BENG SOON MACHINERY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1987)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Beng Soon Machinery Holdings Limited (the "**Company**") announces the consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 ("**FY2019**") together with the relevant comparative figures as follows:

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Note	***S$***	*S$*
Revenue	*5*	**34,044,790**	33,987,206
Cost of sales	*7*	**(21,386,005)**	(20,275,015)
Gross profit		**12,658,785**	13,712,191
Other income	*6*	**143,308**	197,724
Other gains — net	*6*	**109,339**	580,399
Selling and distribution expenses	*7*	**(243,227)**	(238,843)
Administrative expenses	*7*	**(8,112,619)**	(9,352,666)
Operating profit		**4,555,586**	4,898,805
Finance costs		**(513,207)**	(505,185)
Profit before income tax		**4,042,379**	4,393,620
Income tax expense	*8*	**(808,100)**	(1,315,768)
Profit after income tax		**3,234,279**	3,077,852
Profit and total comprehensive income for the year and attributable to:			
Equity holders of the Company		**3,234,279**	3,077,852
		3,234,279	3,077,852
Earnings per share attributable to equity holders of the Company for the year (expressed in S$ cent per share)			
Basic and diluted	*9*	**0.41**	0.41

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December **2019** S$	2018 S$
ASSETS			
Non-current assets			
Property, plant and equipment		**22,028,240**	19,944,108
Right-of-use assets		**13,410,698**	16,502,749
Deposits and prepayment		**–**	285,000
Investment property		**2,097,600**	2,141,760
Financial asset at fair value through profit or loss		**161,809**	159,194
		37,698,347	39,032,811
Current assets			
Contract related assets and costs		**13,329,009**	7,904,241
Deposits paid to customers		**8,170**	1,158,493
Trade receivables	*11*	**6,002,270**	6,663,256
Deposits, prepayments and other receivables		**146,068**	1,076,481
Cash and cash equivalents		**14,137,800**	2,976,762
		33,623,317	19,779,233
Total assets		**71,321,664**	58,812,044
Equity attributable to equity holders of the Company			
Share capital	*14*	**1,742,159**	17
Other reserves		**21,853,646**	5,405,207
Retained earnings		**27,907,291**	24,673,012
Total equity		**51,503,096**	30,078,236

	Note	As at 31 December 2019 S$	2018 S$
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**1,852,701**	2,437,765
Lease liabilities		**9,342,290**	9,846,344
Deferred income tax liabilities		**2,015,522**	1,886,831
		13,210,513	14,170,940
Current liabilities			
Trade and other payables	*12*	**3,123,615**	5,259,300
Borrowings	*13*	**585,064**	3,744,041
Lease liabilities		**2,193,166**	4,265,528
Current income tax liabilities		**706,210**	1,293,999
		6,608,055	14,562,868
Total liabilities		**19,818,568**	28,733,808
Total equity and liabilities		**71,321,664**	58,812,044
Net assets		**51,503,096**	30,078,236
Net current assets		**27,015,262**	5,216,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

Beng Soon Machinery Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 6 April 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands and listed (the "**Listing**") on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 November 2019 (the "**Listing Date**"). The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the provision of demolition services, sale of inventories and leasing of machinery in Singapore.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the Group's business was carried out by Beng Soon Machinery Services (Singapore) Pte Ltd, a company incorporated in Singapore (the "**Operating Company**" or "**BSM**"). Before the completion of the Reorganisation, BSM was controlled by Mr. Tan Chee Beng ("**Mr. Tan**") and Ms. Lee Peck Kim ("**Ms. Lee**") (collectively, the "**Controlling Shareholders**") who owned 75% and 25%, respectively, of the shareholdings of BSM.

Prior to the Listing, the Group underwent the Reorganisation which principally involved the following steps:

(a) On 2 January 2018, T&B Holding Limited ("**T&B Holding**") was incorporated in Hong Kong as a limited liability with an initial share capital of Hong Kong Dollar ("**HK$**")100 divided into 100 shares to Mr. Tan. On 29 March 2018, T&B Holding allotted and issued 650 and 250 shares to Mr. Tan and Ms. Lee respectively, following which T&B Holding was owned by Mr. Tan and Ms. Lee as to 75% and 25%, respectively.

(b) On 6 April 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital of the Company was HK$380,000 equivalent to approximately S$65,995 consisting 38,000,000 shares with a par value of HK$0.01 each. 75 and 25 shares were allotted and issued to TCB Investment Holdings Limited ("**TCB**") and K Luxe Holdings Limited ("**K Luxe**"), companies held by Mr. Tan and Ms. Lee, respectively. As a result, the Company was directly owned by Mr. Tan and Ms. Lee through TCB and K Luxe as to 75% and 25%, respectively.

(c) On 10 April 2018, Five Elements Investment Holdings Limited ("**Five Elements**") was incorporated in the BVI as a wholly-owned subsidiary of the Company.

(d) On 13 March 2018, Mr. Tan, Ms. Lee, T&B Holding and Prosperity Delight Limited (the "**Pre-IPO Investor**") entered into a subscription agreement, pursuant to which the Pre-IPO Investor agreed to subscribe interest in T&B Holding at the consideration of HK$15,000,000 equivalent to approximately S$2,605,209. After a series of shares transfer in April and June 2018, including Mr. Tan and Ms. Lee transferred their respective shareholdings in BSM to T&B Holding and T&B Holding became a direct wholly-owned subsidiary of Five Elements, the Company was directly owned by TCB, K Luxe and the Pre-IPO Investor as to 65.56%, 21.85% and 12.59%, respectively immediately after the Reorganisation. The following table shows the number of shares owned by each party in the Company:

	Company's share
TCB	6,556
K Luxe	2,185
Pre-IPO Investor	1,259
Total number of shares issued	10,000

2. BASIS OF PRESENTATION

The consolidated financial statements has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"). The consolidated financial statements has been prepared under the historical cost convention, as modified by revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following new standards and amendments to standards which are effective for the financial period beginning on or after 1 January 2019:

IFRSs	Annual Improvement 2015–2017 Cycle
IAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
IFRS 9 (Amendment)	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments

The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**CODM**"). The CODM has been identified as the executive directors of the Group who reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the provision of demolition services, sale of inventories and leasing of machinery in Singapore. Information reported to CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

All of the Group's activities are carried out in Singapore and all of the Group's assets and liabilities are located in Singapore. Accordingly, there is no analysis by geographical basis.

Revenue are all derived from external project owners in Singapore. During the year ended 31 December 2019, there were 4 project owners (2018: 4 project owners) which individually contributed over 10% of the Group's total revenue.

	2019	2018
	S$	*S$*
Customer 1	**6,301,971**	1,733,322
Customer 2	**4,862,319**	8,576,625
Customer 3	**4,500,808**	N/A
Customer 4	**4,041,293**	N/A
Customer 5	**N/A**	4,649,055
Customer 6	**N/A**	7,955,398

The above represents revenue generated from the demolition sites of relevant project owners in which proceeds are received from project owners as net contract sum, salvage materials buyers from disposal of salvage materials and earth providers from handling earth disposal to the demolition sites.

The salvage materials as extracted from different project owners' demolition sites would be sold to the same salvage materials buyer in a particular period. In terms of proceeds received/receivable from salvage materials buyers, proceeds from 1 salvage materials buyer (2018: 1 salvage materials buyer) contributed over 10% of the Group's revenue during the year ended 31 December 2019. The proceeds received/receivable from this salvage materials buyer are summarised below:

	2019	2018
	S$	*S$*
Salvage material buyer 1	**7,061,817**	7,358,940

5. REVENUE

	2019	2018
	S$	*S$*
Provision of demolition services	**33,068,536**	33,908,510
Others	**976,254**	78,696
Total revenue	**34,044,790**	33,987,206

6. OTHER INCOME AND OTHER GAINS — NET

	2019	2018
	S$	*S$*
Other income:		
Interest income	**9,405**	634
Government grants	**118,273**	196,368
Rental income from investment property	**15,400**	–
Miscellaneous income	**230**	722
Total other income	**143,308**	197,724
Other gains:		
Gain on disposal of property, plant and equipment	**65,449**	584,475
Gain on disposal of a subsidiary	**–**	18,070
Currency exchange gain/(loss) — net	**39,327**	(26,428)
Fair value gain on financial asset at fair value through profit or loss	**4,563**	4,282
Total other gains — net	**109,339**	580,399
Total other income and other gains — net	**252,647**	778,123

7. EXPENSES BY NATURE

Operating profit is stated after charging the followings:

	2019	2018
	S$	*S$*
Sub-contractor charges	**6,546,754**	4,555,787
Transportation expenses	**1,391,918**	1,277,392
Maintenance expenses	**925,893**	1,217,012
Insurance expenses	**154,214**	167,602
Raw materials, consumables and other overheads	**5,166,913**	4,911,627
Employee benefits expenses, including directors' emoluments	**7,254,300**	7,284,650
Depreciation	**4,860,660**	4,657,058
Listing expenses	**1,399,524**	3,296,453
Legal and professional fees	**70,410**	216,600
Provision for doubtful debt	**155,049**	110,000
Auditors' remuneration		
— Audit services	**274,790**	29,330
— Non-audit services (including listing expenses)	**318,710**	–
Expenses relating to short-term lease	**115,170**	1,057,193
Motor vehicle expenses	**121,309**	133,211
Utility expenses	**158,657**	111,852
Others	**833,580**	840,757

8. INCOME TAXES

Singapore income tax has been provided for at the rate of 17% on the estimated assessable profit for the years ended 31 December 2018 and 2019.

Income tax expense

The amount of income tax expense charged to the consolidated statements of comprehensive income represents:

	2019	2018
	S$	*S$*
Current income tax		
— Singapore	**679,409**	1,222,817
Deferred income tax		
— Singapore	**128,691**	92,951
Income tax expenses	**808,100**	1,315,768

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the Operating Company as follows:

	2019	2018
	S$	*S$*
Profit before income tax	**4,042,379**	4,393,620
Tax calculated at a tax rate of 17%	**687,204**	746,915
Expenses not deductible for tax purposes	**506,219**	667,803
Income not subject to tax	**(34,309)**	(729)
Tax incentives *(Note i)*	**(242,250)**	(62,296)
Statutory stepped income exemption and tax rebate *(Note ii)*	**(32,425)**	(35,925)
Overprovision in prior year	**(76,339)**	–
Income tax expenses	**808,100**	1,315,768

Notes:

(i) Tax incentives are mainly enhanced deductions and allowances claimed under the Investment Allowances Scheme administered by Building & Construction Authority of Singapore. Under the scheme, the Group is entitled to claim an additional 50% tax allowances for qualifying construction, productive equipment and machinery.

(ii) Singapore statutory stepped income exemption relates to partial tax exemption of S$25,925 (2018: S$17,425) corporate income tax rebate of S$10,000 (2018: S$15,000) granted by the Inland Revenue Authority of Singapore ("**IRAS**") for the year ended 31 December 2019.

9. EARNINGS PER SHARE

The basis earnings per share is calculated on the profit attributable to equity holders of the Company by the weighted average number of shares in issue.

	2019	2018
Profit attributable to equity holders of the Company (S$)	**3,234,279**	3,077,852
Weighted average number of shares in issue *(note (i))*	**786,986,301**	749,997,106
Basic earnings per share (S$ cent)	**0.41**	0.41

For the year ended 31 December 2019, diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding (2018: same).

Note (i)

The weighted average of 786,986,301 ordinary shares used in the calculation of basic earnings per share for the year ended 31 December 2019 comprising: (i) 9,900 ordinary shares of the Company in issue as at 31 December 2018; and (ii) 749,990,000 ordinary shares of the Company issued at par value by way of capitalisation pursuant to the shareholders' resolution dated 15 October 2019 as if these shares had been issued at 1 January 2018, the beginning of the earliest period reported; and (iii) 250,000,000 ordinary shares offered to the public were issued on 8 November 2019.

The weighted average of 749,997,106 ordinary shares used in the calculation of basic earnings per share for the year ended 31 December 2018 comprising: (i) 100 ordinary share of the Company issued and allotted at the date of incorporation on 6 April 2018; (ii) 9,800 ordinary share of the Company issued and allotted during the Reorganisation and (iii) 749,990,000 ordinary shares of the Company issued at par value by way of capitalisation pursuant to the shareholders' resolution dated 15 October 2019 as if these shares had been issued at 1 January 2018, the beginning of the earliest period reported.

10. DIVIDEND

During the year ended 31 December 2018, dividend of S$2,000,000 was declared by a subsidiary of the Company to its then shareholders.

No dividends had been paid or declared by the Company for the year ended 31 December 2019 (2018: nil).

11. TRADE RECEIVABLES

	2019	2018
	S$	*S$*
Trade receivables from third parties	**5,952,601**	6,509,053
Less: Allowance for impairment of trade receivables	**(265,049)**	(110,000)
	5,687,552	6,399,053
Retentions	**314,718**	264,203
	6,002,270	6,663,256

The Group normally grants credit terms of 30 days. The Group does not hold any collateral as security.

The ageing analysis of the third-party trade receivables and retentions, based on invoice date, is as follows:

	2019 S$	2018 S$
Below 30 days	**3,680,017**	4,740,961
31–60 days	**379,709**	1,017,086
61–90 days	**81,502**	498,461
91–120 days	**551,382**	22,139
Over 120 days	**1,309,660**	384,609
	6,002,270	6,663,256

12. TRADE AND OTHER PAYABLES

	2019 S$	2018 S$
Trade payables to third parties	**2,188,582**	2,524,250
Accrued expenses	**855,373**	1,638,691
Other payables	**79,660**	1,096,359
	3,123,615	5,259,300

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

	2019 S$	2018 S$
Up to 30 days	**1,474,655**	1,093,297
31–60 days	**605,302**	1,088,087
61–90 days	**102,524**	283,868
91–120 days	**1,682**	44,016
Over 120 days	**4,419**	14,982
	2,188,582	2,524,250

13. BORROWINGS

	2019 S$	2018 S$
Non-current		
Bank borrowings (secured) *(Note (a))*	**1,852,701**	2,437,765
Current		
Bank borrowings (secured) *(Note (a))*	**585,064**	3,585,064
Premium financing loan (secured) *(Note (b))*	**–**	158,977
	585,064	3,744,041
Total borrowings	**2,437,765**	6,181,806

(a) The bank borrowings consist of 2 facilities being drawndown

(i) Term loan

The term loan is denominated in S$, bears interest at 2.58% (2018: 2.28% plus prevailing 1-month SIBOR per annum). The bank borrowings of S$2,437,765 (2018: S$3,022,829) is secured by a first legal mortgage on the leasehold building and personal guarantees from a director and spouse of the said director, as at 31 December 2019 (2018: same). Such personal guarantees were replaced by corporate guarantee from the Company after year end.

(ii) Fixed advance facility

The fixed advance facility was denominated in S$, bore interest between 3.02% to 3.23% (2018: 3.02% to 3.02%) during the year ended 31 December 2019. The bank borrowing of S$3,000,000 was secured by a first legal mortgage on the leasehold building and personal guarantees from a director and spouse of the said director, as at 31 December 2018. This fixed advance facility was fully paid in 2019.

The fair value of non-current bank borrowings approximated the carrying value of the non-current borrowings at the balance sheet dates as the borrowing bears interest at rates which approximate the current incremental borrowing rate for similar types of lending and borrowing arrangements, which management expects to be available to the Group.

	2019	2018
	S$	*S$*
Within 1 year	**585,064**	3,585,064
Between 1 and 2 years	**585,064**	585,064
Between 2 and 5 years	**1,267,637**	1,852,701
	2,437,765	6,022,829

(b) Premium financing loan

This premium financing loan was denominated in United State dollars ("**US$**") and related to a loan obtained to finance the life insurance policy taken up by the Operating Company for a key management staff. The loan was secured by the underlying life insurance policy and bore interest between 2.6% to 3.4% (2018: 2.6% to 3.3%) during the year ended 31 December 2019. The premium financing loan was fully paid in 2019.

	2019	2018
	S$	*S$*
Within 1 year	**–**	158,977

14. SHARE CAPITAL

	Number of Shares	Share capital *HK$*
Authorised:		
Ordinary shares of HK$0.01 each		
At 6 April 2018 (date of incorporation)	38,000,000	380,000
Increase in authorised shares	9,962,000,000	99,620,000
As at 31 December 2018 and 2019	10,000,000,000	100,000,000

	Number of Shares	Share capital *S$*
Issued and fully paid:		
At 6 April 2018 (date of incorporation)	100	–
Issuance of shares by Reorganisation	9,900	17
As at 31 December 2018	10,000	17
Issuance of shares pursuant to capitalisation	749,990,000	1,306,602
Issuance of shares by public offering	250,000,000	435,540
As at 31 December 2019	1,000,000,000	1,742,159

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an established and leading services provider in Singapore with operational history of over 26 years in taking up demolition projects in both the public and private sectors, including demolition of industrial buildings, power stations, chemical plants, high rise commercial, educational institutions and residential properties, bridges and marine structures, public roads and infrastructures. The Group is also registered with the Contractors Registration System administered by the Building and Construction Authority of Singapore, which is the pre-requisite to tender for construction or construction related projects in Singapore's public sector.

Despite the relatively steady growth in the market size of the demolition industry in Singapore, by leveraging on the Group's well-established market presence, proven track record, advanced fleet of machinery, dedicated and experienced workforce, our revenue was able to achieve a rapid growth at CAGR of 8.3% from 2016 to 2019. During FY2019, the Group undertook 23 demolition projects, among which 17 have been completed and 6 remain on-going.

BUSINESS REVIEW

The Group is also registered with the Contractors Registration System administered by the Building and Construction Authority of Singapore, which is the pre-requisite to tender for construction or construction related projects in Singapore's public sector. The Group obtained a Class 2 General Builder Licence, a single grade under CR03 "Demolition" workhead (the "**Single Grade Licence**"), C3 grade under CW01 "General Building" workhead and C1 grade under CW02 "Civil Engineering" workhead (collectively the "**Licences**"), which allows it to tender and undertake various public and private sector demolition projects. Amongst the Licences obtained, the Single Grade Licence allows the Group to undertake general public demolition projects of an unlimited tender/contract value.

The following table sets forth the proceeds of revenue by source for FY2018 and FY2019 respectively:

	For the year ended 31 December			
	2019		2018	
	S$'000	***%***	*S$'000*	*%*
Net contract sum	**15,972**	**46.9**	8,462	24.9
Proceeds from disposal of salvage materials	**15,697**	**46.1**	20,423	60.1
Earth depositing proceeds	**1,400**	**4.1**	5,021	14.8
Other revenue	**976**	**2.9**	81	0.2
	34,045	**100.0**	33,987	100.0

The Group's revenue slightly increased by approximately S$58,000 or 0.2% from the year ended 31 December 2018 ("**FY2018**") to approximately S$34.0 million for FY2019. Such slightly increase was due to the increase in other revenue derived from the leasing of the Group's machinery of approximately S$0.9 million from approximately S$0.1 million for FY2018 to approximately S$1.0 million for FY2019.

OUTLOOK

The Group aims to strengthen its market position in demolition works industry in Singapore by expanding its market share through undertaking more large-scale projects and contributing to Singapore's sustainable growth in land redevelopment.

Sustainable construction is critical to Singapore's economic development due to Singapore's limited natural resources and land scarcity. As the majority of construction materials have to be imported, sustainable redevelopment and green building construction in Singapore has formed the core of its development policy. Under the selective En Bloc Redevelopment Scheme initiated since 1995 with the aim to rejuvenate the old estates, more replacement flats have been selected and are expected to be completed by 2022. As an estimation, there were more than 1,000 buildings aged 30 years or above in Singapore in 2017 and it is likely that these aging buildings may eventually undergo demolition for redevelopment. It is therefore imperative that the demolition of existing buildings is performed systematically so that recycled materials from demolition waste can be reclaimed for the manufacture of structural and non-structural components. According to a commissioned industry research report prepared by Frost & Sullivan used in the Company's prospectus, the market size of contractor demolition of work by revenue is expected to maintain a steady growth at a compound annual growth rate of 6.1% from 2019 to 2023. This growth is expected to be driven by the forthcoming redevelopment projects and increase in demand for demolition services to facilitate the recovery of land resources in Singapore.

FINANCIAL REVIEW

Revenue

During FY2019, the revenue of the Group was mainly derived from the provision of demolition and related value-added services to the Group's project owners (the "Contract Revenue"). The Contract Revenue comprised of (i) the net contract sum from the project owners; (ii) the proceeds from the disposal of salvage materials removed from the demolition sites to salvage materials buyers; and (iii) the proceeds from earth providers for depositing earth at the demolition sites for landfilling purpose. During FY2019, the Group's total revenue increased slightly by approximately S$58,000 or 0.2% from FY2018 to approximately S$34.0 million. The increase was due to the increase in other revenue derived from the leasing of the Group's machinery of approximately S$0.9 million from approximately S$0.1 million for FY2018 to approximately S$1.0 million for FY2019.

Cost of sales

The Group's cost of sales for FY2019 amounted to approximately S$21.4 million, representing an increase of S$1.1 million from approximately S$20.3 million in FY2018. The cost of sales mainly comprised of (i) direct labour costs; (ii) depreciation of the Group's machinery and equipment; (iii) raw materials, consumables and other overheads; and (iv) subcontractor charges. The increase in the cost of sales of the Group in FY2019 was mainly due to an increase in subcontractor charges of approximately S$2.0 million, which is mainly due to the increase in sizeable projects undertaken for FY2019 which involved more scaffolding and drainage works which the Group generally subcontracted these works to subcontractors.

Gross profit and gross profit margin

The Group's gross profit decreased by S$1.0 million or 7.7%, from approximately S$13.7 million for FY2018 to approximately S$12.7 million for FY2019. The Group's gross profit margin was approximately 37.2% and 40.3% for FY2019 and FY2018 respectively, representing a difference of 3.1%. The decrease in the Group's gross profit margin was mainly due to (i) a large portion of revenue for FY2018 being recognised and derived from sizable projects with relatively high cumulative gross profit margins. Such projects involved in the demolition of chemical plant and cement plant which produced comparatively more salvage materials of high economic value such as ferrous metals and non-ferrous metals, and thus the Group derived a relatively high gross profit margin from such projects during FY2018; and (ii) a large portion of the Group's revenue for FY2019 were derived from three sizable projects involving the demolition of residential and factory buildings which produced comparatively less salvage materials of high economic value such as ferrous metals and non-ferrous metals and therefore had a relatively low cumulative gross profit margin.

Other income and other gains

During FY2019, the Group's other income amounted to approximately S$143,000, representing a decrease of approximately S$55,000 from approximately S$198,000 in FY2018. The decrease primarily resulted from a decrease of approximately S$78,000 received in government grants. The amount of the government grant differs each year according to the productivity or noise-levels of the projects undertaken by the Group for the particular year.

The Group's other gains amounted to approximately S$109,000 for FY2019, representing a decrease of approximately S$471,000 from approximately S$580,000 for FY2018. Such decrease was mainly due to the decrease of approximately S$519,000 from gains on disposal of property, plant and equipment.

Administrative expenses

The Group's administrative expenses for FY2019 amounted to approximately S$8.1 million, representing a decrease of S$1.3 million from approximately S$9.4 million in FY2018. The administrative expenses primarily consisted of (i) staff costs; and (ii) depreciation costs in respect of the Group's property, office equipment, motor vehicles and right-of-use assets. The decrease in FY2019 was principally a combined effect of an increase of approximately S$0.2 million in depreciation costs and a decrease of approximately S$1.6 million in listing expenses.

Finance costs

During FY2019, finance costs incurred by the Group was approximately S$513,000, representing an increment of S$8,000 from approximately S$505,000 during FY2018. The slight increase was principally a combined effect of an increase in interest expenses on bank borrowings and a decrease in interest expenses on lease liabilities.

Income tax expenses

During FY2019, income tax incurred by the Group was approximately S$0.8 million, representing a decrease of approximately S$0.5 million from approximately S$1.3 million during FY2018. The reduction resulted from the higher corporate income tax rebate granted by the Inland Revenue Authority of Singapore for FY2019 compared to FY2018.

Profit attributable to the equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company increased by approximately S$0.1 million or 5.1% to approximately S$3.2 million for FY2019, compared with approximately S$3.1 million for FY2018. Basic earning per share for FY2019 is S$0.41 cents, as compared to S$0.41 cents for FY2018.

GEARING RATIO

The gearing ratio (calculated by dividing the obligations under borrowings and lease liabilities by total equity and then multiplied by 100%) decreased from 67.5% as at 31 December 2018 to 27.1% as at 31 December 2019. This resulted from a considerable decrease in bank borrowings, lease liabilities and a substantial increase in other reserves through the issuance of shares. The Board is of the view that the utilisation of proceeds from the listing to repay term loans and advanced fixed facilities has enhanced the Group's financial position.

TREASURY POLICIES

The Company's financing and treasury activities are centrally managed and controlled at the corporate level. The Company's bank borrowings are all denominated in S$ and have been arranged on a floating-rate basis. It is the Company's policy not to enter into derivative transactions for speculative purposes. The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019,

a. the total amount of the issued share capital of the Company was HK$10,000,000, divided into 1,000,000,000 shares of HK$0.01 per share. There were no movements in the Company's share capital during the period from the Listing Date up to 31 December 2019 (the "**Relevant Period**").

b. the leasehold land and building of the Group with carrying amounts of approximately S$6.8 million and S$6.3 million were mortgaged to licensed banks as security for credit facilities granted to the Group for FY2018 and FY2019 respectively.

c. the Group had bank borrowings and lease liabilities of approximately S$2.4 million (FY2018: S$6.2 million) and S$11.5 million (FY2018: S$14.1 million) respectively. All of the lease liabilities and bank borrowings were denominated in S$ or US$.

d. the Group's total equity attributable to equity holders of the Company amounted to approximately S$51.5 million as at 31 December 2019 as compared to S$30.1 million as at 31 December 2018. The capital of the Company mainly comprises share capital and reserves.

DIVIDEND

The Directors do not recommend the payment of final dividend in respect of FY2019.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 16 December 2019, the Company acquired 100% of the issued share capital of Beyond Elite Investments Limited ("Beyond Elite"), a company incorporated in the British Virgin Islands with limited liability. On 27 December 2019, Beyond Elite acquired 100% of the issued share capital of Sky Express Asia Limited ("Sky Express"), a company incorporated in Hong Kong. Upon completion of the aforesaid share acquisitions, Beyond Elite and Sky Express both became wholly-owned subsidiaries of the Group. As at the date of this announcement, Beyond Elite and Sky Express remain dormant companies.

Save as disclosed in this annual results announcement, the Group did not have other plans for material acquisitions or disposals of subsidiaries or associates during the Relevant Period and there were no material investments held by the Group.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had the following capital commitments for purchase of property, plant and equipment as follows:

	2019	2018
	S$	*S$*
Contracted but not provided for	–	3,199,000

CHARGE OF THE GROUP'S ASSETS

As at 31 December 2019, the leasehold land and building of the Group with carrying amounts of approximately S$6.3 million (2018: S$6.8 million) were mortgaged to licensed banks as security for credit facilities granted to the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement and the Prospectus, the Group currently does not have any concrete plan for material investments or capital assets.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities or outstanding litigation (2018: none).

FOREIGN CURRENCY EXPOSURE

The Group operates in Singapore and most of its income and expenditures are denominated in Singapore Dollar ("**S$**"), being the functional currency of the Company. The Group has exposure to foreign exchange risk as a result of cash and cash equivalents, trade receivables, deposits, prepayments and other receivables, trade and other payables and premium financing loan denominated in the United States dollar and Hong Kong dollar.

The Group will continue to monitor its foreign currency exposure closely and consider hedging significant foreign currency exposure should the need arises.

EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events undertaken by the Company or the Group after 31 December 2019 and up to the date of this announcement. After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented in different countries and regions. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse effects on the consolidated financial statements for the year ended 31 December 2019 as a result of the COVID-19 outbreak.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had a total of 130 employees, 1 more than the same time in 2018. All of the executive Directors and employees are located in Singapore. The remuneration offered to employees generally includes salaries and bonus and are determined with reference to market norms and individual employees' performance, qualifications and role. The Company has adopted a share option scheme under which options may be granted to Directors and eligible employees as in incentive.

The remuneration, bonuses and other compensation payable of the Directors are determined by the Remuneration Committee, having regard to the Company's operating results, responsibilities and individual performance of directors.

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

As set out in the Prospectus, the business objectives and strategies of the Group are to (i) acquire machinery; (ii) expand the Group's workforce; (iii) repay bank borrowings finance; and (iv) set aside for working capital purpose.

A total of 250,000,000 ordinary shares were issued to the public at a price of HK$0.5 per share for net proceeds of approximately HK$77.5 million after the deduction of related listing expenses. These proceeds were utilised in accordance with the proposed allocation set out in the Prospectus.

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the Relevant Period is set out below:

Use of Net Proceeds	**Approximate Percentage of Total Amount**	**Approximate Actual Net Proceeds** *HK$'000*	**Approximate Amount utilised as at 31 December 2019** *HK$'000*	**Approximate Unused Net Proceeds** *HK$'000*
Enhancing the machinery fleet by acquiring excavators with different capacities including one unit of 48.5-metre high-reach excavator and attachments to excavators	66.0%	51,200	16,800	34,400
Repaying the bank borrowing bearing interest rate at approximately 2.9% per annum and maturing in 2019, the proceeds from borrowing were used as working capital	17.4%	13,500	13,500	–
Expanding the labour force by recruiting additional staff, including project management and project execution staff in the three years ending 31 December 2021	11.8%	9,100	–	9,100
Engagement of professional consultant to review the internal management systems for the purpose of the registration for B1 grade under the CW02 "Civil Engineering" workhead	2.9%	2,200	–	2,200
Group's general working capital	1.9%	1,500	–	1,500

As at 31 December 2019, the amount of the net proceeds which remained unutilised amounted to approximately HK$47.2 million. The remaining unutilised net proceeds are expected to be utilised within 2 years up to 31 December 2021 for the following purposes:

- acquisition of property, plant and equipment
- application costs, including professional fees etc. for upgrading the "CW02, Civil Engineering" workhead from C1 grade to B1 Grade; and
- recruitment of new staff

SHARE OPTION SCHEME

The Company has conditionally approved and adopted the share option scheme (the "**Share Option Scheme**") on 15 October 2019 (the "**Adoption Date**") which shall remain in force for a period of ten years commencing on the Adoption Date and expire at the close of business on the business day immediately preceding the tenth anniversary thereof. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group.

As at 31 December 2019, the total number of Shares available for issue under the Share Option Scheme is 100,000,000 shares, representing 10% of the issued share capital of the Company. No share option has been granted since the adoption of the Share Option Scheme and no share option was outstanding as at 31 December 2019 and no share option was exercised or cancelled or lapsed during FY2019.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

The shares have been listed on the Main Board of the Stock Exchange on 8 November 2019. No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the Relevant Period.

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 Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code during the Relevant Period.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to the Company's shareholders (the "**Shareholders**") and protecting and enhancing Shareholders' value through good corporate governance.

The Board recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the "**CG code**") contained in Appendix 14 to the Listing Rules.

To the best of the knowledge of the Board, the Company has complied with the CG code during the Relevant Period with the exception from code provisions A.2.1 and A.1.8 as explained below. The Board will periodically review on the Company's corporate governance functions and will continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

DEVIATION FROM A.2.1 OF THE CG CODE

Under paragraph A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer of a company should be separate and should not be performed by the same individual. Mr. Tan is currently the Chairman of the Board and the chief executive officer (the "**CEO**") of the Group and primarily responsible for the day-to-day management of the Group's business. In view of the fact that Mr. Tan has been operating and managing our Group since its establishment, our Board believes it is in the best interests of our Group to have Mr. Tan take up both roles of effective management and business development. The Directors consider that vesting the roles of the Chairman of the Board and CEO in the same person facilitates the execution of the Group's business strategies and decision making, and maximises the effectiveness of the Group's operation. The Directors also believe that the presence of three independent non-executive directors ("**INED**") provides added independence to the Board, and that the Board is appropriately structured to maintain the balance of power and to provide sufficient checks to protect the interests of the Company and its Shareholders. The Directors shall review the structure from time to time and consider an adjustment should it become appropriate. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Mr. Tan), one non-executive Director, and three INEDs and therefore has a fairly strong independence element in its composition.

DEVIATION FROM A.1.8 OF THE CG CODE

Under the code provision of A.1.8 of the CG code, the Company should arrange appropriate insurance cover in respect of legal action against the Directors. Currently, the Company is applying for insurance cover in this respect. In the meantime, the Company has been closely monitoring its internal control system and supervising its management to prevent its Directors from being at risk of any legal action.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG code. The Audit Committee consists of three INEDs, namely Mr. Leung Yau Wan John, Mr. Wee Chorng Kien and Mr. Leung Kee Wai. The chairman of the Audit Committee, Mr. Leung Yau Wan John, possesses the appropriate professional qualifications and financial expertise for the purposes of compliance with the requirements of Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed the preliminary results announcement and the consolidated financial statements of the Company for the year ended 31 December 2019. The Audit Committee has also reviewed the effectiveness of the internal control system of the Group and considered the system to be effective and adequate.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's independent auditor, PricewaterhouseCoopers, Certified Public Accountants of Hong Kong ("**PricewaterhouseCoopers**") to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with the Hong Kong/International Standards on Auditing, Hong Kong/International Standards on Review Engagements or Hong Kong/International Standards on Assurance Engagements and consequently, no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

PUBLICATION ON THE COMPANY AND STOCK EXCHANGE'S WEBSITES

This annual results announcement is published on the websites of the Company (www.bsm.com.sg) and the Stock Exchange (www.hkexnews.hk), respectively. The annual report of the Company for FY2019 will be despatched to shareholders of the Company and available on the same websites in due course.

By Order of the Board
BENG SOON MACHINERY HOLDINGS LIMITED
TAN CHEE BENG
Chairman and Chief Executive Officer

Hong Kong, 27 March 2020

As at the date of this announcement, the Company's Board of Directors comprises the following members: (a) Mr. Tan Chee Beng (who is also the Chairman and Chief Executive Officer of the Company), Mr. Tan Wei Leong and Ms. Tang Ling Ling as Executive Directors; (b) Mr. Cheung Kam Fai as Non-executive Director; and (c) Mr. Wee Chorng Kien, Mr.