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 2017

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 2017 (the "**Year**"or "**2017**"). The audited consolidated results of the Company have been reviewed by the Company's audit committee.

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

FINANCIAL RESULTS

For the year ended 31 December 2017, the Group recorded a revenue of approximately S$87.3 million (31 December 2016: approximately S$111.5 million), representing a year-on-year decrease of approximately 21.7%. Profit for the Year was approximately S$5.6 million (31 December 2016: approximately S$7.7 million).

In view of the poor market environment, the Group adopted several measures to safeguard profitability, including implementing stringent costs and risks control measures and strategically reallocating more resources to secure projects of earthworks and related services with relatively higher gross profit margin. As a result, the Group's gross profit margin remained stable at approximately 12.8% for the year ended 31 December 2017 (31 December 2016: approximately 13.4% despite the decrease in revenue and profit.

* *For identification purposes only*

BUSINESS REVIEW

Group strategies

The Group is a leading earthworks contractor in Singapore, our two major business segments are the provision of earthworks and related services and general construction works. Our earthworks and related services comprise a wide range of services including land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation and back filling and earth disposal. With more than two decades of experience in the construction industry in Singapore, we continue to strive for delivering timely and reliable services with integrity and good workmanship that fulfill the needs of our customers while adhering to the safety and regulatory requirements.

In 2017, the construction industry in Singapore remained challenging and volatile. According to the newest data from the Ministry, the construction industry contracted by 8.4% year-on-year in 2017, due to the sluggish demand in the private sector construction works. Severe competition imposed further challenges to the industry. Nevertheless, the Building and Construction Authority predicted the private sector demand would improve in the medium term due to the strengthened overall economic outlook and the recovery in property market sentiment. Despite the gradual improvement of the industry, the Group remains cautiously optimistic.

For the year ended 31 December 2017, the Group strived to seek development opportunities, particularly in the earthworks and related services projects. During the year ended 31 December 2017, the Group continued to expand its capacity through the purchase of excavation machines and tipper trucks that amounted to approximately S$4.8 million. Such investments enabled us to secure 92 earthworks and related services projects during the year ended 31 December 2017, which made the segment our major revenue contributor, accounting for approximately 82% of the Group's total revenue.

Group revenue sector

Earthworks and related services

As the Group is determined to seize all available opportunities to enhance our earthworks and related services business, the Group managed to secure 32 new projects with a total contract value of approximately S$78.6 million during the year ended 31 December 2017. As at 31 December 2017, the Group had a total of 92 ongoing earthworks and related services projects. The segmental revenue was approximately S$71.6 million, representing a year-on-year growth of 25.7%. Yet, the segmental gross profit slightly decreased by approximately 1.1% to approximately S$10.4 million and its gross profit margin decreased from approximately 18.4% to approximately 14.5%, mainly due to the increase in diesel price in 2017.

The Group has secured 2 new earthworks and related services project and an additional variation order to existing public infrastructure project since 1 January 2018, with a total contract value of approximately S$18.5 million.

General construction

While the Group continued to place more focus on improving our performance within the earthworks and related services segment, the Group had also tendered several minor general construction projects. During the year ended 31 December 2017, the Group secured 9 new general construction projects with a total contract value of approximately S$20.3 million and had 13 ongoing general construction projects as at 31 December 2017. The reduction in contract amount of the newly awarded projects in 2017, together with the revenue recognition of most of the large general construction projects in previous year, and the Group's aggressive pricing strategy in response to the keen market competition, exerted a downward pressure on the segment performance. The revenue in the general construction works segment was compromised to approximately S$15.7 million for the year ended 31 December 2017 from approximately S$54.5 million for the same period last year. The segmental gross profit and gross profit margin dropped by approximately S$3.7 million and 3.3% respectively compared with the same period last year to approximately S$776,000 and 4.9% respectively.

FINANCIAL REVIEW

Results for the Year

Revenue and segment results

	2017		2016	
	Revenue	**Segment results**	Revenue	Segment results
	S$'000	***S$'000***	*S$'000*	*S$'000*
Earthworks and related services	**71,601**	**9,578**	56,967	10,517
General construction works	**15,680**	**753**	54,512	4,478
Total	**87,281**	**10,331**	111,479	14,995

Impacted by poor market sentiment and the weak construction demand in Singapore, revenue of approximately S$87.3 million was recorded, a decline of 21.7% from approximately S$111.5 million for the same period last year.

(1) Earthworks and related services

The Group put in great efforts in growing the business operation of earthworks and related services in order to safeguard profitability since this segment generally yields better margin. Hence, the revenue in the earthworks and related services segment increased by approximately S$14.6 million or 25.7% from approximately S$57.0 million for the year ended 31 December 2016 to approximately S$71.6 million for the year ended 31 December 2017. As a result, revenue contribution from this segment to the Group's total revenue grew from 51% to 82%.

In spite of the increase in diesel price in 2017 as compared to 2016, we managed to maintain the segmental profit of approximately S$9.6 million, a slight decrease compared to the same period last year (31 December 2016: approximately S$10.5 million).

As at 31 December 2017, the Group had 92 ongoing earthwork and related minor projects (31 December 2016: 73 projects), with an aggregate contract sum of approximately S$193.3 million (31 December 2016: approximately S$119.9 million). The Group has also secured 2 new earthworks projects and an additional variation order to existing public infrastructure project since 1 January 2018.

(2) General construction

As the Group placed more focus on developing business in earthworks and related services, the general construction works segment was compromised, with revenue from the segment dropping to approximately S$15.7 million for the year ended 31 December 2017 from approximately S$54.5 million for the same period last year. Such results were attributable to the reduction in contract amount of new projects in 2017 in comparison to 2016 and that most of the revenue of large general construction projects had been recognised in 2016; whilst the Group lowered bid price to secure new general construction projects due to keen market competition.

As a result, the segmental profit of general construction works recorded for the year ended 31 December 2017 was approximately S$753,000 (31 December 2016: approximately S$4.5 million), which accounted for 18% of total revenue of the Group.

The Group secured 9 new general construction works project with a total contract value of approximately S$20.3 million during the year ended 31 December 2017 and had 13 ongoing general construction works projects as at 31 December 2017.

Gross profit and gross profit margin

The gross profit, which was in line with the trend of revenue change, amounted to approximately S$11.2 million for the year ended 31 December 2017; a drop of 25.5% from approximately S$15.0 million for the year ended 31 December 2016. Meanwhile, with our efforts in cost control, the gross profit margin maintained at approximately 12.8% for the year ended 31 December 2017, a similar level to the same period last year (31 December 2016: 13.4%) due to the higher contribution from earthworks and related services to the Group's revenue.

Administrative and other operating expenses

For the year ended 31 December 2017, administrative and other operating expenses increased by approximately S$813,000 or 15.7%, from approximately S$5.2 million for the year ended 31 December 2016 to approximately S$6.0 million. The increase was primarily due to increase in legal and professional fees since the Company has listed its shares on the Stock Exchange on 8 June 2016, as well as increase in employee benefit expenses for expansion in workforce, and increase in directors' remuneration.

Other income and gains

For the year ended 31 December 2017, other income and gains increased by approximately S$446,000 or 29.8%, from approximately S$1.5 million for the year ended 31 December 2016 to approximately S$1.9 million. The increase was primarily due to higher net exchange gain of approximately S$463,000 as compared to the net exchange loss in 2016 of approximately S$21,000. The increase was partially offset by the decrease in bad debts recovered.

Finance costs

For the year ended 31 December 2017, finance costs increased by approximately S$133,000 or 69.3%, from approximately S$192,000 for the year ended 31 December 2016 to approximately S$325,000 as the interest on finance leases for financing capital expenditure grew higher.

Income tax expense

For the year ended 31 December 2017, income tax expense decreased by approximately S$1.9 million or 91.6%, from approximately S$2.0 million to approximately S$170,000 as our profit before income tax declined to approximately S$5.7 million from approximately S$9.7 million and over-provision of income tax expense of approximately S$375,000 was recorded for the year ended 31 December 2016.

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$5.6 million (31 December 2016: approximately S$7.7 million). Net profit margin was approximately 6.4% for the Year (31 December 2016: approximately 6.9%).

Earnings per share

For the year ended 31 December 2017, the basic earnings per share was S$0.54 cents, the calculation was based on the profit attributable to owners of the Company of approximately S$5,557,000 and the weighted average number of 1,037,282,619 ordinary shares in issue during the Year.

For the year ended 31 December 2016, the basic earnings per share was S$0.81 cents, the calculation was based on 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.

Dilutive earnings per share was the same as the basic earnings per share because the Group had no diluted potential shares during the years ended 31 December 2017 and 2016.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

The Group managed to meet its working capital requirements and maintained a healthy financial position from funds generated internally. The Group depended on internal generated funds and borrowings as the major sources of liquidity.

Cash flows analysis

The table below summaries the Group's cash flows for the years ended 31 December 2016 and 2017:

	2017	2016
	S$'000	*S$'000*
Net cash (used in)/generated from operating activities	**(7,591)**	12,769
Net cash generated from/(used in) investing activities	**5,094**	(9,416)
Net cash (used in)/generated from financing activities	**(2,748)**	26,482

Operating activities

For the year ended 31 December 2017, the Group generated net cash outflow in operating activities of approximately S$7.6 million (31 December 2016: net cash generated from operating activities of approximately S$12.8 million), which was mainly attributable to the increase in deposits, prepayments and other receivables.

Meanwhile, the difference of approximately S$20 million between the operating profit before working capital changes and net cash used in operating activities was mainly attributable to (i) the increase in amounts due from customers for contract works of approximately S$5.2 million; (ii) the increase in trade receivables of approximately S$1.9 million; (iii) the increase in deposits, prepayments and other receivables of approximately S$12.0 million; (iv) the decrease in amounts due to customers for contract work of approximately S$618,000; (v) the increase in trade payables of approximately S$2.8 million; and (vi) the decrease in other payables, accruals and deposits received of approximately S$1.6 million.

Investing activities

For the year ended 31 December 2017, our net cash generated from investing activities was approximately S$5.1 million, mainly attributable to (i) the decrease in time deposits with maturity over three months amounting to approximately S$6.7 million; (ii) the proceeds from disposals of property, plant and equipment amounting to approximately S$2.0 million; (iii) the purchases of property, plant and equipment such as excavation machines and tipper trucks of approximately S$3.6 million; and (iv) the purchase of available-for-sale financial assets of approximately S$325,000.

Financing activities

For the year ended 31 December 2017, our net cash used in financing activities was approximately S$2.7 million which was principally attributable to (i) the absence of net proceeds from the issue of new shares through public offerings; and (ii) the capital element of the finance lease obligations of approximately S$2.1 million.

QUANTITATIVE & QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk

The Group's exposure to changes in interest rates was mainly attributable to bank deposits, pledged deposits, bank borrowings and finance lease obligations. The cash flow interest rate risk was 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 exposed the Group to fair value interest-rate risk. For the year ended 31 December 2017, the effective interest rate on fixed-rate borrowings was approximately 2.1% to 5.2% per annum; while interest rate on floating-rate borrowings was approximately 3.5% per annum.

Foreign currency risk

The Group's transactions were mainly denominated in S$ which was the functional currency of the principal subsidiary. The Group was mainly exposed to the foreign currency risk of HK$ and US$. The Group currently did not have a foreign currency hedging policy. However, management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure if deemed necessary.

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and the financial guarantees provided by the Group was primarily attributable to trade and other receivables, pledged deposits, cash and cash equivalents and the contingent liabilities in relation to guarantee issued by the Group.

The Group entered into trading transaction only with the recognised and reputable third parties. Before accepting any new contracts, evaluations were considered on the customer's past history of making payments when due and current ability to pay, and we took into account information specific to the customer as well as pertaining to the economic environment in which the customer operated. Normally, the Group does not obtain collateral from customers.

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

Liquidity risk

The Group monitored and maintained 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 relied on internally generated funding and borrowings as significant sources of liquidity. The Group also monitored the utilisation of borrowings and ensured compliance with loan covenants.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, the Group had 506 (2016: 435) employees including foreign workers.

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

Total staff costs, including Directors' emoluments amounted to approximately S$18.6 million for the year ended 31 December 2017 (31 December 2016: approximately S$16.2 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$9.6 million had been utilised as at 31 December 2017.

Intended applications	Net actual proceeds	Amount utilised as at 31 December 2017	Balance as at 31 December 2017
	S$'000	*S$'000*	*S$'000*
Purchase of excavation machines and tipper trucks	11,129	4,442	6,687
Purchase of softwares	2,085	213	1,872
Secure earth filling project	6,607	–	6,607
Expand workforce	4,414	2,671	1,743
Working capital	2,247	2,247	–
	26,482	9,573	16,909

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

Borrowings and gearing ratio

As at 31 December 2017, the Group had an aggregate of current and non-current bank borrowings and finance lease obligations of approximately S$13.4 million (31 December 2016: approximately S$9.0 million). The increase in our borrowings was mainly due to that the Group entered into finance lease arrangements in respect of certain property, plant and equipment with a total capital value of approximately S$6.8 million (31 December 2016: approximately S$6.4 million) at the inception of the finance leases. As at 31 December 2017, we had unutilised credit facilities of approximately S$20.8 million (31 December 2016: approximately S$15.4 million).

As at 31 December 2017, the Group's gearing ratio was approximately 0.15 times (31 December 2016: approximately 0.10 times). Gearing ratio was 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

As at 31 December 2017, the Group's bank borrowings were secured by (i) the pledge of the Group's deposits of approximately S$3.3 million (31 December 2016: approximately S$3.3 million); and (ii) the investment property of the Group with net book amount of approximately S$1.3 million (31 December 2016: 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$15.3 million (31 December 2016: approximately S$10.0 million).

Contingent liabilities

As at 31 December 2017, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$7.2 million (31 December 2016: approximately S$7.6 million). As at 31 December 2016, the Group had contingent liabilities on guarantee provided and restricted to one of the major fuel suppliers for the commercial fuel supply agreement of approximately S$300,000, which had been released on 29 November 2017.

Capital expenditures and capital commitments

For the year ended 31 December 2017, the Group invested approximately S$12.6 million in the purchase of property, plant and equipment, which was mainly funded by finance lease obligations and proceeds from the listing.

As at 31 December 2017, the Group's capital commitments in respect of acquisition of property, plant and equipment and a company amounted to approximately S$4.4 million (31 December 2016: approximately S$3.4 million) and approximately S$65.9 million respectively.

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

On 11 December 2017, Advance Data Global Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement ("**Acquisition Agreement**") to purchase the entire issued share capital of Cosmic Achiever Holdings Limited ("**Cosmic Achiever**") at a consideration of RMB380,000,000 (the "**Acquisition**"). Upon completion of the Acquisition, the Group will possess the land use rights of two parcels of land situated at the south side of Jinshan Road, Jiangcheng District, Yangjiang City, Guangdong Province, the PRC, with a total site area of approximately 17,680.80 sq.m. (comprising two parcels of land for commercial use with land use area of approximately 8,481.42 sq.m. and approximately 9,199.38 sq.m. respectively) (the "**Land**"). The land use rights period will expire on 17 October 2051.

It is expected a seven-storey (consisting of two basement levels and five levels from the ground) composite building with an expected gross floor area of approximately 43,888.25 sq.m. for commercial use will be built on the Land (the "**Property**"). The Property has a preliminary fair market value and a gross development value of approximately RMB330 million and RMB436 million, respectively.

The consideration was to be payable by (i) the first refundable deposit of RMB60,000,000 (the "**First Deposit**"), (ii) the second refundable deposit of RMB75,000,000 (the "**Second Deposit**"), and (iii) promissory notes in the principal amount of RMB245,000,000 (the "**Promissory Notes**").

Upon Completion, Cosmic Achiever will become a wholly-owned subsidiary of the Group, and the financial results, assets and liabilities of Cosmic Achiever will be consolidated to the financial statements of the Group.

Off-balance sheet transactions

As of 31 December 2017, the Group did not enter into any material off-balance sheet transactions.

Prospects

Clouded by the uncertainties in global economy, Ministry of Trade and Industry anticipated that the pace of growth in the Singapore economy is expected to moderate in 2018 as compared to 2017, but remain firm. According to the Building and Construction Authority of Singapore, construction demand of the private sector is expected to improve from S$9.0 billion in 2017 to S$10.0-12.0 billion in 2018 due to the stabilising overall economic outlook and the upturn in property market sentiment. The authority also projects the total value of construction contracts to be awarded in 2018 to reach between S$26.0 billion and S$31.0 billion due to an anticipated increase in public sector construction demand boosted by the demand for institutional and other buildings such as healthcare facilities, civil engineering works and a series of small government projects. This is further enhanced by the new Rail Infrastructure Fund of S$5 billion stated in the 2018 Singapore Budget for supporting the development of major rail lines. In view of that, the growth prospects for the Group remain optimistic despite the lukewarm growth in the Singapore's economy.

The Group is determined to focus on developing its two core businesses, namely earthworks and related services and general construction works. In response to the current market conditions, the Group will continue to increase the capital commitments in the acquisition of tipper trucks and excavators to enhance our ability to conduct more earthworks and related services projects. Meanwhile, the Group is also determined to recover our revenue in general constructions works by seeking an upgrade of the Group's general contractor grade from level B1 to A2 to raise our tendering limit from S$40 million to S$85 million.

In addition, the Group entered into an Acquisition Agreement for the entire share capital of an investment holding company – Cosmic Achiever on 11 December 2017. Through this acquisition, the Group is expected to receive stable rental income from the property owned by Cosmic Achiever, a shopping complex located at the south side of Jinshan Road, Jiangcheng District, Yangjiang City, Guangdong Province, China. As the property is the only shopping complex in that area, we are confident in its growth potential. The Group believes this acquisition would provide a stable and bigger cash inflow to us while the Group's core business of earthworks and general construction will remain intact; thus aiding us in achieving sustainable growth in the long run. The Group will keep on seeking new acquisition opportunities that are beneficial to the long term development of the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 S$'000	2016 S$'000
Revenue	5	**87,281**	111,479
Direct costs		**(76,121)**	(96,500)
Gross profit		**11,160**	14,979
Other income and gains	5	**1,944**	1,498
Administrative and other operating expenses		**(5,993)**	(5,180)
Other expenses		**(1,059)**	(1,364)
Finance costs	6	**(325)**	(192)
Profit before income tax	7	**5,727**	9,741
Income tax expense	8	**(170)**	(2,025)
Profit for the year attributable to owners of the Company		**5,557**	7,716
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains in revaluation of available-for-sale financial assets		**(63)**	60
Exchange differences arising on translation		**(2,519)**	1,606
Other comprehensive income for the year, net of tax		**(2,582)**	1,666
Total comprehensive income for the year attributable to the owners of the Company		**2,975**	9,382
Earnings per share attributable to owners of the Company	10		
– Basic and diluted *(S$ cents)*		**0.54**	0.81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017**	2016
		S$'000	*S$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**21,314**	16,206
Investment property		**1,346**	1,358
Other assets		**373**	373
Deposits and other receivables		**346**	363
Available-for-sale financial assets		**1,957**	1,695
Deferred tax assets		**52**	–
		25,388	19,995
Current assets			
Due from customers for contract work		**21,862**	16,658
Trade receivables	*11*	**24,116**	23,226
Deposits, prepayments and other receivables		**13,543**	1,815
Pledged deposits		**3,307**	3,297
Cash and cash equivalents		**34,309**	48,808
		97,137	93,804
Current liabilities			
Due to customers for contract work		**2,381**	2,999
Trade payables	*12*	**9,970**	7,131
Other payables, accruals and deposits received		**6,078**	5,801
Bank borrowings		**62**	252
Finance lease obligations		**6,048**	4,492
Income tax payable		**632**	1,713
		25,171	22,388
Net current assets		**71,966**	71,416
Total assets less current liabilities		**97,354**	91,411

	2017	2016
	S$'000	*S$'000*
Non-current liabilities		
Deposits received	**11**	–
Bank borrowings	**65**	148
Finance lease obligations	**7,254**	4,109
Deferred tax liabilities	**–**	35
	7,330	4,292
Net assets	**90,024**	87,119
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**1,808**	1,808
Reserves	**88,216**	85,311
Total equity	**90,024**	87,119

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital	Share premium*	Treasury shares reserve*	Merger reserve*	Translation reserve*	Investment revaluation reserve*	Retained profits*	Total
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*
At 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 and 1 January 2017	**1,808**	**27,929**	**–**	**5,166**	**1,606**	**(348)**	**50,958**	**87,119**
Transactions with owners:								
Shares repurchased	–	–	(70)	–	–	–	–	(70)
Profit for the year	–	–	–	–	–	–	5,557	5,557
Other comprehensive income								
Loss in revaluation of available-for-sale financial assets	–	–	–	–	–	(63)	–	(63)
Exchange differences arising on translation	–	–	–	–	(2,519)	–	–	(2,519)
Total comprehensive income for the year	–	–	–	–	(2,519)	(63)	5,557	2,975
At 31 December 2017	**1,808**	**27,929**	**(70)**	**5,166**	**(913)**	**(411)**	**56,515**	**90,024**

* *These reserve accounts comprise the consolidated reserves of approximately S$88,216,000 (2016: approximately S$85,311,000) in the consolidated statement of financial position as at 31 December 2017.*

NOTES:

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

The principal activity of the Company is investment holding. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. The Company had listed its shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 8 June 2016.

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 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

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.

The adoption of the above amendments has no material impact on the Group's consolidated financial statements.

(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. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[2]
Annual Improvements to HKFRS 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

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

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

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

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.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvement process make small, non-urgent changes to standards where they currently unclear. They include amendments to HKAS 28 "Investments in Associates and Joint Ventures" clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

HKFRS 9 – 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 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 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.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTOCI will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

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 each performance obligation is satisfied

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.

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

The Group has assessed that the contracts with customers fulfil the criteria for recognising revenue over time under HKFRS 15. Two methods can be used under HKFRS 15 to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time, including output method and input method. In measuring the work progress under HKFRS 15, the Group considers that an input method with reference to the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs would appropriately depict the transfer of control of goods or services to customers for individual projects under HKFRS 15.

The extent of impact on the Group's financial position and performance upon initial adoption of HKFRS 15 would depend on the progress of and facts specific to the Group's individual contracts.

Amendments to HKAS 40 – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met – instead of at FVTPL.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor 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.

As at 31 December 2017, the Group has non-cancellable operating lease arrangements of approximately S$1,802,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group's financial performance and financial position upon application.

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 and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by 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 2017 and 2016. 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 2017			
Revenue from external customers	**71,601**	**15,680**	**87,281**
Reportable segment results	**9,578**	**753**	**10,331**
Unallocated other income and gains			**1,396**
Corporate and other unallocated expenses			**(5,993)**
Interest on bank loans			**(7)**
Profit before income tax			**5,727**

	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

During the year ended 31 December 2017, the corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipment, operating lease expenses and other centralised administrative cost for the Group's headquarter (2016: directors' emoluments, employee benefits expenses, depreciation of office equipment, operating lease expenses and other centralised administrative cost for the Group's headquarter and listing expenses).

(b) Segment assets and liabilities

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

Reportable segment assets

	As at 31 December	
	2017	2016
	S$'000	*S$'000*
Earthworks	**56,632**	45,634
General Construction Works	**10,623**	10,428
Total	**67,255**	56,062
Additions to non-current segment assets		
Earthworks	**12,464**	12,758
General Construction Works	**–**	120
Total	**12,464**	12,878

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	
	2017	2016
	S$'000	*S$'000*
Reportable segment assets	**67,255**	56,062
Unallocated property, plant and equipment	**383**	360
Available-for-sale financial assets	**1,957**	1,695
Investment property	**1,346**	1,358
Other assets	**373**	373
Deferred tax assets	**52**	–
Pledged deposits	**3,307**	3,297
Cash and cash equivalents	**34,309**	48,808
Corporate and other unallocated assets	**13,543**	1,846
Group assets	**122,525**	113,799

Corporate and other unallocated assets mainly included deposits, prepayments paid for operating leases and office expenses, other receivables due from related parties and deposit paid for acquisition of a company.

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

Reportable segment liabilities

	As at 31 December	
	2017	2016
	S$'000	*S$'000*
Earthworks	**20,525**	16,193
General Construction Works	**5,128**	2,538
Total	**25,653**	18,731

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	
	2017	2016
	S$'000	*S$'000*
Reportable segment liabilities	**25,653**	18,731
Bank borrowings	**127**	400
Corporate and other unallocated liabilities	**6,721**	7,549
Group liabilities	**32,501**	26,680

Corporate and other unallocated liabilities mainly included accruals for employee benefit expenses, and payable of office operating expenses, and utilities.

(c) Other segment information

	Earthworks S$'000	General Construction Works S$'000	Unallocated S$'000	Total S$'000
Year ended 31 December 2017				
Gains on disposals of property, plant and equipment	**486**	**–**	**–**	**486**
Depreciation of property, plant and equipment	**5,766**	**42**	**147**	**5,955**
Bad debts recovered	**62**	**–**	**–**	**62**
Provision for impairment of trade receivables	**1,040**	**19**	**–**	**1,059**
Finance costs	**314**	**4**	**7**	**325**

	Earthworks S$'000	General Construction Works S$'000	Unallocated S$'000	Total S$'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

(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	
	2017	2016
	S$'000	*S$'000*
Customer A – attributable to General Construction Works	**10,377**	42,522
Customer B – attributable to Earthworks	**12,663**	n/a

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 recognised from the principal activities during the year is as follows:

	Revenue from external customers	
	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Earthworks	**71,601**	56,967
General Construction Works	**15,680**	54,512
	87,281	111,479

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

	2017	2016
	S$'000	*S$'000*
Other income		
Management service income	**233**	323
Interest income on financial assets carried at amortised cost	**225**	112
Bad debts recovered	**62**	456
Rental income from investment property	**131**	133
Dividend income from available-for-sale financial assets	**2**	2
Sales of scrap materials and consumables	**101**	148
Others	**241**	161
	995	1,335
Gains		
Gains on disposals of property, plant and equipment	**486**	163
Net exchange gain	**463**	–
	1,944	1,498

6. FINANCE COSTS

	2017	2016
	S$'000	*S$'000*
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on finance leases	**318**	179
– Interest on bank loans wholly repayable within five years	**7**	13
	325	192

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2017	2016
	S$'000	*S$'000*
Auditor's remuneration	**303**	224
Depreciation of property, plant and equipment	**5,955**	4,824
Depreciation of investment property	**12**	12
Direct operating expenses arising from investment property that generated rental income	**24**	14
Net exchange (gain)/loss	**(463)**	21
Operating lease rental expenses in respect of:		
– Office equipment and machineries	**9,679**	7,993
– Warehouses, premises, dormitories and workshops	**1,724**	1,349
	11,403	9,342
Employee benefit expenses (including directors' remuneration)		
– Salaries, wages and bonuses	**15,579**	13,612
– Defined contribution	**642**	612
– Other short-term benefits	**2,377**	1,994
	18,598	16,218
Listing expenses	**–**	940
Provision for impairment of trade receivables	**1,059**	424

8. INCOME TAX EXPENSE

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

	2017	2016
	S$'000	*S$'000*
Current tax – Singapore income tax		
Tax for the year	**632**	1,713
(Over)/under provision for prior year	**(375)**	40
	257	1,753
Deferred tax		
(Credit)/charged to profit or loss for the year	**(87)**	272
Income tax expense	**170**	2,025

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

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2016: Nil).

9. DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 December 2017 (2016: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2017 is based on the profit attributable to owners of the Company of approximately S$5,557,000 (2016: approximately S$7,716,000) and on the weighted average number of 1,037,282,619 (2016: weighted average number of 947,356,557) ordinary shares in issue during the year.

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 2017 and 2016.

11. TRADE RECEIVABLES

	2017	2016
	S$'000	*S$'000*
Trade receivables	**20,632**	17,881
Retention sum receivables	**6,497**	7,361
	27,129	25,242
Less: Provision for impairment of trade receivables	**(3,013)**	(2,016)
	24,116	23,226

During the year, credit period granted to the Group's customers generally within 30 (2016: 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 invoice date, ageing analysis of the Group's trade receivables is as follows:

	2017	2016
	S$'000	*S$'000*
0 to 30 days	**7,212**	12,569
31 to 90 days	**5,044**	6,672
91 to 180 days	**3,574**	1,944
181 to 365 days	**2,492**	1,496
Over 365 days	**5,794**	545
	24,116	23,226

12. TRADE PAYABLES

	2017	2016
	S$'000	*S$'000*
Trade payables	**9,250**	5,874
Retention payables	**720**	1,257
	9,970	7,131

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

Ageing analysis of trade payables, based on invoice dates, is as follows:

	2017	2016
	S$'000	*S$'000*
0 to 30 days	**5,312**	4,489
31 to 90 days	**2,498**	1,629
91 to 180 days	**451**	232
Over 180 days	**1,709**	781
	9,970	7,131

CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

References are made to (i) the announcements (announcements dated 11 December 2017, 20 December 2017, 3 January 2018, 9 January 2018 and 7 February 2018, respectively); (ii) the prospectus (the prospectus dated 26 May 2016 of the Company) ("**Prospectus**"); (iii) the interim report 2017 and the circular of the Company dated 7 March 2018. The Board after careful consideration and detailed evaluation of the Company's current operations and in order to enhance the Company's cash management and the utilisation efficiency of the net proceeds (the net proceeds, from the global offering of the Company) ("**Net Proceed**"), resolved to (1) adjust the allocation of the use of the Net Proceeds and (2) utilise part of the Net Proceeds for partial settlement of the Second Deposit (please refer to the above paragraph headed "Significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures"). For further details, please refer to the below paragraph headed "Reasons for the Changes in the Use of Net Proceeds" in this announcement.

Use of the Net Proceeds under the Prospectus

As disclosed in the Prospectus, the Directors intended to apply the Net Proceeds as follows:

- 42% of the Net Proceeds to purchase excavation machines and tipper trucks in relation to expansion of earthworks sector and also to replace some of the older tipper trucks of the Group (the "**Purchase of Excavation Machines and Tipper Trucks**");

- approximately 25% of the Net Proceeds to secure earth filling project which are located at close proximity to the earthwork projects of the Group as the earth disposal site for the two years ended 31 December 2017 (the "**Secure Earth Filling Projects**");

- approximately 17% of the Net Proceeds for expansion and enhancement of the workforce of the Group to support its business expansion both at the worksites (project supervisors and workers) and at premise to service the Group's fleet of tipper trucks and excavation equipment for the two years ended 31 December 2017 (the "**Expand Workforce**");

- approximately 8% of the Net Proceeds to purchase AutoCad software which could assist in the design and drawing of plans for earthworks; performance monitoring software to track the usage of our machines and the progress of our projects; building information modelling software which could improve productivity and level of integration across various disciplines across the entire construction value chain; and payroll software for the two years ended 31 December 2017 (the "**Purchase of Software**"); and

- approximately 8% of the Net Proceeds for additional working capital and other general corporate purposes for the two years ended 31 December 2017 (the "**Working Capital**").

REASONS FOR THE CHANGES IN THE USE OF NET PROCEEDS

No earth filling project as at the Latest Practicable Date

As disclosed in the Prospectus, (1) approximately S$2,300,000 (equivalent to approximately HK$12,200,000) will be reallocated from Secure Earth Filling Project to Purchase of Excavation Machines and Tipper Trucks if the Company had not identified any Secure Earth Filling Project by 31 December 2016 (the "**First Reallocation**") and (2) all of the unutilised proceeds for Secure Earth Filling Project will also be reallocated for the Purchase of Excavation Machines and Tipper Trucks (the "**Second Reallocation**") if the Company did not enter into any agreements for securing earth filling project by 31 October 2017, and such proceeds shall be utilized in full by 31 December 2017. While the Group had used its best efforts in tendering earth filling project, the Company had not secured or entered into any agreement relating to earth filling project by 31 October 2017. Accordingly, the Net Proceeds allocated to Secure Earth Filling Project should be reallocated pursuant to the First Reallocation and the Second Reallocation in accordance with the Prospectus.

Taking into account (i) the business scale and projects of the Company as at the Latest Practicable Date, (ii) 56 new tipper trucks, 32 new excavators and 2 new telescopic excavators acquired by the Group since the Listing and (iii) an average replacement cycle of tipper truck, excavator and telescopic excavator of 10 years, 6 years and 6 years, respectively, it is currently expected that the Group will acquire 16 new tipper trucks, 12 new excavators and 2 new telescopic excavators with a total acquisition cost of not more than S$7,002,000 (based on a replacement cost of a tipper truck and excavator of approximately S$200,000 each and a telescopic excavator of approximately S$650,000 each) on or before 31 December 2019. Subsequent to the proposed purchases of tipper trucks, excavators and telescopic excavators, it is currently anticipated that the total tipper trucks, excavators and telescopic excavators will be sufficient for the Company's business operations in the short to medium term based on its current business scale and growth rate.

Accordingly, the Board is of the views that (1) the Net Proceeds currently allocated for the Purchase of Excavation Machines and Tipper Trucks will be more than sufficient to finance the new purchases and (2) the First Reallocation and the Second Reallocation are unnecessary.

Enhanced cash management and utilisation efficiency of the Net Proceeds

As at 30 November 2017, the Company had available cash (unaudited) of approximately S$28,495,000 (excluding the Net Proceeds), of which approximately S$12,271,000 were applied towards the settlement of the First Deposit of RMB60,000,000. If the Company applied all its remaining S$16,224,000 cash towards the settlement of the Second Deposit of RMB75,000,000 (equivalent to approximately S$15,339,000), the remaining cash balance of the Company, excluding the Net Proceeds would be approximately S$885,000. If the Company did not change the use of Net Proceeds, the Company's cash would be restricted primarily for the Purchase of Excavation Machines and Tipper Trucks, Expand and Enhance Workforce and Purchase of Software as described under the Prospectus.

As disclosed in the Prospectus, to the extent that the Net Proceeds are not immediately applied to the designed purposes and to the extent permitted by applicable laws and regulations, the Company intended to deposit the Net Proceeds into short-term demand deposits with authorized financial institutions and/or licensed banks in Singapore or Hong Kong. The balance of the unutilised Net Proceeds in the amount of approximately S$17,988,000 as at 30 November 2017 were deposited in bank carrying interest rate at the range of 0.35% to 1.2% per annum.

In order to enhance the Company's cash management, the Company intends to settle the outstanding Second Deposit by applying (i) approximately S$8,732,000 from the Company's cash and (ii) the Net Proceeds initially allocated to Secure Earth Filling Project of approximately S$6,607,000 (also representing the aggregate Net Proceeds under the First Reallocation and the Second Reallocation). Subsequent to the settlement of the Second Deposit, the Company will have total cash of approximately S$18,873,000, comprising approximately S$7,492,000 available cash to fund its existing business operations and approximately S$11,381,000 for the intended use of Net Proceeds as disclosed in the Prospectus.

THE BOARD'S VIEWS ON THE CHANGES IN THE USE OF NET PROCEEDS

Taking into account (1) the First Reallocation and the Second Reallocation would not be utilized for the Purchase of Excavation Machines and Tipper Trucks during the years ending 31 December 2019 should the Company follow the intended applications set out in the Prospectus in light of the current business plans, (2) the interest that may be accrued on the S$6,607,000 the unutilised Net Proceeds should the Company deposit such in the bank, (3) the proposed reallocation would free up approximately S$7,492,000 available cash for the Company to fund its existing business operations and (4) potential financing costs that would be incurred if the Company did not change the use of Net Proceeds and obtained external financing to fund either the Second Deposit or its business operations subsequent to utilisation of its available cash balance, the Board considered the changes in use of Net Proceeds will enhance the Company's cash management and the utilisation efficiency of the Net Proceeds and therefore are in the best interests of the Company and its shareholders as a whole.

The Board (including the independent non-executive Directors) confirms that (i) save for the addition of property investment as a result of the Acquisition, there are no material changes in the nature of business as set out in the Prospectus, (ii) there are no material changes in the existing businesses operations and business scale of the Group since the Listing up to the Latest Practicable Date and (iii) the proposed change in use of Net Proceeds will not adversely affect the existing operation and business of the Group.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, 1,044,000 ordinary shares of the Company being repurchased on the Stock Exchange have been cancelled on 8 January 2018.

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

During the Year, 1,044,000 ordinary shares of the Company being repurchased on the Stock Exchange were cancelled on 8 January 2018 and the number of issued share of the Company were reduced accordingly. The above repurchases were effected by the Directors pursuant to the mandate granted by shareholders in the Company's annual general meeting held on 25 May 2017, with a view to benefiting shareholders as a whole in enhancing the net assets and the earnings per Share of the Company.

Details of the repurchases of such ordinary shares are as follows:

Month of the Repurchases	Number of ordinary shares repurchased	Highest price paid by share *(HKD)*	Lowest price paid by share *(HKD)*	Aggregate consideration *(HKD)*
October 2017	1,044,000	0.395	0.395	412,380

Save as disclosed above, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities during the Year.

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 2017.

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 2017 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 2017 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 2017. 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, 28 March 2018

As at the date of this announcement, the Board comprises Mr. Lim Kui Teng, Mr. Quek Sze Whye, Mr. Bijay Joseph, Mr. Lau Yan Hong and Mr. Wong Kee Chung as executive Directors; and Mr. Lee Cheung Yuen Horace, Mr. Phang Yew Kiat and Mr. Ng Ka Lok as independent non-executive Directors.