Chuan Holdings Limited
川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the audited consolidated results of Chuan Holdings Limited (the "**Company**") and its subsidiaries (together referred to as "**the Group**" or "**Our Group**" or "**we**") for the year ended 31 December 2016 (the "**Year**"or "**2016**"). The audited consolidated results of the Company have been reviewed by the Company's audit committee.

This year marked a major milestone for the Company and its subsidiaries when we were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 June 2016 (the "**Listing Date**") (collectively referred to the "**Listing**").

The Board does not recommend the payment of any final dividend for the Year.

FINANCIAL RESULTS

For the year ended 31 December 2016, the Group recorded a 12.2% increase in revenue from S$99.3 million in 2015 to S$111.5 million in 2016. Gross profit and profit for the year of the Group were S$15.0 million (2015: S$19.9 million) and S$7.7 million (2015: S$11.5 million) respectively.

BUSINESS REVIEW

Group strategies

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$12.0 million in capital expenditures for the year ended 31 December 2016.

Both of our earthworks and general construction works segments recorded an increase in revenue. The increase in earthworks and related services revenue was mainly due to higher percentage of completion for three public infrastructure projects (mass rapid transit system in Singapore) and recognition of a new private residential project and a new public infrastructure project. The increase in the revenue of our general construction works was mainly due to higher percentage of completion for two public residential projects. Despite the increase in our revenue, our gross profit and profit for the year decreased mainly due to more competitive pricing and generally lower gross profit margin for public projects which contributed to our revenue.

For the year ended 31 December 2016, approximately 51.1% (31 December 2015: approximately 49.0%) of our revenue were derived from earthworks segment while approximately 48.9% (31 December 2015: approximately 51.0%) of our revenue were derived from general construction works segment. The pipeline of our contracts remained an important driver for our revenue growth. Public infrastructure projects that require earthworks, such as that for the mass rapid transit system in Singapore, airport infrastructure and a private residential; are larger scale projects that contributed to the earthworks revenue while public residential projects contributed mainly to the general construction works revenue for the year ended 31 December 2016. Pricing for our contracts directly affects the Group's revenue and gross profits, and during the year ended 31 December 2016, amidst the lacklustre economic growth in Singapore, we were more competitive in our pricing strategy which then leads to lower gross profits and gross profit margin for the year ended 31 December 2016.

Group revenue sector

Earthworks

Our principal business activities are the provision of earthworks and related services. Earthworks include land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation, earth disposal, earth filling and shore protection. Certain earthworks projects may require civil engineering works such as road diversions, road reinstatements, overhead bridge, sewerage, drainage, pipe laying and cable trench works, which may be subcontracted to other parties. For the majority of our earthworks projects, we are the subcontractor of main contractors, whose contract is for the construction of the entire building/development and who subcontracts the earthworks portion to us. Our earthworks related services include rental of machinery, motor vehicles and labour where we rent from time to time and when there is available capacity, to other construction contractors.

Due to the scarcity of land and high urban density in Singapore where majority of the public infrastructure such as train system, electricity and gas networks, has to be located underground. Therefore, a substantial proportion of civil engineering works especially in the public sector (which is the highest revenue contributor in this segment) requires extensive amounts of earthworks due to the nature of the public infrastructure in Singapore.

For the year ended 31 December 2016, the Group had 134 earthworks and related services projects which contributed to this segment revenue of approximately S$57.0 million. Public infrastructure projects are the highest revenue contributor to the earthworks segment during the year. Despite the increase in earthworks and related services revenue, gross profit and gross profit margin for this segment decreased due to competitive pricing in our new contracts, higher than proportionate increase in direct costs relating to this segment, namely higher earth disposal fee and transportation cost. We incurred higher earth disposal fee as we dumped the excavated earth to the staging ground. In addition, we allocated almost all of our own trucks to our major public infrastructure projects (mass rapid transit system) to better control the schedule of these projects, as such, we incurred higher transportation cost as we need to lease tipper trucks from third parties to service other earthworks and related services projects to ensure timely completion of our projects.

During the year, the Group was also awarded a public infrastructure project (airport infrastructure) with a contract value of approximately S$15.1 million, the highest contract value secured by the Group to-date in this segment. The Group has also secured 12 new earthworks and related services projects since 1 January 2017.

General construction

For general construction works, the scope of works varies depending on customers' requirements. For alteration and addition works ("**A&A**"), it is broadly classified into (i) interior works or (ii) works affecting building systems or components such as structural works, additions of lifts and reinforcement works. These include but are not limited to making good the defects to buildings, structural steel and reinforced concrete works, flooring, tiling, wall and partition, and electrical systems. We have also undertaken general construction works, such as the construction of a workers' dormitory and multi-storey car parks.

We generally serve as a main contractor in general construction works with responsibility for full scope of works based on customers' requirements. Our main responsibilities consist of (i) overall building construction including A&A works and project management; (ii) supply or procure the supply of materials and where necessary, engagement of subcontractors; (iii) ensure the works are in accordance with the contract specification and customers' requirements; and (iv) liaise with various professional parties to ensure the project is on schedule.

For the year ended 31 December 2016, the Group had 16 general construction works projects which contributed to the general construction works revenue of approximately S$54.5 million. The slight increase in the general construction works yearly revenue was principally due to higher percentage of completion for two public residential projects which was then partially offset by lower revenue recognition for a private industrial building project that was completed in mid of 2016. However, the gross profit and gross profit margin for general construction works decreased during the year as the public residential project tend to have a lower gross profit and gross profit margin.

FINANCIAL REVIEW

Results for the Year

Revenue and segment results

	2016		2015	
	Revenue	**Segment results**	Revenue	Segment results
	S$'000	***S$'000***	*S$'000*	*S$'000*
Earthworks	**56,967**	**10,517**	48,642	12,071
General construction works	**54,512**	**4,478**	50,680	8,085
Total	**111,479**	**14,995**	99,322	20,156

As detailed in the section headed "Business Review" above, the Group's revenue increase by approximately S$12.2 million or 12.2% from approximately S$99.3 million to approximately S$111.5 million.

(1) Earthworks

The revenue in the earthworks segment increased by approximately S$8.4 million or 17.1% from approximately S$48.6 million for the year ended 31 December 2015 to approximately S$57.0 million for the year ended 31 December 2016. The increase was mainly attributed to higher percentage of completion for three public infrastructure projects (mass rapid transit system) and recognition of a new private residential project and a new public infrastructure project (airport infrastructure), all of which contributed approximately S$15.1 million to our earthworks revenue. However, the segment results in the earthworks decreased to approximately S$10.5 million mainly due to higher than proportionate increase in direct costs in earth disposal fee and transportation cost. We incurred higher earth disposal fee as we dumped the excavated earth to the staging ground. In addition, we allocated almost all of our own trucks to our major public infrastructure projects (mass rapid transit system) to better control the schedule of these projects, as such, we incurred higher transportation cost as we need to lease tipper trucks from third parties to service other earthworks projects to ensure timely completion of our projects.

(2) General construction

The revenue in the general construction works segment increased by approximately S$3.8 million or 7.6% from approximately S$50.7 million for the year ended 31 December 2015 to approximately S$54.5 million for the year ended 31 December 2016. The slight increase in the general construction works revenue was principally due to higher percentage of completion for two public residential projects which was then partially offset by lower revenue recognition for a private industrial building project that was completed in 2016. However, the segment results decreased to approximately S$4.5 million as the public residential project tend to have a lower gross profit.

As a result of the above, the Group's revenue increased by approximately S$12.2 million or 12.2% from approximately S$99.3 million to approximately S$111.5 million. For the year ended 31 December 2016, gross profit of the Group decreased by approximately S$4.9 million or 24.8%, from approximately S$19.9 million to approximately S$15.0 million. The gross profit margin also decreased to approximately 13.4% for the year ended 31 December 2016 (31 December 2015: approximately 20.1%).

As at 31 December 2016, the Group had 73 ongoing earthwork and related minor projects (31 December 2015: 54 projects), with an aggregate contract sum of approximately S$119.9 million (31 December 2015: approximately S$107.1 million). The Group had also secured 9 new earthworks projects since 1 January 2017.

Administrative and other operating expenses

For the year ended 31 December 2016, administrative and other operating expenses increased by approximately S$0.6 million or 13.0%, from approximately S$4.6 million for the year ended 31 December 2015 to approximately S$5.2 million. The increase was primarily due to higher directors' remuneration, audit fee and professional fee to comply with the requirements of a public listed company as well as higher utilities charges.

Other income and gains

For the year ended 31 December 2016, other income and gains decreased by approximately S$1.0 million or 40.8%, from approximately S$2.5 million for the year ended 31 December 2015 to approximately S$1.5 million. The decrease was primarily due to lower bad debts recovered amounting to approximately S$0.5 million as compared to the bad debts recovered in 2015 of approximately S$1.5 million.

Finance costs

For the year ended 31 December 2016, finance costs increased slightly by approximately S$13,000 or 7.3%, from approximately S$179,000 for the year ended 31 December 2015 to approximately S$192,000. The increase was primarily due to higher interest on finance leases as we purchase more trucks and excavators during the year under the finance lease arrangements.

Income tax expense

For the year ended 31 December 2016, income tax expense decreased by approximately S$0.5 million or 20.0%, from approximately S$2.5 million to approximately S$2.0 million mainly due to decrease in our profit before income tax. Our effective tax rate however increased from approximately 17.8% to approximately 20.8%, which was higher than the statutory tax rate of 17% mainly due to higher non-deductible expenses incurred during the year.

Profit for the year and net profit margin

As a result of the above factors, the Group recorded a profit for the year of approximately S$7.7 million (31 December 2015: approximately S$11.5 million). Net profit margin was approximately 6.9% for the year (31 December 2015: approximately 11.6%). The decrease in profit for the year and net profit margin is in line with the decrease in gross profit and gross profit margin mentioned above.

Earnings per share

For the year ended 31 December 2016, the basic earnings per share is Singapore 0.81 cents, the calculation is based on the profit attributable to owners of the Company of approximately S$7.7 million and the weighted average number of 947,356,557 ordinary shares in issue during the year.

For the year ended 31 December 2015, the basic earnings per share is Singapore 1.39 cents, the calculation is based on profit attributable to owners of the Company of approximately S$11.5 million and the weighted average number of 830,000,000 ordinary shares of the Company, in which assuming that 830,000,000 ordinary shares are in issue and issuable, pursuant to the Reorganisation throughout the year ended 31 December 2015.

Dilutive earnings per share is the same as the basic earnings per share because the Group has no diluted potential shares during the years ended 31 December 2016 and 2015.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

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.

Cash flows analysis

The table below summaries the Group's cash flows for the years 31 December 2015 and 2016:

	2016	2015
	S$'000	*S$'000*
Net cash flows from operating activities	**12,769**	9,278
Net cash flows used in investing activities	**(9,416)**	(2,115)
Net cash flows from/(used in) financing activities	**26,482**	(8,771)

Operating activities

For the year ended 31 December 2016, the Group generated net cash inflow from operating activities of approximately S$12.8 million (31 December 2015: approximately S$9.3 million), which was mainly attributable to our profit before income tax of approximately S$9.7 million, which was adjusted primarily for depreciation of property, plant and equipment of approximately S$4.8 million. The difference of approximately S$2.1 million between the operating profit before working capital changes and net cash generated from operating activities were mainly attributable to combined effect of (i) increase in amounts due from customers for contract works of approximately S$1.5 million; (ii) decrease in trade receivables of S$11.3 million; (iii) decrease in amounts due to customers for contract work of approximately S$3.8 million; (iv) decrease in trade payables of S$3.2 million and decrease in other payables, accruals and deposits received of S$2.0 million; and (v) income tax paid of approximately S$2.6 million.

Investing activities

For the year ended 31 December 2016, our net cash used in investing activities was approximately S$9.4 million, mainly attributable to (i) increase in time deposits with maturity over three months amounting to S$6.7 million (comprising of net proceeds from the listing that are not immediately utilised) and (ii) purchases of property, plant and equipment such as excavation machines and tipper trucks in relation to the expansion of the earthworks sector of approximately S$3.2 million (mainly funded from the proceeds from the listing).

Financing activities

During the Year, our net cash generated from financing activities was approximately S$26.5 million which was primarily attributable to (i) the net proceeds of approximately S$29.7 million from issuance of new shares from the initial public offering of the Company in June 2016; and (ii) the capital and interest element of the finance lease obligations of approximately S$3.8 million.

Capital expenditures and capital commitments

For the year ended 31 December 2016, the Group invested approximately S$13.2 million for the purchase of property, plant and equipment, which was mainly funded from finance lease obligations and proceeds from the listing.

As at 31 December 2016, the Group's capital commitments in respect of acquisition of property, plant and equipment was approximately S$3.4 million (31 December 2015: approximately S$2.5 million).

QUANTITATIVE & QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk

Our Group's exposure to changes in interest rates is mainly attributable to bank deposits, pledged deposits, bank borrowings and finance lease obligations. The cash flow interest rate risk is mainly concentrated on fluctuations associated with bank borrowings with floating rate which represent prime rate plus margin per annum and variable rate bank balances. Finance lease obligations and bank borrowings issued at fixed rates expose the Group to fair value interest-rate risk. For the year ended 31 December 2016, the effective interest rate on fixed-rate borrowings was approximately 1.8% to 5.3% per annum whereas interest rate on floating – rate borrowings was approximately 3.4% per annum.

Foreign currency risk

The Group's transactions are mainly denominated in S$ which is the functional currency of the principal subsidiary. The Group is mainly exposed to the foreign currency risk of HK$ and US$. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure closely on an ongoing basis and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The exposure to our credit risk arises from the failure to discharge an obligation by the counterparties and the financial guarantees provided by the Group is primarily attributable to trade and other receivables, pledged deposits cash and cash equivalents and contingent liabilities in relation to financial guarantees.

Since our Group trade only with recognised and reputable third parties, there is no requirements for the Group to obtain collateral from customers. Before accepting any new contract, evaluations were considered on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity. The Group also monitors the utilisation of borrowings and ensures compliance with loan covenants.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2016, the group had 435 employees including foreign workers.

The employees of the Group are remunerated according to their job scope and responsibilities. All 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$16.2 million for the year ended 31 December 2016 (31 December 2015: approximately S$16.1 million).

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$2.4 million has been utilised as at 31 December 2016.

Intended applications	**Net actual proceeds**	**Amount utilised as at 31 December 2016**	**Balance as at 31 December 2016**
	S$'000	*S$'000*	*S$'000*
Purchase of excavation machines and tipper trucks	11,129	2,227	8,902
Secure earth filling project	6,607	–	6,607
Expand workforce	4,414	–	4,414
Purchase of software	2,085	123	1,962
Working capital	2,247	–	2,247
	26,482	2,350	24,132

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

Borrowings and gearing ratio

As at 31 December 2016, the Group had an aggregate of current and non-current bank borrowings and finance lease obligations of approximately S$9.0 million (31 December 2015: approximately S$6.5 million). The increase in our borrowings were mainly due to finance lease obligations to finance our purchase of our machinery and equipment. As at 31 December 2016, we had unutilised credit facilities of approximately S$15.4 million (31 December 2015: approximately S$18.0 million).

As at 31 December 2016, the Group's gearing ratio was approximately 0.1 times (31 December 2015: approximately 0.1 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 year.

Charges on Group's assets and contingent liabilities

As at 31 December 2016, the Group's bank borrowings were secured by (i) the pledge of the Group's deposits of approximately S$3.3 million (31 December 2015: approximately S$4.3 million); and (ii) the investment property of the Group with net book amount of approximately S$1.4 million (31 December 2015: approximately S$1.4 million), while the Group's finance lease obligations were secured by the charge over the leased assets of net book value of approximately S$10 million (31 December 2015: approximately S$7.0 million).

As at 31 December 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$7.6 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$300,000 (2015: S$150,000), which the guarantee was pledged to the Group's deposits of approximately S$3.3 million.

Capital structure

The shares of the Company were listed on the Main Board of the Stock Exchange on 8 June 2016. There was no change in the capital structure of the Company since the Listing Date up to the date of this announcement.

Off-balance sheet transactions

As of 31 December 2016, the Group did not enter into any material off-balance sheet transactions.

Future prospects and development

According to the press release by the Ministry of Trade and Industry, Singapore, the Singapore economy expanded by 2% for the year 2016. The construction sector expanded by 0.2% in 2016, moderating from 3.9% growth in 2015 due to weak demand in private sector construction works. Nonetheless, the Group remain optimistic despite the slower growth in the Singapore's economy as the Building and Construction Authority of Singapore projects the total value of construction contracts to be awarded in 2017 to reach between S$28.0 billion and S$35.0 billion, higher than the preliminary estimate of S$26.1 billion for 2016 due to an anticipated increase in public sector construction demand boosted by an increase in demand civil engineering works which include various mega public infrastructure projects such as the second phase of the deep tunnel sewerage system, north-south corridor and MRT circle line 6. In addition, the 2017 Singapore Budget announced an increased expenditure on the healthcare and infrastructure sectors. The government announced that public transport would be enhanced, with a doubling of the mass rapid transit network by 2030 as well as the development of a new terminal at Changi Airport. It was also announced that infrastructure would continue to be upgraded and renewed in the longer term. Given our experience and track record in public infrastructure projects, we intend to continuously tender in this market segment to maintain financial stability of the Group. As these public infrastructure projects are larger scale projects which will generally require more resources, we will continue to invest and expand our capacity by purchasing more excavation machines and tipper trucks and also expand and enhance our workforce with the proceeds raised from our global offering. This will also help strengthen our market position in this market segment.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 S$'000	2015 S$'000
Revenue	5	**111,479**	99,322
Direct costs		**(96,500)**	(79,399)
Gross profit		**14,979**	19,923
Other income and gains	5	**1,498**	2,530
Administrative and other operating expenses		**(5,180)**	(4,588)
Other expenses		**(1,364)**	(3,645)
Finance costs	6	**(192)**	(179)
Profit before income tax	7	**9,741**	14,041
Income tax expense	8	**(2,025)**	(2,505)
Profit for the year		**7,716**	11,536
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) in revaluation of available-for-sale financial assets		**60**	(329)
Release on disposals of available-for-sale financial assets		**–**	3
Exchange differences arising on translation		**1,606**	–
Other comprehensive income for the year, net of tax		**1,666**	(326)
Total comprehensive income for the year attributable to the owners of the Company		**9,382**	11,210
Earnings per share attributable to owners of the Company	10		
– Basic *(S cents)*		**0.81**	1.39
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 S$'000	2015 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**16,206**	8,035
Investment property		**1,358**	1,370
Other assets		**373**	373
Deposits and other receivables		**363**	209
Available-for-sale financial assets		**1,695**	1,635
Deferred tax assets		**–**	237
		19,995	11,859
Current assets			
Due from customers for contract work		**16,658**	15,199
Trade receivables	*11*	**23,226**	34,950
Deposits, prepayments and other receivables		**1,815**	2,043
Pledged deposits		**3,297**	4,271
Cash and cash equivalents		**48,808**	10,632
		93,804	67,095
Current liabilities			
Due to customers for contract work		**2,999**	6,774
Trade payables	*12*	**7,131**	10,314
Other payables, accruals and deposits received		**5,801**	4,383
Due to directors		**–**	400
Bank borrowings		**252**	252
Finance lease obligations		**4,492**	4,298
Income tax payable		**1,713**	2,598
		22,388	29,019
Net current assets		**71,416**	38,076
Total assets less current liabilities		**91,411**	49,935

	2016	2015
	S$'000	*S$'000*
Non-current liabilities		
Deposits received	**–**	15
Bank borrowings	**148**	398
Finance lease obligations	**4,109**	1,522
Deferred tax liabilities	**35**	–
	4,292	1,935
Net assets	**87,119**	48,000
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**1,808**	–
Reserves	**85,311**	48,000
Total equity	**87,119**	48,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital S$'000	Share premium* S$'000	Merger reserve* S$'000	Translation reserve* S$'000	Investment revaluation reserve* S$'000	Retained profits* S$'000	Total S$'000
At 1 January 2015	–	–	3,000	–	(82)	37,706	40,624
Arising on Reorganisation	–	–	2,166	–	–	–	2,166
Dividends *(note 9)*	–	–	–	–	–	(6,000)	(6,000)
Transactions with owners	–	–	2,166	–	–	(6,000)	(3,834)
Profit for the year	–	–	–	–	–	11,536	11,536
Other comprehensive income							
Losses in revaluation of available-for-sale financial assets	–	–	–	–	(329)	–	(329)
Release on disposals of available-for-sale financial assets	–	–	–	–	3	–	3
Total comprehensive income for the year	–	–	–	–	(326)	11,536	11,210
At 31 December 2015 and 1 January 2016	**–**	**–**	**5,166**	**–**	**(408)**	**43,242**	**48,000**
Issue of new shares	361	31,466	–	–	–	–	31,827
Share issues expenses	–	(2,090)	–	–	–	–	(2,090)
Share capitalisation	1,447	(1,447)	–	–	–	–	–
Transactions with owners	1,808	27,929	–	–	–	–	29,737
Profit for the year	–	–	–	–	–	7,716	7,716
Other comprehensive income							
Gains in revaluation of available-for-sale financial assets	–	–	–	–	60	–	60
Exchange differences arising on translation	–	–	–	1,606	–	–	1,606
Total comprehensive income for the year	–	–	–	1,606	60	7,716	9,382
At 31 December 2016	**1,808**	**27,929**	**5,166**	**1,606**	**(348)**	**50,958**	**87,119**

* *These reserve accounts comprise the consolidated reserves of approximately S$85,311,000 (2015: S$48,000,000) in the consolidated statement of financial position as at 31 December 2016.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

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, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is located at 20 Senoko Drive, Singapore 758207.

With effect from 21 January 2016, the name of the Company was changed from CLC Holdings Limited to Chuan Holdings Limited. The principal activity of the Company is investment holding. In connection with the listing of the shares of the Company on the Stock Exchange, the Company underwent a reorganisation (the "**Reorganisation**") and the Company has become the holding company of its subsidiaries now comprising the Group (as below-mentioned). The Company and its subsidiaries are collectively referred to as the "Group" hereafter. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 June 2016.

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 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 Company became the holding company of its subsidiaries now comprising the Group on 10 May 2016. The Group is regarded as a continuation of Longlands Holdings Limited, the then holding company of the Group, resulting from the Reorganisation as there is no change in the economic substance of the Group. Accordingly, the consolidated financial statements were prepared using the merger accounting as if the Reorganisation had been completed on 1 January 2015 and the current group structure had always been in existence. The consolidated statement of comprehensive income and the consolidated statement of changes in equity for the year ended 31 December 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs

The Group has applied the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) that are first effective and relevant for the Group’s financial statements for the annual period beginning on 1 January 2016.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to Hong Kong Accounting Standard (“**HKAS**”) 1	Presentation of Financial Statements: 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 HKFRSs had no material impact on how the financial performance and financial position for the current and prior periods have been prepared and presented.

(b) New/amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued but are not yet effective, and have not been early adopted by the Group.

Amendments to HKAS 7	Statement of Cash Flows: Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification to HKFRS 15)[2]
HKFRS 16	Leases[3]

[1] *Effective for annual periods beginning on or after 1 January 2017*

[2] *Effective for annual periods beginning on or after 1 January 2018*

[3] *Effective for annual periods beginning on or after 1 January 2019*

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit and loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 "Leases", HK(IFRIC)– Int 4 "Determining whether an Arrangement contain a Lease", HK(SIC) – Int 15 "Operating Lease – Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 "Leases". Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by the HKICPA. The consolidated financial statements also include the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

4. SEGMENT INFORMATION

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

(a) Segment revenue and results

Segment revenue below represents revenue from external customers. There were no inter-segment revenue during the years ended 31 December 2016 and 2015. Operating revenue, direct costs, gains on disposals of property, plant and equipment (including plant and machinery and motor vehicles), 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 segment revenue and results, and the totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements are as follows:

	Earthworks	**General Construction Works**	**Total**
	S$'000	***S$'000***	***S$'000***
Year ended 31 December 2016			
Revenue from external customers	**56,967**	**54,512**	**111,479**
Reportable segment results	**10,517**	**4,478**	**14,995**
Unallocated other income and gains			**879**
Corporate and other unallocated expenses			**(6,120)**
Interest on bank loans			**(13)**
Profit before income tax			**9,741**

	Earthworks	General Construction Works	Total
	S$'000	*S$'000*	*S$'000*
Year ended 31 December 2015			
Revenue from external customers	48,642	50,680	99,322
Reportable segment results	12,071	8,085	20,156
Unallocated other income and gains			809
Corporate and other unallocated expenses			(6,907)
Interest on bank loans			(17)
Profit before income tax			14,041

During the years ended 31 December 2016 and 2015, the corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipments, operating lease expenses and other centralised administrative cost for the Group's headquarter and listing expenses.

(b) Segment assets and liabilities

Reportable segment assets

	As at 31 December	
	2016	2015
	S$'000	*S$'000*
Earthworks	**45,634**	24,207
General Construction Works	**10,428**	33,928
Total	**56,062**	58,135
Additions to non-current segment assets		
Earthworks	**12,758**	1,304
General Construction Works	**120**	88
Total	**12,878**	1,392

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	As at 31 December	
	2016	2015
	S$'000	*S$'000*
Reportable segment assets	**56,062**	58,135
Unallocated property, plant and equipment	**360**	225
Available-for-sale financial assets	**1,695**	1,635
Investment property	**1,358**	1,370
Other assets	**373**	373
Deferred tax assets	**–**	237
Pledged deposits	**3,297**	4,271
Cash and cash equivalents	**48,808**	10,632
Corporate and other unallocated assets	**1,846**	2,076
Group assets	**113,799**	78,954

Corporate and other unallocated assets mainly included deposits, prepayments paid for operating leases and office expenses, and other receivables due from related parties,

The following is an analysis of the Group's segment liabilities by reportable and operating segment:

Reportable segment liabilities

	As at 31 December	
	2016	2015
	S$'000	*S$'000*
Earthworks	**16,193**	14,471
General Construction Works	**2,538**	8,437
Total	**18,731**	22,908

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	As at 31 December	
	2016	2015
	S$'000	*S$'000*
Reportable segment liabilities	**18,731**	22,908
Bank borrowings	**400**	650
Corporate and other unallocated liabilities	**7,549**	7,396
Group liabilities	**26,680**	30,954

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

(c) Other segment information

	Earthworks	General Construction Works	Unallocated	Total
	S$'000	***S$'000***	***S$'000***	***S$'000***
Year ended 31 December 2016				
Gains on disposals of property, plant and equipment	**160**	**3**	**–**	**163**
Depreciation of property, plant and equipment	**4,643**	**33**	**148**	**4,824**
Bad debts recovered	**456**	**–**	**–**	**456**
Provision for impairment of trade receivables	**424**	**–**	**–**	**424**
Finance costs	**174**	**5**	**13**	**192**

	Earthworks	General Construction Works	Unallocated	Total
	S$'000	*S$'000*	*S$'000*	*S$'000*
Year ended 31 December 2015				
Gains on disposals of property, plant and equipment	186	–	–	186
Depreciation of property, plant and equipment	3,996	50	116	4,162
Bad debts recovered	1,535	–	–	1,535
Provision for impairment of trade receivables	1,326	–	–	1,326
Finance costs	160	2	17	179

(d) Geographical information

The Group's non-current assets are all based in Singapore. No geographical information is presented for the Group's business segment as the Group is principally engaged projects in Singapore.

(e) Revenue from customers for the year over 10% of the Group's total revenue is as follows:

	Year ended 31 December	
	2016	2015
	S$'000	*S$'000*
Customer A – attributable to General Construction Works	**42,522**	17,257
Customer B – attributable to General Construction Works	**n/a**	23,124

n/a: Transactions during the year did not exceed 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

(a) Revenue, which is also the Group's turnover, represents revenue from Earthworks and General Construction Works. Revenue from the principal activities recognised during the year is as follows:

	Revenue from external customers	
	Year ended 31 December	
	2016	2015
	S$'000	*S$'000*
Earthworks	**56,967**	48,642
General Construction Works	**54,512**	50,680
	111,479	99,322

(b) An analysis of the Group's other income and gains during the year is as follows:

	2016	2015
	S$'000	*S$'000*
Other income		
Management service income	**323**	236
Interest income on financial assets carried at amortised cost	**112**	57
Bad debts recovered	**456**	1,535
Rental income from investment property	**133**	126
Dividend income from available-for-sale financial assets	**2**	28
Sales of scrap materials and consumables	**148**	195
Others	**161**	167
	1,335	2,344
Gains		
Gains on disposals of property, plant and equipment	**163**	186
	1,498	2,530

6. FINANCE COSTS

	2016	2015
	S$'000	*S$'000*
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on finance leases	**179**	162
– Interest on bank loans wholly repayable within five years	**13**	17
	192	179

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2016	2015
	S$'000	*S$'000*
Auditor's remuneration	**224**	48
Depreciation of property, plant and equipment *	**4,824**	4,162
Depreciation of investment property **	**12**	12
Direct operating expenses arising from investment property that generated rental income	**14**	19
Net foreign exchange loss	**21**	42
Operating lease rental expenses in respect of:		
– Office equipment and machineries	**7,993**	4,836
– Warehouses, premises, dormitories and workshops	**1,349**	1,055
	9,342	5,891
Employee benefit expenses (including directors' remuneration)		
– Salaries, wages and bonuses	**13,612**	13,549
– Defined contribution	**612**	612
– Other short-term benefits	**1,994**	1,914
	16,218	16,075
Listing expenses	**940**	2,316
Provision for impairment of trade receivables	**424**	1,326
Loss on disposals of available-for-sale financial assets	**–**	3

* *Depreciation of property, plant and equipment amounted to approximately S$4,676,000 (2015: S$4,046,000) has been included in direct costs and approximately S$148,000 (2015: S$116,000) in administrative and other operating expenses during the year.*

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

8. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2016	2015
	S$'000	*S$'000*
Current tax – Singapore income tax		
Tax for the year	**1,713**	2,599
Under/(over) provision for prior year	**40**	(125)
	1,753	2,474
Deferred tax		
Charged to profit or loss	**272**	31
Income tax expense	**2,025**	2,505

Singapore income tax has been provided at the rate of 17% on the estimated assessable profits.

9. DIVIDENDS

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

During the year ended 31 December 2015, interim dividends of approximately S$6,000,000, represented dividends declared and paid by Chuan Lim Construction Pte Ltd., to its then equity owners before Reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information are not meaningful.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2016 is based on the profit attributable to owners of the Company of approximately S$7,716,000 and the weighted average number of 947,356,557 ordinary shares in issue during the year.

The calculation of basic earnings per share for the year ended 31 December 2015 is based on profit attributable to owners of the Company of approximately S$11,536,000 and the weighted average number of 830,000,000 ordinary shares of the Company, in which assuming that 830,000,000 ordinary shares are in issue and issuable, pursuant to the Reorganisation throughout the year ended 31 December 2015.

Dilutive earnings per share is the same as the basic earnings per share because the Group has no diluted potential shares during the years ended 31 December 2016 and 2015.

11. TRADE RECEIVABLES

	2016	2015
	S$'000	*S$'000*
Trade receivables	**17,881**	33,990
Retention sum receivables	**7,361**	3,008
	25,242	36,998
Less: Provision for impairment of trade receivables	**(2,016)**	(2,048)
	23,226	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.

During the year, credit period granted to the Group's customers generally within 30 days (2015: 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 is as follows:

	2016	2015
	S$'000	*S$'000*
0 to 30 days	**12,569**	11,355
31 to 90 days	**6,672**	7,349
91 to 180 days	**1,944**	7,249
181 to 365 days	**1,496**	8,027
1 year to less than 2 years	**545**	970
	23,226	34,950

12. TRADE PAYABLES

	2016	2015
	S$'000	*S$'000*
Trade payables	**5,874**	9,443
Retention payables	**1,257**	871
	7,131	10,314

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

Ageing analysis of trade payables is as follows:

	2016	2015
	S$'000	*S$'000*
0 to 30 days	**4,489**	8,023
31 to 90 days	**1,629**	1,100
91 to 180 days	**232**	172
Over 180 days	**781**	1,019
	7,131	10,314

EVENTS AFTER THE REPORTING PERIOD

The directors confirm that there is no major subsequent event after reporting period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date until and up to 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as a code of conduct regarding directors' securities transactions. All Directors of the board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year. 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 ("**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the Year.

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 required 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.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and policies adopted by the Group and the annual results for the year ended 31 December 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its shares as required under the Listing Rules throughout the Year.

PUBLICATION OF ANNUAL REPORT

The 2016 annual report of the Company containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and available on the Company's website at www.chuanholdings.com and HKExnews website at www.hkexnews.hk in due course.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of this announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by BDO Limited on this announcement.

APPRECIATION

The Board would like to express our gratitude to all our customers, management and staff of our Group, business partners and shareholders for their continuous support.

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

Hong Kong, 27 March 2017

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.