Chuan Holdings Limited
川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of the directors (the "**Directors**") of Chuan Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**") together with the comparative figures as follows:

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020	2019
		S$'000	S$'000
		(Unaudited)	(Unaudited)
Revenue	*5*	**32,528**	32,968
Direct costs		**(36,527)**	(29,214)
Gross (loss)/profit		**(3,999)**	3,754
Other income and gains	*5*	**2,453**	1,693
Administrative and other operating expenses		**(2,713)**	(3,224)
Other expenses		**(2,652)**	(167)
Finance costs	*6*	**(289)**	(575)
(Loss)/Profit before income tax	*7*	**(7,200)**	1,481
Income tax credit/(expense)	*8*	**17**	(250)
(Loss)/Profit for the period		**(7,183)**	1,231
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**1,012**	(158)
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		**(77)**	(18)
Other comprehensive income for the period, net of tax		**935**	(176)
Total comprehensive (expense)/income for the period attributable to the owners of the Company		**(6,248)**	1,055
(Loss)/Earnings per share attributable to owners of the Company			
– basic and diluted (S cents)	*9*	**(0.69)**	0.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020 S$'000 (Unaudited)**	31 December 2019 S$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**1,799**	2,360
Right-of-use assets	*12*	**21,817**	25,412
Investment property		**1,316**	1,322
Other assets		**364**	364
Deposits and other receivables		**423**	296
Financial assets at fair value through profit or loss		**1,398**	1,398
Financial assets at fair value through other comprehensive income		**862**	939
Financial assets at amortised costs		**1,250**	1,250
Deferred tax assets		**402**	326
		29,631	33,667
Current assets			
Contract assets		**21,152**	26,399
Trade receivables	*13*	**10,366**	13,195
Deposits, prepayments and other receivables		**14,914**	9,947
Pledged deposits	*14*	**3,359**	3,359
Cash and cash equivalents	*14*	**41,698**	44,772
		91,489	97,672
Current liabilities			
Contract liabilities		**3,896**	3,088
Trade payables	*16*	**3,458**	10,695
Other payables, accruals and deposits received		**4,653**	3,385
Lease liabilities		**10,035**	12,229
Income tax payable		**148**	575
		22,190	29,972
Net current assets		**69,299**	67,700
Total assets less current liabilities		**98,930**	101,367

	Notes	30 June 2020 S$'000 (Unaudited)	31 December 2019 S$'000 (Audited)
Non-current liabilities			
Deposits received		**16**	16
Bank borrowings	*17*	**5,000**	–
Lease liabilities		**6,530**	7,763
Deferred tax liabilities		**289**	245
		11,835	8,024
Net assets		**87,095**	93,343
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*15*	**1,807**	1,807
Reserves		**85,288**	91,536
Total equity		**87,095**	93,343

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 August 2015. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding while the principal activities of the Company's subsidiaries are provision of earthworks and ancillary services and general construction works in Singapore.

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

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated statements for the six months ended 30 June 2020 were approved and authorised for issue by the Directors on 28 August 2020.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated interim financial statements do not include the information and disclosures required in annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2019 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards and interpretations issued by the HKICPA.

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

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

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the 2019 annual financial statement.

In the current interim period, the Group has applied, for the first time, the following amended HKFRSs issued by the HKICPA that are potentially relevant to and effective for the annual period beginning on or after 1 January 2020 for the preparation of the condensed consolidated interim financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of the above amended HKFRSs has no material impact on the Group's result and financial position for the current or prior periods. The Group has not early applied any new standards or interpretation that is not yet effective for the current accounting period.

4. SEGMENT INFORMATION

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

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

(ii) Provision of general construction works, mainly include construction of new buildings, alteration 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 respective periods. Operating revenue, direct costs, gain on disposals of right-of-use assets, interest expenses on lease liabilities, provision for impairment of trade receivables and bad debts recovered, are allocated to different segments to assess corresponding performance.

The corporate and unallocated expenses mainly included director's emoluments, employee benefit expenses, depreciation of office equipment and other centralized administrative cost for the Group's headquarter.

The segment revenue and results, and 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:

For the six months ended 30 June 2020 (unaudited)

	Earthworks & ancillary services S$'000	General construction works S$'000	Total S$'000
Revenue from external customers	**25,282**	**7,246**	**32,528**
Reportable segment results	**(4,212)**	**(44)**	**(4,256)**
Unallocated other income and gains			**1,931**
Corporate and other unallocated expenses			**(4,864)**
Interest on bank loans			**(11)**
Loss before income tax			**(7,200)**

For the six months ended 30 June 2019 (unaudited)

	Earthworks & ancillary services S$'000	General construction works S$'000	Total S$'000
Revenue from external customers	28,945	4,023	32,968
Reportable segment results	3,415	705	4,120
Unallocated other income and gains			585
Corporate and other unallocated expenses			(3,224)
Profit before income tax			1,481

(b) Segment assets and liabilities

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

Reportable segment assets

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
Earthworks & ancillary services	**47,866**	58,762
General construction works	**6,496**	7,602
Total	**54,362**	66,364
Additions to non-current segment assets		
Earthworks & ancillary services	**811**	10,794
General construction works	**–**	–
Total	**811**	10,794

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
Reportable segments assets	**54,362**	66,364
Corporate and unallocated assets	**66,758**	64,975
Group assets	**121,120**	131,339

Corporate and other unallocated assets mainly included deposit, prepayments, other receivable due from related parties and vendor in respect of the deposit paid for acquisition of a company.

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

Reportable segment liabilities

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
Earthworks & ancillary services	**23,109**	29,308
General construction works	**427**	4,045
Total	**23,536**	33,353

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
Reportable segments liabilities	**23,536**	33,353
Bank Borrowings	**5,000**	–
Deferred tax liabilities	**289**	245
Corporate and unallocated liabilities	**5,200**	4,398
Group liabilities	**34,025**	37,996

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

5. **REVENUE, OTHER INCOME AND GAINS**

(a) Revenue, which is also the Group's turnover, represents the income from Earthworks & ancillary services and General construction works. Revenue recognised during the respective periods is as follows:

	Six months ended 30 June	
	2020	2019
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Earthworks & ancillary services *(note)*	**25,282**	28,945
General construction works	**7,246**	4,023
Total	**32,528**	32,968

The timing of revenue recognition for the respective periods is as follows:

	Six months ended 30 June	
	2020	2019
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Transferred over time:		
Earthworks & ancillary services *(note)*	**25,282**	28,945
General construction works	**7,246**	4,023
	32,528	32,968

Note:

Earthworks & ancillary services include revenue of approximately S$23,077,000 from earthworks and approximately S$2,205,000 from earthwork ancillary services.

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

	Six months ended 30 June	
	2020	2019
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Other income		
Management service income	**117**	80
Interest income on financial assets carried at amortised cost	**155**	177
Bad debts recovered	**342**	963
Rental income from investment property	**56**	53
Dividend income from financial assets at FVOCI	**4**	51
Sales of scrap materials and consumables	**201**	75
Others	**1,398**	135
	2,273	1,534
Gains		
Gains on disposals of property, plant and equipment	**–**	155
Gain on disposals of right-of-use assets	**180**	–
Net foreign exchange gain	**–**	4
	180	159
	2,453	1,693

6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on lease liabilities	**278**	575
– Interest on bank loans wholly repayable within five years	**11**	–
	289	575

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment *	**608**	381
Depreciation of right-of-use assets **	**4,096**	4,642
Depreciation of investment property ***	**6**	6
Direct operating expenses arising from investment property that generated rental income	**6**	12
Operating lease rental expenses in respect of:		
– Office equipment and machineries	**–**	2,948
– Warehouses, premises, dormitories and workshops	**–**	47
	–	2,995
Employee benefit expenses (including directors' remuneration)		
– Salaries, wages and bonuses	**6,798**	7,350
– Defined contribution	**315**	326
– Other short-term benefits	**617**	1,186
	7,730	8,862
Reversal for impairment of contract assets	**(148)**	–
Provision for impairment of trade receivables	**649**	167
Provision for impairment of other receivables	**2,151**	–

* *Depreciation of property, plant and equipment amounted to approximately S$517,000 (six months ended 30 June 2019: approximately S$300,000) has been included in direct costs and approximately S$91,000 (six months ended 30 June 2019: approximately S$81,000) in administrative and other operating expenses.*

** *Depreciation of right-of-uses amounted to approximately S$4,040,000 (six months ended 30 June 2019: approximately S$4,587,000) has been included in direct costs and approximately S$56,000 (six months ended 30 June 2019: approximately S$55,000) in administrative and other operating expenses.*

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

8. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2020	2019
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Current tax – Singapore income tax		
Tax for the period	**15**	250
Deferred tax		
Credit to profit or loss	**(32)**	–
Income tax (credit)/expense	**(17)**	250

Singapore income tax has been provided at the rate of 17% on the estimated assessable profits for each of the financial periods. No provision for Hong Kong profits tax has been made as the Group did not derive any assessable profits for the six months ended 30 June 2020 and 2019.

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2020 is based on the loss attributable to owners of the Company of approximately S$7,183,000 (six months ended 30 June 2019: profit of approximately S$1,231,000) and on the weighted average number of 1,036,456,000 (six months ended 30 June 2019: 1,036,456,000) ordinary shares in issue during the period.

During the period ended 30 June 2020, the basic loss per share is the same as the dilutive loss per share because the Group has no dilutive potential ordinary shares during the period.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group incurred capital expenditures of approximately S$48,000 (six months ended 30 June 2019: approximately S$18,000) in furniture, fixtures and office equipment. The Group also incurred capital expenditures of approximately S$1,014,000 in plant and machinery and approximately S$2,541,000 in motor vehicles for the six months ended 30 June 2019, respectively.

Items of property, plant and equipment with net book value amounting to approximately S$175,000 were disposed of during the six months ended 30 June 2019, resulting in a gain on disposal of approximately S$155,000.

12. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group incurred capital expenditures of approximately S$811,000 in right-of-use assets and the Group recognised right-of-use assets with a cost of approximately $15,834,000 during the six months ended 30 June 2019.

Items of right-of-use assets with net book value amounting to approximately S$309,000 were disposed of during the six months ended 30 June 2020, resulting in a gain on disposal of approximately S$180,000.

13. TRADE RECEIVABLES

	Note	**As at 30 June 2020 S$'000 (Unaudited)**	As at 31 December 2019 S$'000 (Audited)
Trade receivables		**11,190**	14,663
Retention receivables	*(a)*	**1,844**	894
		13,034	15,557
Less: Provision for impairment of trade receivables		**(2,668)**	(2,362)
		10,366	13,195

(a) Some construction contacts stipulated that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually 1 year) after completion of the contract. Retention receivables are unsecured and interest-free.

(b) During the Reporting Period, the credit period granted to the Group's customers generally within 30 days (31 December 2019: 30 days) from invoice date of the relevant contract revenue.

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

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
0 to 30 days	**2,704**	8,879
31 to 90 days	**3,471**	2,533
91 to 180 days	**1,319**	604
181 to 365 days	**1,670**	518
Over 365 days	**–**	449
	9,164	12,983
Retention receivables	**1,202**	212
	10,366	13,195

14. CASH AND CASH EQUIVALENTS

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
Cash and bank balances	**32,115**	26,462
Time deposits with an original maturity of more than three months	**–**	2,000
Time deposits with an original maturity of less than three months	**12,942**	19,669
	45,057	48,131
Less: Pledged deposits *(note)*	**(3,359)**	(3,359)
Cash and cash equivalents	**41,698**	44,772

Note:

As at 30 June 2020 and 31 December 2019, pledged deposits are restricted bank balances to secure:

(i) the guarantee arrangement and the issuance of performance bonds (Note 18); and

(ii) the banking facilities including letter of credits, overdraft and bank guarantee amounting to approximately S$25,200,000 (31 December 2019: approximately S$25,200,000).

15. SHARE CAPITAL

	Number of shares		Share capital	
	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and end of the period/year	**10,000,000,000**	10,000,000,000	**17,430**	17,430
Issued and fully paid				
At beginning and end of the period/year	**1,036,456,000**	1,036,456,000	**1,807**	1,807

16. TRADE PAYABLES

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
Trade payables	**3,083**	10,556
Retention payables	**375**	139
	3,458	10,695
Total trade payables, net		
– Third parties	**3,116**	9,573
– Related parties	**342**	1,122
	3,458	10,695

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 date, is as follows:

	As at 30 June 2020 S$'000 (Unaudited)	As at 31 December 2019 S$'000 (Audited)
0 to 30 days	**1,176**	8,030
31 to 90 days	**314**	1,351
91 to 180 days	**773**	472
Over 180 days	**1,195**	842
	3,458	10,695

17. BANK BORROWINGS

As at 30 June 2020, the Group's bank borrowings amounted to S$5.0 million (31 December 2019: Nil).

18. CONTINGENT LIABILITIES

Performance bonds and guarantees provided for ordinary course of business

As at 30 June 2020, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business with utilised amount of approximately S$875,000 (31 December 2019: approximately S$2,817,000). The guarantees in respect of performance bonds issued by banks are secured by pledged deposits.

19. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overall Performance

Over the years, the Group has built a formidable reputation on its quality works with safety, fine workmanship, on-time delivery and value-for-money. The outbreak of Coronavirus Disease 2019 ("**COVID-19**") pandemic and economic uncertainty in Singapore brought substantial difficulties to the whole construction industry and the Group's operations during the period under review. Since early April, all construction works in Singapore have been halted as part of the government's COVID-19 "circuit breaker" (the "**CB**") measures to contain the spread of the COVID-19 pandemic.

With the severe disruption of manpower and materials flow, the Group's construction projects were inevitably delayed, which translated into lower revenue recognition. Under such challenging circumstances, the Group managed to maintain revenue at approximately S$32.5 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately S$33.0 million), similar level as that of the last corresponding period. Nonetheless, operating costs remained hefty under strict social distancing control measures despite the fact that the Group promptly implemented a wide range of cost saving and financial management measures and benefitted from the Construction Support Package (the "**Package**") from the Singapore government. Along with the intense competition in the construction industry which exerted mounting pressures to the Group's margin, coupled with an increase in impairment losses on deposits, receivables and contract assets totaling S$2.5 million in view of the economic slowdown in Singapore, profit turned negative and loss amounted to approximately S$7.2 million during the period under review. The Group continued to carefully monitor its financial and liquidity positions which remained healthy. Cash and cash equivalents of the Group amounted to approximately S$41.7 million as at 30 June 2020.

The Group reaffirmed its abiding commitment in enhancing its competitiveness through continuously improving its operational efficiency while safeguarding profitability. Various measures have been introduced including adoption of adjustable diesel consumption and acquisition of environmentally friendly machineries. Leveraging its vast experience and expertise, the Group successfully secured new projects during the period under review, including some sizeable projects, namely, the design and build civil contracts for the Jurong Region Line (JRL) and Sembawang Air Base for the Earthworks and ancillary services segment, and proposed additions and alterations involving Open Yard at Existing Pioneer Terminal Building for General construction works segment.

Industry Review

In the first half of 2020, the COVID-19 pandemic brought upon unprecedented challenges to global economy, affecting many industries in varying degree. The International Monetary Fund (IMF) has revised earlier projections downward, forecasting a 4.9% shrink in the world output in 2020, highlighting a slower recovery than initially predicted. The pandemic, alongside the "great lockdown" measures across many nations, has exposed vulnerabilities of global supply chains and added impetus to geopolitical fragmentation. In Singapore, dragged by weak external demand and the CB measures effective during the period between 7 April 2020 and 1 June 2020, the country has entered a technical recession following that its economy shrank by 41.2% during the period from April to June 2020 on a quarter-on-quarter basis, deepening the year-on-year contraction of 0.3% in the first quarter of 2020.

Several months of COVID-19 restrictions and workplace closures battered Singapore's construction sector during the period under review. As the CB suspended most construction activities with measures such as movement restriction at foreign worker dormitories which had led to manpower disruption, the construction sector took a hard hit in the second quarter of 2020; dropping by 59.3% year-on-year and plunging by 97.1% on a quarterly basis.

Due to weaker demand for both private sector and public sector construction work, the construction demand in terms of contracts awarded slumped by approximately 31% and 21% in the first and second quarters of 2020 respectively. Meanwhile, contractors continued to suffer from tight cash flow and decreasing margins. While payment delays are expected to be more frequent in 2020, the protracted default rate in the industry remained high. In face of such challenging market environment, the Group doubled its efforts in cost control as well as recovery of debts, and adopted a competitive pricing approach to secure new and profitable projects.

Earthworks and ancillary services

Earthworks and ancillary services projects remained the primary revenue source of the Group, accounting for approximately 77.7% of its total revenue. During the Reporting Period, the Group recorded segmental revenue of approximately S$25.3 million (six months ended 30 June 2019: approximately S$28.9 million). Given that the Group's operations were laid idle during the CB period while fixed expenses remained stiff and constant, segmental loss of approximately S$4.2 million (six months ended 30 June 2019: profit of approximately S$3.4 million) was recorded consequently.

As at 30 June 2020, the Group had a total of 83 ongoing Earthworks and ancillary services projects. The Group continued to tender sizeable projects during the period under review and successfully obtained 8 new Earthworks and ancillary services projects, with a total contract value of approximately S$11.9 million.

General construction works

While focusing on the Earthworks and ancillary services segment, the Group continued to reserve resources and set sights on tendering for other sizable projects in the General construction works segment. During the Reporting Period, revenue of the segment saw an increase to approximately S$7.2 million (six months ended 30 June 2019: approximately S$4.0 million), thanks to the efforts of its team in tendering sizeable projects. Since the Group engaged external subcontractors for this segment, cost related to manpower and machinery resources rose during the pandemic, which led to an incompatible trend of the revenue and profit. Segmental loss was approximately S$44,000 (six months ended 30 June 2019: profit of approximately S$705,000).

During the six months ended 30 June 2020, the Group continued to bolster its business through securing a mega-sized project of proposed additions and alterations involving Open Yard at Existing Pioneer Terminal Building with a total contract value of approximately S$3.3 million, while having 7 other ongoing General construction work projects as at 30 June 2020.

FINANCIAL REVIEW

Revenue and gross profit/(loss)

	For six months ended 30 June 2020			For six months ended 30 June 2019		
	Revenue recognised S$'000	**Gross profit/(loss) S$'000**	**Gross profit/(loss) margin**	Revenue recognised S$'000	Gross profit S$'000	Gross profit margin
Earthworks and ancillary services	**25,282**	**(4,250)**	**(16.8%)**	28,945	3,088	10.7%
General construction works	**7,246**	**251**	**3.5%**	4,023	666	16.6%
Total	**32,528**	**(3,999)**	**(12.3%)**	32,968	3,754	11.4%

The total revenue of the Group for the six months ended 30 June 2020 amounted to approximately S$32.5 million, maintaining at a similar level as that in the last corresponding period. This was mainly attributable to the recognition of revenue from projects completed in the first quarter of 2020. Nevertheless, the aforementioned CB measures in Singapore effective between 7 April and 1 June 2020 had caused delays in project schedules of the Group hence lower revenue recognition especially in the second quarter while operating costs such as manpower and depreciation remained relatively fixed and hefty, the Group recorded a gross loss of approximately S$4.0 million (six months ended 30 June 2019: gross profit of approximately S$3.8 million), which in turn led to a negative gross profit margin of approximately 12.3% (six months ended 30 June 2019: positive gross profit margin of approximately 11.4%).

Earthworks and ancillary services

For the six months ended 30 June 2020, the Earthworks and ancillary services segment contributed approximately 77.7% of the Group's total revenue. Despite the Group's ceaseless efforts in securing and completing projects from both public and private sectors, the CB measures imposed by Singapore government to combat COVID-19 had suspended most of the Group's projects in the second quarter of the year, the segmental revenue therefore decreased by approximately 12.7% year-on-year to approximately S$25.3 million (six months ended 30 June 2019: approximately S$28.9 million). Given the decrease in revenue, coupled with constantly high operating costs and additional costs incurred due to COVID-19 pandemic, gross loss of approximately S$4.3 million was consequently recorded during the period under review.

As at 30 June 2020, the Group had 83 ongoing Earthworks and ancillary services projects with an aggregate contract sum of approximately S$332.5 million compared to 91 projects as at 31 December 2019. Approximately S$202.1 million of the aggregate contract sum was recognised as revenue during the Reporting Period, with an estimated remaining balance of approximately S$130.4 million to be recognised in the second half of 2020 onwards. In order to catch up with the pace of completion to projects affected by CB in its order book, the Group decided to slow down in tendering for new projects, 2 new Earthworks and ancillary services projects have been secured with an aggregate contract sum of approximately S$7.7 million since 1 July 2020.

General construction works

For the six months ended 30 June 2020, the General construction works segment accounted for the remaining approximately 22.3% of the revenue. The Group is pleased that its strategic tendering approach to exclusive highly profitable projects bore fruits during the Reporting Period, revenue of the segment soared by approximately 80.1% to approximately S$7.2 million (six months ended 30 June 2019: approximately S$4.0 million). Nonetheless, a lower gross profit of approximately S$251,000 (six months ended 30 June 2019: approximately S$666,000) was recorded primarily due to the rise in operating cost resulting from outsourcing of projects to external subcontractors in support of the Group's operations during the Reporting Period.

As at 30 June 2020, the Group had 7 ongoing General construction works projects with an aggregate contract sum of approximately S$90.2 million compared to 7 projects as at 31 December 2019. Approximately S$59.4 million of the aggregate contract sum was recognised as revenue for the Reporting Period, with an estimated remaining balance of approximately S$30.8 million to be recognised in the second half of 2020 onwards. The Group has also secured a new General construction works project with a contract sum of approximately S$2.8 million since 1 July 2020.

Other income and gains

For the six months ended 30 June 2020, other income and gains increased by approximately S$760,000 or 44.9%, from approximately S$1.7 million in the previous period to approximately S$2.5 million, primarily attributable to the additional financial relief from the Singapore government in the form of foreign worker levy rebate and wage support which have helped defray part of the Group's costs during the CB period.

Administrative and other operating expenses

For the six months ended 30 June 2020, administrative and other operating expenses decreased by approximately S$511,000 or 15.8% to approximately S$2.7 million, mainly due to the decrease in staff cost and employee benefit expenses.

Other expenses

For the six months ended 30 June 2020, other expenses surged by nearly 16 times from approximately S$167,000 from the last corresponding period to approximately S$2.7 million, mainly representing the impairment losses on deposits, receivables and contract assets totaling S$2.7 million made based on the management's latest assessment of risk of default in the Group's financial assets during the period under review.

Finance costs

For the six months ended 30 June 2020, finance costs decreased by approximately S$286,000 or approximately 49.7%, from approximately S$575,000 for the last corresponding period to approximately S$289,000, principally due to the decrease in interest on lease liabilities.

Income tax credit/(expenses)

For the six months ended 30 June 2020, income tax expenses changed to credit of approximately S$17,000 on the grounds of business loss, while tax expense of approximately S$250,000 was recorded for the last corresponding period.

Profit/(Loss) for the period and net profit margin

Based on the combined effect of the aforementioned factors, the Group recorded a loss for the period of approximately S$7.2 million for the six months ended 30 June 2020, while profit for the period of approximately S$1.2 million was recorded in the last corresponding period. Negative net profit margin was approximately 22.1% for the six months ended 30 June 2020 (six months ended 30 June 2019: positive net profit margin of approximately 3.7%).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

During the Reporting Period, financial position of the Group remained healthy, with working capital mainly financed by its internally generated funds, net proceeds from global offering and bank borrowings. As at 30 June 2020, the Group had cash and cash equivalents of approximately S$41.7 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) (the "**Net Proceeds**"), out of which approximately S$15.4 million has been utilised as at 30 June 2020.

	Planned use of the Net Proceeds	**Amount utilised up to 31 December 2019**	**Amount utilised during the period ended 30 June 2020**	**Amount utilised up to 30 June 2020**	**Unutilised balance up to 30 June 2020**	**Expected timeline of full utilisation of the remaining unutilised Net Proceeds as at 30 June 2020**
	S$'000	S$'000	S$'000	S$'000	S$'000	*(Note 2)*
Purchase of excavation machines and tipper trucks *(Note 1)*	17,736	7,725	221	7,946	9,790	On or before 31 December 2022
Purchase of softwares	2,085	715	44	759	1,326	On or before 31 December 2022
Secure earth filling projects *(Note 1)*	–	–	–	–	–	
Expand workforce	4,414	4,414	–	4,414	–	
Working capital	2,247	2,247	–	2,247	–	

Notes:

1. As disclosed in the prospectus of the Company dated 25 May 2016 and the circular of the Company dated 7 March 2018, since the Company did not enter into any agreement for securing earth filling project by 31 October 2017, the unutilised Net Proceeds of approximately S$6,607,000 originally assigned to securing earth filling project (the "**Reallocated Proceeds**") would be reassigned to the purchase of additional excavation machines and tipper trucks. After taking into the then business scale and projects of the Company, the number of tipper trucks, excavators acquired by the Group since the listing of shares of the Company in 2016 and the average replacement cycle of tipper truck, excavator and telescopic excavator, the Group decided to reassign the Reallocated Proceeds to partially finance the second deposit for the acquisition of the entire issued share capital of Cosmic Achiever Holdings Limited (the "**Major Transaction**") in March 2018. As disclosed in the announcement of the Company dated 23 January 2019, since the Major Transaction subsequently lapsed on 31 December 2018, the Reallocated Proceeds were further reassigned to the purchase of excavation machines and tipper trucks in January 2019.

2. The expected timeline for utilising the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

As at 30 June 2020, the Group has not fully utilised the planned Net Proceeds to purchase excavation machines and tipper trucks since the Group has been offered favourable interest rate to finance the purchases by banks and decided to purchase excavation machines and tipper trucks by hire purchase instead of cash purchase since June 2016. The hire purchase only required 10% of cash payment, which was financed by the Net Proceeds. As a result, there was a delay in fully utilising the Net Proceeds assigned to purchase excavation machines and tipper truck. It is expected the unutilised amount will be fully utilised on or before 31 December 2022.

As for the unutilised planned Net Proceeds to purchase softwares, the Group had purchased softwares from a vendor which charged the Group at a lower price than originally quoted, resulting in a huge saving to the Company. As a result, there was a delay in fully utilising the Net Proceeds assigned to purchase softwares. It is expected the unutilised amount will be fully utilised on or before 31 December 2022.

The Net Proceeds were used in accordance with the intended purposes as previously disclosed and there was no material change in the use of proceeds. The unutilised amount is expected to be used in accordance with the intended purposes as disclosed.

The balance of the Net Proceeds is deposited in licensed financial institutions in Hong Kong.

Borrowing and gearing ratio

As at 30 June 2020, the Group had an aggregate of current and non-current bank borrowings and lease liabilities of approximately S$21.6 million, a slight increase from approximately S$20.0 million as at 31 December 2019.

As at 30 June 2020, the Group's gearing ratio was approximately 0.25 times, representing an increase from approximately 0.21 times as at 31 December 2019. Gearing ratio is calculated by dividing total borrowings (bank borrowings and lease liabilities) by total equity as at the end of the respective period.

Foreign exchange exposure

As the Group's operations were mainly in Singapore, most transactions arising from its businesses were usually settled in Singapore Dollars which was the functional currency of the Group. Except for a portion of the cash and cash equivalents generated from the global offering was denominated in Hong Kong Dollars and a portion was denominated in United States Dollars, the Group was not exposed to any significant foreign currency risks nor had employed any financial instrument for hedging.

Charges on Group's assets

As at 30 June 2020, the Group's banking facilities were secured by the pledge of the Group's deposits of approximately S$3.4 million (31 December 2019: approximately S$3.4 million), while the Group's lease liabilities were secured by the charge over the leased assets of net book value of approximately S$18.8 million (31 December 2019: approximately S$22.1 million).

Contingent liabilities

As at 30 June 2020, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$875,000 compared to approximately S$2.8 million as at 31 December 2019.

Capital expenditures and capital commitments

For the six months ended 30 June 2020, the Group invested approximately S$858,000 in the purchase of property, plant and equipment and right-of-use assets, which was mainly funded by its finance lease obligations and proceeds from global offering.

As at 30 June 2020, the Group's capital commitments in respect of the acquisition of property, plant and equipment amounted to approximately S$3.2 million compared to approximately S$2.6 million as at 31 December 2019.

EMPLOYEES

As at 30 June 2020, the Group had 544 (31 December 2019: 550) employees including foreign workers. The Group's total remuneration for the six months ended 30 June 2020 was approximately S$7.7 million (six months ended 30 June 2019: approximately S$8.9 million). The management recognises the importance of attracting and retaining staff. To promote employee loyalty and retention, the Group provides technical and operation on-job trainings to its employees.

The Group entered into separate labour contracts with its employees in accordance with the applicable laws of Singapore, and determined salaries based on each employee's qualification, position, seniority and experience. The management also considers that the relationship and co-operation between the management team and the employees have been sound during the Reporting Period.

PROSPECT

Since early 2020, the outbreak of the COVID-19 has put tremendous pressures on the global economy. Furthermore, the re-escalation of geopolitical and trade tensions weakened market and business confidence as the Sino-US trade war has posed further uncertainties to macro-economy worldwide, dampening the global economic recovery.

In Singapore, the Ministry of Trade and Industry (MTI) downgraded the 2020 GDP growth forecast to between –7.0% and –5.0%. On a positive note, the Singapore government has taken various economic relief measures to overcome the challenges arising from the pandemic outbreak and is committed to supporting the construction industry. To cushion the financial impact of the sector, the Singapore government rolled out the S$1.36 billion worth Package in June 2020 with the aim of helping construction firms to defray costs incurred from prolongation of projects and to comply with the stringent virus safety measures, thereby ensuring works to resume safely. Thanks to the Package, the Group's costs on foreign workers and rental expenses have been partially offset.

Following the clearance of dormitories of the foreign workers affected by the CB in late July 2020, the Group has gradually resumed its operations at the construction sites. However, the pace of resumption remains disciplined due to the stringent safety and health requirements on manpower by the Singapore government. The Group has adjusted its strategies by closely monitoring its operation and the COVID-19 situation. In the meantime, the Group has maintained its flexible strategic approach and will continue to invest resources with reference to the completion stage of various ongoing projects. The Group will also continue to identify suitable projects and strategically focus on tendering mega infrastructure projects with better profit margins to safeguard its profitability. As part of its continued endeavours to boost operational efficiency, more capital will be diverted to replenish advanced machineries and equipment. The management team will continue to retain talents, while strengthening its close partnership with existing and potential clients with a long-term goal of maintaining its reputation and highest level of business integrity in the industry.

In short to medium-term, the management of the Group expects the path to recovery would be gradual, given the construction sector is facing a protracted slowdown in growth while the market anticipates a decrease to 2.7% in 2020 and further to 0.5% in 2021. In face of such challenges, the Group will step up its efforts to complete the upgrading of the contractor grade from level B1 to A2 and will continue to focus on promising operations, including exploring the possibility of working with other reputable companies on tendering new projects with higher contract values.

Despite the difficulties lying ahead, the management believes that the foundation of the Group remains solid and sound. Riding on its proven track record and depth of professional experience as well as its close tie with clients, the Group will continue to build on its competitive strengths and devise to achieve its long-term business objectives.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, except below, the Company has complied with the applicable code provisions (the "**Code Provisions**") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the Reporting Period.

The roles of the chairman (the "**Chairman**") and the chief executive officer (the "**Chief Executive Officer**") of the Company are served by Mr. Lim Kui Teng and have not segregated as repaired under Code Provision A.2.1. 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.

CODES FOR SECURITIES TRANSACTION BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. All Directors, following specific enquiries made by the Company, have confirmed that they have complied with the required standard as set out in the Model Code during the Reporting Period.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees who, because of office or employment, are likely to be in possession of inside information in relation to the Company's securities has been requested to follow such code when dealing in the securities of the Company.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 10 May 2016, which comprises three independent non-executive Directors namely, Mr. Chan Po Siu (Chairman), Mr. Phang Yew Kiat and Mr. Wee Hian Eng, Cyrus.

At the request of the Audit Committee, BDO Limited, the auditor of the Company, has performed certain agreed-upon procedures on the Group's interim condensed consolidated financial statements for the Reporting Period in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**").

The agreed-upon procedures were performed solely to assist the Audit Committee to review the interim results of the Group for the Reporting Period. Because the agreed-upon procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, the auditor of the Company does not express any assurance on the interim results of the Company. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial information of the Group for the Reporting Period.

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited ("**HKEx**") (http://www.hkex.news.hk) and on the website of the Company (http://www.chuanholdings.com). The 2020 Interim Report of the Company will be published on the website of HKEx (http://www.hkex.news.hk) and on the website of the Company (http://www.chuanholdings.com), and despatched to the shareholders of the Company in due course.

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

Hong Kong, 28 August 2020

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. Chan Po Siu, Mr. Phang Yew Kiat and Mr. Wee Hian Eng, Cyrus as independent non-executive Directors.