Chuan Holdings Limited
川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board of Directors (the "**Board**") of Chuan Holdings Limited (the "**Company**") announces its unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2016 together with the comparative figures as follows:

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***S$'000***	*S$'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**50,960**	44,063
Direct costs		**(39,921)**	(35,650)
Gross profit		**11,039**	8,413
Other income and gains	*5*	**965**	1,244
Administrative and other operating expenses		**(2,279)**	(1,985)
Other expenses		**(1,115)**	(788)
Finance costs	*6*	**(83)**	(99)
Profit before income tax	*7*	**8,527**	6,785
Income tax expense	*8*	**(1,450)**	(1,126)
Profit for the period		**7,077**	5,659
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
(Loss)/gain in revaluation of available-for-sale financial assets		**(35)**	75
Total comprehensive income for the period attributable to the owners of the Company		**7,042**	5,734
Earnings per share – basic and diluted *(S cents)*	*9*	**0.83**	0.68

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	**30 June 2016 *S$'000* (Unaudited)**	31 December 2015 *S$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**10,425**	8,035
Investment property		**1,364**	1,370
Other assets		**373**	373
Deposits and other receivables		**234**	209
Available-for-sale financial assets		**1,600**	1,635
Deferred tax assets		**237**	237
		14,233	11,859
Current assets			
Due from customers for contract work		**14,466**	15,199
Trade receivables	*12*	**24,469**	34,950
Deposits, prepayments and other receivables		**15,298**	2,043
Pledged deposits	*13*	**4,282**	4,271
Cash and cash equivalents	*13*	**34,781**	10,632
		93,296	67,095
Current liabilities			
Due to customers for contract work		**1,861**	6,774
Trade payables	*15*	**6,255**	10,314
Other payables, accruals and deposits received		**4,619**	4,383
Due to directors		**–**	400
Bank borrowings	*16*	**254**	252
Finance lease obligations		**4,407**	4,298
Income tax payable		**2,695**	2,598
		20,091	29,019

	Notes	**30 June 2016** **S$'000** **(Unaudited)**	31 December 2015 *S$'000*
Net current assets		**73,205**	38,076
Total assets less current liabilities		**87,438**	49,935
Non-current liabilities			
Deposits received		**15**	15
Bank borrowings	*16*	**271**	398
Finance lease obligations		**2,373**	1,522
		2,659	1,935
Net assets		**84,779**	48,000
EQUITY			
Share capital	*14*	**1,808**	–
Reserves		**82,971**	48,000
Total equity		**84,779**	48,000

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. Corporate information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 August 2015. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is located at 20 Senoko Drive, Singapore 758207.

The Company is an investment holding company while the principal subsidiary of the Group is engaged in provision of earthworks and related services and general construction in Singapore.

The Company has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 June 2016.

The unaudited condensed consolidated interim financial statements of the Group are presented in Singapore dollars ("**S$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated interim financial statements have neither been audited nor reviewed.

2. Reorganisation and basis of preparation

In connection with the listing of the shares of the Company on the Stock Exchange, the Company underwent a reorganisation (the "**Reorganisation**").

Details of the Reorganisation are set out in the section headed "History, Reorganisation and corporate structure" to the prospectus of the Company dated 25 May 2016 (the "**Prospectus**"). The Reorganisation involved only inserting new holding companies on top of the existing operating company and has not resulted in any change of economic substance. The Group resulting from the Reorganisation is regarded as a continuing entity as it involved combinations of entities under common control, which were controlled by the same controlling shareholder. Immediately after the Reorganisation, the Company became the holding company of its subsidiaries now comprising the Group on 10 May 2016. Accordingly, the unaudited condensed consolidated interim financial statements were prepared using the merger accounting as if the Reorganisation had been completed and the current group structure had always been in existence. The unaudited condensed consolidated statement of comprehensive income and the unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 2016 include the results and changes in equity of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence. No adjustment is made to reflect fair values, or to recognise any new assets or liabilities as a result of the Reorganisation.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions required by the Rules Governing the Listing of Securities on the Stock Exchange. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the accountant's report included in Appendix I (the "**Accountant's Report**") to the Prospectus, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3. Principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Except for the adoption of the new and amended HKFRSs for annual periods beginning on 1 January 2016, the accounting policies and methods of computation used in the condensed consolidated interim financial statements are consistent with those described in the Accountant's Report to the Prospectus.

During the interim period, the Group has adopted all the following new and amended HKFRSs which are first effective for the reporting period and relevant to the Group.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The adoption of these new and amended HKFRSs has no material effect to the Group's accounting policies and the Directors considered that the changes are not material to the Group's results of operations or financial position.

The Group has not yet adopted any new and amended HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the impact of the adoption of such new and revised HKFRSs on the Group's results and financial position.

4. Segment information

For the purpose of resources allocation and performance assessment, the Group determines its operating segments based on reports reviewed by the executive directors of the Company, being the chief operating decision-maker ("**CODM**") that are used to make strategic decisions.

Financial information reported to the CODM, based on the following segments:

(i) Provision of earthworks and related services, mainly include excavation, earth disposal, demolition and various ancillary services (collectively referred as "Earthworks"); and

(ii) Provision of general construction works, mainly include construction of new buildings, alternation and addition works (collectively referred as "General Construction Works").

Segment revenue represents revenue from external customers. There were no inter-segment revenue during the respective periods. Operating revenue, direct costs, gains on disposal of property, plant and equipment, interest expenses on finance leases, provision for impairment of trade receivables and bad debts recovered, are allocated to different segments to assess corresponding performance.

The unallocated expenses mainly includes director's emoluments, employee benefit expenses, depreciation of office equipment, operating lease expenses and other centralised administrative cost for the Group's headquarter and listing expenses.

Corporate and unallocated assets mainly include unallocated property, plant and equipment, investment property, available-for-sale financial assets, other assets, deferred tax assets, pledged deposits, cash and cash equivalents, deposits, prepayments paid for operating leases and office expenses, and other receivables due from related parties.

Corporate and unallocated liabilities mainly include bank borrowings, accruals for employee benefit expenses, listing expenses and payable of office operating expenses, utilities, and amounts due to directors.

Information regarding the Group's reporting segments is set out below:

For the six months ended 30 June 2016 (unaudited)

	Earthworks	**General Construction Works**	**Total**
	S$'000	***S$'000***	***S$'000***
Revenue from external customers	**23,424**	**27,536**	**50,960**
Reportable segment results	**6,611**	**4,691**	**11,302**
Reportable segment results			**11,302**
Unallocated other income and gains			**452**
Corporate and other unallocated expenses			**(3,220)**
Interest on bank overdrafts and loans			**(7)**
Profit before income tax			**8,527**

For the six months ended 30 June 2015 (unaudited)

	Earthworks	General Construction Works	Total
	S$'000	*S$'000*	*S$'000*
Revenue from external customers	23,395	20,668	44,063
Reportable segment results	4,529	4,086	8,615
Reportable segment results			8,615
Unallocated other income and gains			466
Corporate and other unallocated expenses			(2,286)
Interest on bank overdrafts and loans			(10)
Profit before income tax			6,785

5. Revenue, other income and gains

(a) Revenue, which is also the Group's turnover, represents the income from Earthworks and General Construction Works. Revenue recognised during the respective periods is as follows:

	Six months ended 30 June	
	2016	2015
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Earthworks	**23,424**	23,395
General Construction Works	**27,536**	20,668
Total	**50,960**	44,063

(b) Other income and gains recognised during the respective periods is as follows:

	Six months ended 30 June	
	2016	2015
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Other income		
Management service income	**151**	100
Interest income on financial assets carried at amortised cost	**27**	28
Bad debts recovered	**465**	658
Rental income from investment properties	**67**	61
Dividend income from available-for-sale financial assets	**1**	28
Sales of scrap materials and consumables	**93**	159
Others	**113**	97
	917	1,131
Gains		
Gains on disposals of property, plant and equipment	**48**	112
Net foreign exchange gain	**–**	1
	48	113
	965	1,244

6. Finance costs

	Six months ended 30 June	
	2016	2015
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on finance leases	**76**	89
– Interest on bank overdraft and loans wholly repayable within five years	**7**	10
	83	99

7. Profit before income tax

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment *	**2,282**	1,961
Depreciation of investment property **	**6**	6
Direct operating expenses arising from investment property that generated rental income	**13**	18
Operating lease rental expenses in respect of:		
– Office equipment and machineries	**2,057**	2,841
– Warehouses, premises, dormitories and workshops	**644**	549
	2,701	3,390

	Six months ended 30 June	
	2016	2015
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' remuneration)		
– Salaries, wages and bonuses	**6,508**	6,126
– Defined contribution	**270**	265
– Other short-term benefits	**907**	964
	7,685	7,355
Listing expenses	**940**	352
Provision for impairment of trade and other receivables	**175**	436

* Depreciation of property, plant and equipment amounted to approximately S$2,222,000 (30 June 2015: approximately S$1,912,000) has been included in direct costs and approximately S$60,000 (30 June 2015: approximately S$49,000) in administrative and other operating expenses.

** Depreciation of investment property has been included in administrative and other operating expenses in the respective periods.

8. Income tax expense

	Six months ended 30 June	
	2016	2015
	S$'000	*S$'000*
	(Unaudited)	(Unaudited)
Current tax – Singapore income tax		
Tax for the period	**1,450**	1,223
Overprovision for prior years	**–**	(125)
	1,450	1,098
Deferred tax		
Charged to profit or loss	**–**	28
Income tax expense	**1,450**	1,126

Singapore income tax has been provided at the rate of 17% on the estimated assessable profits for each of the financial periods. Tax has not been provided by the Company as the Company did not derive any assessable profits during the respective periods.

9. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the profit attributable to the owners of the Company of approximately S$7,077,000 (2015: approximately S$5,659,000), and on the weighted average number of 856,222,527 (2015: 830,000,000) ordinary shares in issue during the period. For the six months ended 30 June 2015, the weighted average number of ordinary shares is based on the assumption that 830,000,000 ordinary shares of the Company are in issue and issuable, comprising an aggregate of 100 ordinary shares in issue and 829,999,900 ordinary shares issuable upon capitalisation of shares, as if the Reorganisation was effective on 1 January 2015.

Diluted earnings per share is the same as the basic earnings per share because the Group has no dilutive potential ordinary shares during the periods.

10. Dividend

No dividend has been declared or paid by the Company since its date of incorporation.

The Company does not recommend the payment of an interim dividend for the six months ended 30 June 2016.

11. Property, plant and equipment

During the interim period, the Group incurred capital expenditures of approximately S$3,069,000 (30 June 2015: approximately S$278,000) in plant and machinery, approximately S$107,000 (30 June 2015: S$10,000) in furniture, fixtures and office equipment, and approximately S$1,577,000 (30 June 2015: nil) in motor vehicles.

Items of property, plant and equipment with net book value amounting to approximately S$81,000 were disposed of during the six months ended 30 June 2016 (30 June 2015: nil), resulting in a gain on disposal of S$48,000 (30 June 2015: S$112,000).

12. Trade receivables

	As at 30 June 2016	As at 31 December 2015
	S$'000	*S$'000*
	(Unaudited)	
Trade receivables	**21,083**	33,990
Retention sum receivables	**5,144**	3,008
	26,227	36,998
Less: Provision for impairment of trade receivables	**(1,758)**	(2,048)
	24,469	34,950

Retention sum receivables refer to retention sum which will be partially billed upon the practical completion, and the balance shall be billed upon the final completion. Retention sum receivables are non-interest-bearing and on terms based on the respective contract's retention period.

The credit period granted to the Group's customers generally within 30 days from invoice date of the relevant contract revenue. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually 1 year) after completion of the contract.

Based on invoices date, ageing analysis of the Group's trade receivables as at the end of each of the respective periods is as follows:

	As at 30 June 2016	As at 31 December 2015
	S$'000	*S$'000*
	(Unaudited)	
0 to 30 days	**4,599**	11,355
31 to 90 days	**1,455**	7,349
91 to 180 days	**15,423**	7,249
181 to 365 days	**1,639**	8,027
1 year to less than 2 years	**1,353**	970
	24,469	34,950

As at 30 June 2016 and 31 December 2015, there were no retention sum receivables which were past due.

Movement in the provision for impairment of trade receivables:

	As at 30 June 2016	As at 31 December 2015
	S$'000	*S$'000*
	(Unaudited)	
Opening balance	**2,048**	2,257
Impairment losses	**175**	1,326
Bad debts recovered	**(465)**	(1,535)
Closing balance	**1,758**	2,048

13. Cash and cash equivalents

	As at 30 June 2016	As at 31 December 2015
	S$'000	*S$'000*
	(Unaudited)	
Cash at banks and in hand	**39,063**	14,903
Less: Pledged deposits *(note)*	**(4,282)**	(4,271)
Cash and cash equivalents	**34,781**	10,632

Note:

As at 30 June 2016 and 31 December 2015, pledged deposits are restricted bank balances to secure:

(i) the fuel supplies guarantee arrangement and the issuance of performance bonds;

(ii) the banking facilities for term/bank loans amounting to approximately S$2.0 million (31 December 2015: approximately S$2.0 million); and

(iii) the banking facilities including letter of credits, overdraft and bank guarantee amounting to approximately S$16.5 million (31 December 2015: approximately S$16.5 million).

14. Share capital

The Company was incorporated on 25 August 2015 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
Upon incorporation	38,000,000	380
Increased during the period	9,962,000,000	99,620
As at 30 June 2016	10,000,000,000	100,000

	Number of shares	**Share capital**
		S$'000
Issued and fully paid		
Opening balance as at 1 January 2016	100	–
Issued during the period	1,037,499,900	1,808
As at 30 June 2016	1,037,500,000	1,808

15. Trade payables

	As at 30 June 2016	As at 31 December 2015
	S$'000	*S$'000*
	(Unaudited)	
Trade payables	**4,933**	9,443
Retention payables	**1,322**	871
	6,255	10,314

The Group's trade payables are non-interest bearing and generally have payment terms of 30 days.

Ageing analysis of trade payables as at the reporting dates is as follows:

	As at 30 June 2016	As at 31 December 2015
	S$'000	*S$'000*
	(Unaudited)	
0 to 30 days	**4,838**	8,023
31 to 90 days	**297**	1,100
91 to 180 days	**468**	172
Over 180 days	**652**	1,019
	6,255	10,314

16. Bank borrowings

	As at 30 June 2016	As at 31 December 2015
	S$'000	*S$'000*
	(Unaudited)	
Current liabilities		
Secured mortgage loan:		
– Amounts payable within one year	**65**	65
Secured term loans:		
– Amounts payable within one year	**189**	187
	254	252
Non-current liabilities		
Secured mortgage loan:		
– Amounts payable in second to fifth year	**160**	192
Secured term loans:		
– Amounts payable in second to fifth year	**111**	206
	271	398
Total balance of bank borrowings	**525**	650

The summary of pledged assets and pledged deposits to bank borrowings are as follows:

	As at 30 June 2016	As at 31 December 2015
	S$'000	*S$'000*
	(Unaudited)	
Investment property	**1,364**	1,370
Pledged deposits	**4,282**	4,271

17. Contingent liabilities and financial guarantees

(a) Performance bonds and guarantees provided for ordinary course of business

(i) As at 30 June 2016, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business with utilised amount of approximately S$6,728,000 (31 December 2015: approximately S$6,431,000). The guarantees in respect of performance bonds issued by banks, which are secured by pledged deposits and guaranteed by Mr. Lim Kui Teng ("**Mr. Alan Lim**"), the director of the Company.

(ii) As at 30 June 2016 and 31 December 2015, the Group has contingent liabilities on providing guarantee on an agreement amounting to S$150,000 to a fuel supplier for commercial fuel supply to the Group, which was arranged via a bank under mutual agreement between parties whereby the Group has pledged its bank deposits and guaranteed by Mr. Alan Lim.

(b) Financial guarantees

As at 30 June 2016 and 31 December 2015, the Group had provided corporate guarantee to a bank for banking facilities offered to a related company, Hulett Construction (S) Pte Ltd, amounting to S$38,240,000. At 31 December 2015, the Group had provided corporate guarantee to a bank for banking facilities of AU$9,100,000 (equivalent to approximately S$9,394,000) offered to an independent third party, with the maximum exposure amounted to approximately S$4,697,000 and it has been released on 12 May 2016.

18. Events after the reporting period

No significant events occurred since the end of the interim period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Group strategy

The Group's corporate mission is to deliver its services on a timely and reliable basis, with integrity and good workmanship to meet customers, safety and regulatory requirements. The Group's corporate objective is to achieve a sustainable growth in its business and create long-term shareholders' value. The Group has continued to pursue its objective via expansion of its capacity through the purchase of excavation machines and tipper trucks that amounted to approximately S$4.3 million in capital expenditures for the six months ended 30 June 2016.

Performance drivers

The drivers of our business performance remained consistent for the six months ended 30 June 2016, as compared to the six months ended 30 June 2015. The pipeline of contracts, in particular for earthworks and related services projects, remained an important driver for our revenue growth. Public infrastructure projects that require earthworks and related services, such as that for the mass rapid transit system in Singapore and airport infrastructure, are larger scale projects that contributed to the revenue for the six months ended 30 June 2016. The percentage completion of the projects that the Group has undertaken will also affect its revenue recognised. Pricing for our contracts directly affects the Group's revenue and gross profits, and during the six months ended 30 June 2016, there were no particular upward nor downward trend in our pricing but instead our gross profits and gross profit margin for the six months ended 30 June 2016 were affected by a reduction in direct costs for earthworks.

Earthworks and related services

For the six months ended 30 June 2016, the Group had 83 earthworks and related services projects which contributed to this segment revenue of approximately S$23.4 million. Public infrastructure projects are the highest revenue contributor to the earthworks and related services segment in this interim period. Gross profit margin for earthworks and related services also improved mainly due to less than proportionate increase in direct costs, namely reduction in earth disposal fee and transportation cost as we dumped the excavated earth to a third party project site at zero cost and reduction in diesel price.

During this interim period, the Group was also awarded a public infrastructure project with a contract value of approximately S$14.3 million, the highest contract value secured by the Group to-date in this segment. The Group has also secured 7 new earthworks and related services projects since 1 July 2016.

General construction works

For the six months ended 30 June 2016, the Group had 8 general construction works projects which contributed to the general construction works revenue of approximately S$27.5 million. The increase in the Group's revenue was principally due to the increase in revenue contributed by the general construction works for 2 public residential projects as a result of higher percentage of completion during the interim period. However, gross profit margin for general construction works decreased during this interim period as public residential projects tend to have a lower gross profit margin. Since 1 July 2016, the Group has secured 1 new general construction works project.

Although general construction works contributed a higher proportion of the Group's total revenue during this interim period, earthworks and related services remain the Group's business focus in the foreseeable future. The Group continued to focus on strengthening our market position for earthworks and related services in Singapore. From 25 May 2016, being the date of the Group's prospectus up to the date of this announcement, there were no significant changes to the general business model of the Group and general economic and market conditions in Singapore or the industry in which the Group operates.

FINANCIAL REVIEW

Revenue and gross profit

	For six months ended 30 June 2016			For six months ended 30 June 2015		
	Revenue recognised	**Gross profit**	**Gross profit margin**	Revenue recognised	Gross profit	Gross profit margin
	S$'000	***S$'000***	*%*	*S$'000*	*S$'000*	*%*
Earthworks and related services	**23,424**	**6,349**	**27.1**	23,395	4,326	18.5
General construction works	**27,536**	**4,690**	**17.0**	20,668	4,087	19.8
Total	**50,960**	**11,039**	**21.7**	44,063	8,413	19.1

For the six months ended 30 June 2016, the Group recorded an unaudited revenue of approximately S$51.0 million (30 June 2015: approximately S$44.1 million). Approximately 46.0% of our revenue was generated from earthworks and related services (30 June 2015: approximately 53.1%) while approximately 54.0% of our revenue was generated from general construction works (30 June 2015: approximately 46.9%).

For the six months ended 30 June 2016, the Group's revenue increased by approximately S$6.9 million or 15.7%, from approximately S$44.1 million to approximately S$51.0 million. The increase was principally due to the increase in revenue contributed by general construction works, which increased to approximately S$27.5 million for the six months ended 30 June 2016 (30 June 2015: approximately S$20.7 million). This increase was mainly attributed to higher percentage of completion for two public residential projects. The revenue contributed by earthworks and related services remained stable at approximately S$23.4 million for the six months ended 30 June 2015 and 2016.

For the six months ended 30 June 2016, gross profit of the Group increased by approximately S$2.6 million or 31.2%, from approximately S$8.4 million to approximately S$11.1 million. The gross profit margin also increased to approximately 21.7% for the six months ended 30 June 2016 (30 June 2015: approximately 19.1%). The higher gross profit margin was mainly due to less than proportionate increase in the direct costs for earthworks and related services, namely reduction in earth disposal fee and transportation cost as we dumped the excavated earth to a third party project site at zero cost and reduction in diesel price. This also accounted for the higher gross profit margin for earthworks and related services for the six months ended 30 June 2016 of approximately 27.1% (30 June 2015: approximately 18.5%).

As at 30 June 2016, the Group had 70 ongoing earthwork and related minor projects (31 December 2015: 54 projects), with an aggregate contract sum of approximately S$130.8 million (31 December 2015: approximately S$107.1 million). Approximately S$85.3 million of the aggregate contract sum has been recognised as revenue, with an estimated remaining balance of approximately S$30.0 million to be recognised in the second half of 2016 and approximately S$11.4 million and S$4.1 million to be recognised for the year ending 31 December 2017 and 2018 respectively. As at 30 June 2016, the Group had 7 ongoing general construction works projects (31 December 2015: 8 projects), with an aggregate contract sum of approximately S$109.8 million (31 December 2015: approximately S$149.2 million). Approximately S$61.5 million of the aggregate contract sum has been recognised as revenue, with an estimated remaining balance of approximately S$19.0 million to be recognised in the second half of 2016 and approximately S$29.3 million to be recognised for the year ending 31 December 2017. The Group has also secured seven new earthworks and related services projects and one new general construction work projects since 1 July 2016.

Other income and gains

For the six months ended 30 June 2016, other income and gains decreased by approximately S$0.3 million or 22.4%, from approximately S$1.2 million to approximately S$1.0 million, primarily due to lower bad debts recovered and gain on disposal of property, plant and equipment.

Administrative and other operating expenses

For the six months ended 30 June 2016, administrative and other operating expenses increased by approximately S$0.3 million or 14.8%, from approximately S$2.0 million to approximately S$2.3 million. The increase was primarily due to higher utilities charges and travelling expenses.

Other expenses

For the six months ended 30 June 2016, other expenses increased by approximately S$0.3 million or 41.5%, from approximately S$0.8 million to approximately S$1.1 million. The increase was mainly due to the initial listing expenses incurred of approximately S$0.9 million for the six months ended 30 June 2016.

Finance costs

For the six months ended 30 June 2016, finance cost decreased by approximately S$16,000 or 16.2%, from approximately S$99,000 to approximately S$83,000. The decrease was primarily due to decreased interest on finance leases as we have fully settled some of our finance leases.

Income tax expense

The effective tax rate was relatively stable at approximately 17.0% for the six months ended 30 June 2016 (30 June 2015: approximately 16.6%) consistent with the statutory tax rate in Singapore.

Profit after tax and net profit margin

As a result of the above factors, the Group recorded a profit after tax of approximately S$7.1 million for the six months ended 30 June 2016 (30 June 2015: approximately S$5.7 million). Net profit margin was approximately 13.9% for the six months ended 30 June 2016 (30 June 2015: approximately 12.8%).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Liquidity

The Group generally meet its working capital requirements from its internally generated funds, and maintained a healthy financial position. Upon listing on 8 June 2016, the source of funds of the Group had been a combination of internal generated funds and net proceeds from the global offering. For the six months ended 30 June 2016, the Group generated net cash inflow from operating activities of approximately S$12.0 million (30 June 2015: approximately S$1.3 million), which was higher mainly due to increase in trade receivables and amount due from related company wholly-owned by Mr. Lim Kui Teng and Ms. Yee Say Lee. Subsequent to 30 June 2016, approximately S$10 million of the outstanding balances of trade receivables was settled up to the date of this announcement.

As at 30 June 2016, the Group had cash and cash equivalents of approximately S$34.8 million (31 December 2015: approximately S$10.6 million) out of which approximately 43.7% was denominated in Singapore Dollars and approximately 1.5% was denominated in United States Dollars which were placed with major banks in Singapore and approximately 54.8% was denominated in Hong Kong Dollars which were placed in a licenced financial institution in Hong Kong.

Use of proceeds

The net proceeds from the global offering was approximately S$26.5 million (after deducting underwriting fees, commissions and listing expenses), out of which approximately S$1.2 million has been utilised as at 31 July 2016.

Intended applications	Actual proceeds	Amount utilised as at 31 July 2016	Balance as at 31 July 2016
	S$ '000	*S$ '000*	*S$ '000*
Purchase of excavation machines and tipper trucks	11,129	1,215	9,914
Secure earth filling project	6,607	–	6,607
Expand workforce	4,414	–	4,414
Purchase of software	2,085	23	2,062
Working capital	2,247	–	2,247
Total	26,482	1,238	25,244

The balance of net proceeds is deposited in licenced financial institutions in Hong Kong.

Borrowings and gearing

As at 30 June 2016, the Group had an aggregate of current and non-current bank borrowings and finance lease obligations of approximately S$7.3 million (31 December 2015: approximately S$6.5 million), all denominated in Singapore Dollars with an annual interest rates ranging from 0.9% to 5.3%. The increase in our borrowings were mainly due to loans taken prior to our listing, to finance the purchase of our machinery and equipment. As at 30 June 2016, we had unutilised credit facilities of approximately S$17.7 million (31 December 2015: approximately S$18.0 million).

As at 30 June 2016, the Group's gearing ratio was approximately 0.09 times (31 December 2015: approximately 0.13 times). Gearing ratio is calculated by dividing total borrowings (bank borrowings and finance lease obligations) by total equity as at the end of the respective period.

Foreign exchange exposure

The Group's principal place of business is in Singapore, hence transactions arising from its operations were generally settled in Singapore Dollars which is the functional currency of the Group. Apart from a portion of the cash and cash equivalents of the Group arising from the global offering is denominated in Hong Kong Dollars and a small portion denominated in United States Dollars, the Group was not exposed to any significant foreign currency risk nor had employed any financial instrument for hedging.

Charges on Group's assets

As at 30 June 2016, the Group's bank borrowings were secured by (i) the pledge of the Group's deposits of approximately S$4.3 million (31 December 2015: approximately S$4.3 million); and (ii) the mortgage of the investment property of the Group consists of a four-storey industrial building used for rental income generation purpose located in Singapore with net book amount of approximately S$1.4 million, while the Group's finance lease obligations were secured by (i) the charge over the leased assets of net book value of approximately S$7.9 million (31 December 2015: approximately S$7.0 million); and (ii) pledged deposits of approximately S$4.3 million (31 December 2015: S$4.3 million).

Contingent liabilities and financial guarantees

As at 30 June 2016, the Group had contingent liabilities in respect of (a) performance bonds of construction contracts in our ordinary course of business with utilised amount of approximately S$6.7 million (31 December 2015: approximately S$6.4 million); and (b) guarantee provided and restricted to one of the major fuel suppliers for the commercial fuel supply agreement amounting to S$150,000. The Group had also provided corporate guarantee to a bank for banking facilities offered to a related company, Hulett Construction (S) Pte Ltd, amounting to S$38,240,000.

Capital expenditures and capital commitments

For the six months ended 30 June 2016, the Group invested approximately S$4.8 million for purchase of property, plant and equipment, which was mainly funded from finance lease obligations and proceeds from the listing.

As at 30 June 2016, the Group's capital commitments in respect of acquisition of property, plant and equipment was approximately S$4.3 million (31 December 2015: approximately S$2.5 million).

Significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures

There were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures for the six months ended 30 June 2016.

EMPLOYEE INFORMATION

As at 30 June 2016, the Group had 406 employees, including foreign workers.

The employees of the Group are remunerated according to their job scope and responsibilities. The local employees are also entitled to discretionary bonus depending on their respective performance. The foreign workers are typically employed on one year basis depending on the period of their work permits, and subject to renewal based on their performance and are remunerated according to their work skills.

Total staff costs, including Directors' emoluments amounted to approximately S$7.7 million for the six months ended 30 June 2016 (30 June 2015: approximately S$7.4 million).

PROSPECTS

Amidst the forecasted slower economic growth in Singapore, the Group maintained satisfactory results for the six months ended 30 June 2016. The Building and Construction Authority of Singapore estimated the total construction demand or the value of construction contracts to be awarded in 2016 to be between S$27 billion to S$34 billion, with about 65% driven by the public sector, largely due to an increase in civil engineering demand. Key projects include Changi Airport's 3-runway system, the remaining contracts for the Thomson-East Coast MRT line and Marina East desalination plant. We remain cautiously optimistic on the outlook for the construction industry in Singapore and we intend to continuously tender for attractive projects to maintain profitability and financial stability of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the mode code for Securities Transactions by Directors of Listing Issuers ("**Mode Code**") as set out in Appendix 10 of the Rules of The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), as a code of conduct regarding directors' securities transactions. All the members of the board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Mode Code throughout the six months ended 30 June 2016. The Model Code also applies to other specified senior management of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, except below, the Company has complied with the code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2016.

The roles of the chairman (the "**Chairman**") and the chief executive officer (the "**Chief Executive Officer**") of the Company are served by Mr. Lim Kui Teng and have not segregated as repaired under Code A.2.1 of the CG Code. However, the Company considers that the combination of the roles of the Chairman and the Chief Executive Officer will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company established on 10 May 2016 which comprised of three independent non-executive directors namely, Mr. Chow Wing Tung (Chairman), Mr. Lee Teck Leng and Mr. Phang Yew Kiat. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control procedures and financial reporting matters including the review of the Group's unaudited interim financial statements for the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the interim period.

DISCLOSURE ON THE WEBSITES OF THE SEHK AND THE COMPANY

This announcement is published on the website of the SEHK (http://www.hkex.news.hk) and on the website of the Company (http://www. chuanholdings.com.).

By order of the Board
Chuan Holdings Limited
Lim Kui Teng
Chairman and Executive Director

Hong Kong, 30 August 2016

As at the date of this announcement, the Board comprises Mr. Lim Kui Teng, Mr. Quek Sze Whye, Mr. Bijay Joseph and Mr. Lau Yan Hong as executive Directors; and Mr. Chow Wing Tung, Mr. Phang Yew Kiat and Mr. Lee Teck Leng as independent non-executive Directors.