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 utilizing 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: As at 30 September 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 December 2021.

Note 3: As at 30 September 2021, the Group has yet to acquire the pipe jacking machines as the Group has been tendering but was 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 And Associates And Joint Ventures

During the period ended 30 September 2021, a direct wholly-owned subsidiary of the Company, Jumbo Harvest Group Limited ("**Jumbo Harvest**") entered into an acquisition agreement on 13 September 2021 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. 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 the above acquisition are set out in the announcement dated 13 September 2021.

Save as disclosed above, the Group had no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the reporting period.

Significant Investment Held

As at 30 September 2021, the Group held listed equity investments amounting to S\$466,000 (31 March 2021: S\$882,000).

Charges on Assets

As at 30 September 2021, carrying amount of plant and machinery and motor vehicles held under hire purchase loan were S\$1,865,000 (31 March 2021: S\$2,213,000). The carrying amount of properties mortgaged for bank borrowings was S\$14,214,000 (31 March 2021: S\$14,436,000).

Contingent Liabilities

As at 30 September 2021, the Group had no significant contingent liabilities.

Event After the Reporting Period

1. Reference is made to the announcement of the Company dated 5 October 2021, a wholly-owned subsidiary of the Company, Trendzon (Guangzhou) Industrial Park Investment Development Company Limited (卓航(廣州)產業園投資發展有限公司) (“**Trendzon Guangzhou**”) entered into a subscription agreement with Shanghai Heri Investment Company Limited (上海赫日投資有限公司) (“**Shanghai Heri**”) on 5 October 2021, pursuant to which Shanghai Heri agreed to subscribe for the bonds issued by Trendzon Guangzhou according to the terms of the subscription agreement and the bond instrument with the principal amount of RMB45,000,000.
2. Reference is made to the announcement of the Company dated 18 November 2021, Trendzon Guangzhou entered into a capital contribution agreement with the joint venture partner, 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) (“**Diandian**”) and the joint venture company, 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) (“**Trendzon Zhongshan**”) on 5 October 2021, pursuant to which Trendzon Guangzhou and Diandian agreed to provide capital contribution, in proportion to their equity interest in Trendzon Zhongshan, of up to RMB45,000,000 and RMB44,100,000 respectively as shareholders’ loans to Trendzon Zhongshan for payment of the construction cost of the first phase development of Trendzon Diandian Science and Technology Innovation City.
3. Reference is made to the announcement of the Company dated 5 October 2021, Trendzon Zhongshan entered into (i) a construction contract with Zhongshan Leixin Earthwork Company Limited (中山市磊鑫土石方工程有限公司) on 5 October 2021 for the construction of basic infrastructure for the first phase development of Trendzon Diandian Science and Technology Innovation City at the consideration of RMB18,000,000; and (ii) 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) on 5 October 2021 for the construction design in relation to the first phase development of Trendzon Diandian Science and Technology Innovation City at the consideration of RMB10,500,000.

- Reference is made to the announcement of the Company dated 25 October 2021, Astute Prosper Limited (“**Astute**”), the controlling shareholder of the Company and wholly-owned by Mr. Shi, has disposed of 138,000,000 shares of the Company, representing 15% of the total issued share capital of the Company as at 25 October 2021, to four purchasers through off-market transactions at the consideration of HK\$1.05 per Share.

Save as disclosed above, the Directors are not aware of any significant event which had material effect on the Group subsequent to 30 September 2021 and up to the date of this announcement.

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 six months ended 30 September 2021.

Compliance with Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders 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 the Joint Chairman 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. On 29 October 2021, Mr. Michael Shi Guan Wah has resigned as the Joint Chairman but remains as an executive Director and the Chief Executive Officer. Following such resignation, the Company is now in compliance with the code provision A.2.1 of the CG Code.

Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code since the date of the Annual Report 2021 of the Company and up to the date of this announcement. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Purchase, Sale or Redemption of any of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchase, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2021.

Disclosure of Information on Directors

Reference is made to the announcement dated 29 October 2021 in relation to the resignation of Joint Chairman and change of board committee member.

Mr. Michael Shi Guan Wah (“**Mr. Shi**”), an executive Director, has resigned as the Joint Chairman and a member of the nomination committee of the Company (“**Nomination Committee**”) with effect from 29 October 2021.

Following Mr. Shi's resignation, Ms. Feng Jiamin, the Joint Chairman would be the Chairman of the Board and has been appointed as a member of Nomination Committee.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Review by Audit Committee

The interim results of the Company for the six months ended 30 September 2021 have not been audited by the Company's independent auditors. The audit committee of the Company has reviewed the unaudited interim results for the six months ended 30 September 2021 including the interim report and discussed with the management of the Company and is of the view that such financial information and report have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made with no disagreement by the audit committee of the Company.

Publication of the Results Announcement and Interim Report

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pipeline-engineering-holdings.com), and the interim report of the Company for the six months ended 30 September 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders 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, 26 November 2021

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