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 2022

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 2022 (the "**period under review**" or 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 2022

		Six months ended 30 June	
		2022	2021
	Notes	**S$'000**	S$'000
		(Unaudited)	(Unaudited)
Revenue	*5*	**42,473**	41,388
Cost of sales		**(38,618)**	(39,611)
Gross profit		**3,855**	1,777
Other income and gains	*5*	**1,774**	2,059
Administrative and other operating expenses		**(3,182)**	(3,079)
Other expenses		**(780)**	–
Finance costs	*6*	**(115)**	(240)
Share of result of associates		**48**	(8)
Profit before income tax	*7*	**1,600**	509
Income tax expense	*8*	**(269)**	(87)
Net profit for the period attributable to owners of the Company		**1,331**	422
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**–**	25
Items that will not be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income ("**FVOCI**")			
– Fair value gains		**184**	7
Other comprehensive income for the period, net of tax		**184**	32
Total comprehensive income for the period attributable to the owners of the Company		**1,515**	454
Basic earnings per shares (cents)	*10*	**0.13**	0.04
Diluted earnings per shares (cents)	*10*	**0.12**	0.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	**30 June 2022 S$'000 (Unaudited)**	31 December 2021 S$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**12,671**	15,217
Investment property		**1,292**	1,298
Investment in associates		**8,638**	7,587
Other assets		**369**	369
Deposits, prepayments and other receivables		**118**	138
Financial assets at fair value through profit or loss ("**FVTPL**")		**7,897**	7,104
Financial assets at FVOCI		**1,109**	925
Financial assets at amortised costs		**250**	250
Deferred tax assets		**168**	411
Total non-current assets		**32,512**	33,299
Current assets			
Contract assets		**23,324**	24,096
Trade receivables	*12*	**19,836**	18,736
Deposits, prepayments and other receivables		**4,966**	2,919
Pledged deposits	*13*	**1,276**	1,276
Cash and cash equivalents	*13*	**27,819**	31,514
Total current assets		**77,221**	78,541
Total assets		**109,733**	111,840
Current liabilities			
Contract liabilities		**3,384**	2,822
Trade payables	*14*	**6,510**	7,105
Other payables, accruals and deposits received		**2,719**	3,974
Borrowings	*15*	**1,239**	1,227
Lease liabilities		**3,420**	4,473
Income tax payable		**26**	–
Total current liabilities		**17,298**	19,601
Net current assets		**59,923**	58,940
Total assets less current liabilities		**92,435**	92,239

	Notes	30 June 2022 S$'000 (Unaudited)	31 December 2021 S$'000 (Audited)
Non-current liabilities			
Other payables, accruals and deposits received		**13**	7
Borrowings	*15*	**2,446**	3,069
Lease liabilities		**1,906**	2,656
Total non-current liabilities		**4,365**	5,732
Total liabilities		**21,663**	25,333
Net assets		**88,070**	86,507
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*17*	**1,767**	1,767
Reserves		**86,303**	84,740
Total equity		**88,070**	86,507

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the principal place of business of the Company in Singapore is located at 20 Senoko Drive, Singapore 758207.

The Company is an investment holding company. The Group is principally engaged in the provision of general building and construction services in Singapore.

As at the date of this announcement, in the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Brewster Global Holdings Limited, which is a company incorporated in the British Virgin Islands with limited liability.

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee (the "**Audit Committee**") of the Board. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 were approved and authorised for issue by the Board on 30 August 2022.

2. BASIS OF PREPARATION

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

These 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 2021.

These condensed consolidated interim financial statements are presented in Singapore Dollars ("**S$**") and all values in this announcement are rounded to the nearest thousand ("**S$'000**") except when otherwise indicated.

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 annual financial statements of the Group for the year ended 31 December 2021.

The Group has applied for the first-time the standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standards, interpretation or amendments that has been issued but is not yet effective.

The adoption of the above amendment 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 the reports reviewed by the executive Directors, being the chief operating decision-marker ("**CODM**"), that are used to make strategic decisions. These condensed consolidated interim financial statements which were reported to the CODM based on the following segments:

(i) Provision of earthworks and related services, mainly include excavation, earth disposal, demolition and various earthwork ancillary services (collectively referred as "**Earthworks and 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 was no inter-segment revenue during the respective periods. Operating revenue, direct costs, gain on disposals of property, plant and equipment (including plant and machinery and motor vehicles), interest expenses on lease liabilities, provision for expected credit loss ("**ECL**") on trade receivables and bad debts recovered, were allocated to different segments to assess corresponding performance.

Corporate and unallocated expenses mainly included Director's emoluments, employee benefit expenses, depreciation of office equipment and other centralised administrative cost for the Group's headquarter.

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:

For the six months ended 30 June 2022 (unaudited)

	Earthworks and ancillary services S$'000	General construction works S$'000	Total S$'000
Revenue from external customers	**38,896**	**3,577**	**42,473**
Reconciliation:			
Reportable segment results	**3,023**	**337**	**3,360**
Unallocated other income and gains			**1,414**
Corporate and other unallocated expenses			**(3,182)**
Interest on borrowings			**(40)**
Share of result of associates			**48**
Profit before income tax			**1,600**

For the six months ended 30 June 2021 (unaudited)

	Earthworks and ancillary services S$'000	General construction works S$'000	Total S$'000
Revenue from external customers	33,741	7,647	41,388
Reconciliation:			
Reportable segment results	1,792	358	2,150
Unallocated other income and gains			1,496
Corporate and other unallocated expenses			(3,079)
Interest on borrowings			(50)
Share of result of associates			(8)
Profit before income tax			509

(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 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
Earthworks and ancillary services	**47,597**	49,433
General construction works	**8,412**	8,790
Total	**56,009**	58,223
Additions to non-current segment assets:		
Earthworks and ancillary services	**1,614**	5,908
Total	**1,614**	5,908

	As at 30 June 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
Reportable segments assets	**56,009**	58,223
Corporate and other unallocated assets	**53,724**	53,617
Group assets	**109,733**	111,840

Corporate and other unallocated assets mainly included deposit, prepayments, other receivables due from related parties and advance payment to suppliers.

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

Reportable segment liabilities

	As at 30 June 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
Earthworks and ancillary services	**14,517**	15,652
General construction works	**490**	1,225
Total	**15,007**	16,877

	As at 30 June 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
Reportable segments liabilities	**15,007**	16,877
Borrowings	**3,685**	4,296
Corporate and other unallocated liabilities	**2,971**	4,160
Group liabilities	**21,663**	25,333

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

5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2022	2021
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customer and recognised over time:		
Earthworks and ancillary services	**38,896**	33,741
General construction works	**3,577**	7,647
Total	**42,473**	41,388

Earthworks and ancillary services include revenue of S$35,390,000 (30 June 2021: S$31,135,000) from earthworks and S$3,506,000 (30 June 2021: S$2,606,000) from earthwork ancillary services.

(b) Transaction price allocated to remaining performance obligations

As at 30 June 2022, the transaction price allocated to performance obligations that were unsatisfied (or partially unsatisfied) in relation to project works was S$217,262,000 (30 June 2021: S$166,108,000). The Directors expect that the unsatisfied performance obligations will be recognised as revenue from 1 to 5 years according to the contract period.

(c) Other income and gains recognised during the respective periods are as follows:

	Six months ended 30 June	
	2022	2021
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Other income		
Management service income	**197**	117
Interest income on financial assets at amortised cost	**13**	32
Bad debts recovered	**158**	199
Rental income from investment property	**54**	56
Dividend income from financial assets at FVOCI	**28**	26
Sales of scrap materials and consumables	**238**	97
Government grant	**513**	810
Others	**3**	–
	1,204	1,337
Gains		
Gains on disposals of property, plant and equipment	**202**	364
Fair value gain on financial assets at FVTPL	**87**	–
Net foreign exchange gain	**281**	358
	570	722
	1,774	2,059

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Interest expenses from financial liabilities at amortised cost:		
– Interest on lease liabilities	**75**	190
– Interest on borrowings wholly repayable within five years	**40**	50
	115	240

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment *	**3,955**	4,912
Depreciation of investment property **	**6**	6
Direct operating expenses arising from investment property that generated rental income	**13**	9
Employee benefit expenses (including Directors' remuneration):		
– Salaries, wages and bonuses	**8,911**	8,487
– Equity-settled share option expense	**48**	333
– Defined contribution retirement plan	**349**	313
– Other short-term benefits	**1,563**	1,346
Provision for ECL on contract assets	**252**	–
Provision for ECL on trade receivables	**528**	–

* *Depreciation of property, plant and equipment amounted to S$3,815,000 (30 June 2021: S$4,765,000) has been included in direct costs and S$140,000 (30 June 2021: S$147,000) in administrative and other operating expenses.*

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

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Current tax – Singapore income tax		
Charge for the period	**26**	87
Deferred tax		
Charge for the period	**243**	–
Income tax expense	**269**	87

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 2022 and 2021.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit for the period of S$1,331,000 (30 June 2021: S$422,000) and on the weighted average number of 1,036,456,000 (30 June 2021: 1,036,456,000) ordinary shares in issue during the Reporting Period.

The calculation of diluted earnings per share for the six months ended 30 June 2022 is based on the profit for the period of S$1,331,000 (30 June 2021: S$422,000) and on the weighted average number of ordinary shares adjusted for the effects of dilution from the Group's share options of 1,126,044,000 (30 June 2021: 1,115,680,000).

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group incurred capital expenditures of S$942,000 (30 June 2021: S$1,602,000) in plant and machinery, S$672,000 (30 June 2021: S$224,000) in motor vehicles and S$21,000 (30 June 2021: S$1,434,000) in furniture, fixtures and office equipment.

Items of property, plant and equipment with net book value amounting to S$227,000 (30 June 2021: S$98,000) were disposed off during the Reporting Period, resulting in a gain on disposal of S$202,000 (30 June 2021: S$364,000).

12. TRADE RECEIVABLES

	Notes	**As at 30 June 2022 S$'000 (Unaudited)**	As at 31 December 2021 S$'000 (Audited)
Trade receivables		**21,172**	19,516
Retention receivables		**371**	557
	(a)	**21,543**	20,073
Less: Provision for ECL on trade receivables and retention receivables		**(1,707)**	(1,337)
	(b)	**19,836**	18,736
Total trade receivables, net			
– Non-related parties		**18,705**	17,684
– Related parties	*(c)*	**1,131**	1,052
		19,836	18,736

Notes:

(a) During the Reporting Period, credit period granted to the Group's customers was generally within 30 (31 December 2021: 30) days from invoice date of the relevant contract revenue. Some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually one year) after completion of the contract. Retention receivables are unsecured and interest-free.

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

	As at 30 June 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
0 to 30 days	**7,911**	8,586
31 to 90 days	**7,434**	7,851
91 to 180 days	**2,582**	712
181 to 365 days	**976**	311
Over 365 days	**933**	983
	19,836	18,443
Retention receivables	**–**	293
	19,836	18,736

Ageing analysis of the Group's trade receivables that were not impaired is as follows:

	As at 30 June 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
Neither past due nor impaired	**7,911**	8,586
1 to 30 days past due	**4,075**	4,615
31 to 90 days past due	**4,940**	3,622
91 to 180 days past due	**1,639**	395
181 to 365 days past due	**338**	242
Over 365 days past due	**933**	983
	19,836	18,443
Retention receivables	**–**	293
	19,836	18,736

The Group's trade receivables as at the reporting dates that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. The Group does not hold any collateral in respect of trade receivables past due but not impaired.

Movement in the provision for ECL on trade receivables is as follows:

	As at 30 June 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
Balance at beginning of the period/year	**1,337**	1,405
Provision for ECL, net	**528**	220
Bad debts recovered	**(158)**	(271)
Written off	**–**	(17)
	1,707	1,337

(c) The receivables from these related parties were unsecured, interest-free and repayable on demand. The trading transactions with these related parties with the Group are detailed in Note 19.

13. CASH AND CASH EQUIVALENTS

	As at 30 June 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
Cash and bank balances	**27,095**	32,790
Time deposits with an original maturity of less than three months	**2,000**	–
	29,095	32,790
Less: Pledged deposits *(Note)*	**(1,276)**	(1,276)
Cash and cash equivalents	**27,819**	31,514

The bank balances bear interest at floating rates based on daily bank deposits rates. Short term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

Note:

As at 30 June 2022 and 31 December 2021, pledged deposits are restricted bank balances to secure:

i. the guarantee arrangement and the issuance of performance bonds (Note 20); and

ii. the banking facilities including letter of credits, overdraft and bank guarantee amounting to S$17,500,000 (31 December 2021: S$17,500,000).

14. TRADE PAYABLES

	Notes	As at 30 June 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
Trade payables	*(a)*	**6,074**	6,701
Retention payables		**436**	404
	(b)	**6,510**	7,105
Total trade payables			
– Non-related parties		**5,828**	7,006
– Related parties	*(c)*	**682**	99
		6,510	7,105

Notes:

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

(b) Ageing analysis of trade payables, based on invoices date, is as follows:

	As at 30 June 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
0 to 30 days	**2,874**	4,645
31 to 90 days	**1,354**	1,482
91 to 180 days	**1,405**	420
Over 180 days	**877**	558
	6,510	7,105

(c) The trading transactions with these related parties with the Group are detailed in Note 19.

15. BORROWINGS

As at 30 June 2022, the Group's borrowings amounted to S$3.7 million (31 December 2021: S$4.3 million).

16. LEASES

As Lessor

Future minimum rental receivables under non-cancellable operating lease of the Group as at the reporting dates are as follows:

	As at 30 June 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
Within one year	**99**	75
Within second to fifth year	**37**	36
	136	111

The Group leases its investment property under operating lease. The leases run for an initial period of 1 to 2 years. None of these leases includes any contingent rentals.

17. SHARE CAPITAL

	Number of shares	Amounts S$'000
Authorised:		
Ordinary share HK$0.01 each		
At 31 December 2021 (audited) and 30 June 2022 (unaudited)	10,000,000,000	17,430
Issued and fully paid:		
At 31 December 2021 (audited) and 30 June 2022 (unaudited)	1,036,456,000	1,767

18. COMMITMENTS

The Group had the following commitments as at the reporting dates in respect of:

	As at 30 June 2022 S$'000 (Unaudited)	As at 31 December 2021 S$'000 (Audited)
Contracted but not provided for, in respect of acquisition of		
– Property, plant and equipment	**1,877**	1,881

19. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group had the following material related party transactions during the respective periods:

	Six months ended 30 June	
	2022 S$'000 (Unaudited)	2021 S$'000 (Unaudited)
Construction contract work and ancillary services income received from related parties *(Note)*	**375**	860
Construction costs and related supporting service fees charged by related parties *(Note)*	**3,316**	3,035
Rental expenses charged by related party	**48**	48

Note:

These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

All the transactions with the related parties were negotiated and carried out in the ordinary course of business and at terms agreed between the parties.

(b) Compensation of key management personnel

The remuneration of the Directors and other members of key management for the six months ended 30 June 2022 and 2021 are as follows:

	Six months ended 30 June	
	2022	2021
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**1,076**	1,126

20. CONTINGENT LIABILITIES

Performance bonds provided for in the ordinary course of business

As at 30 June 2022, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of S$3,588,000 (31 December 2021: S$3,588,000). The guarantees in respect of performance bonds issued by banks are secured by pledged deposits (Note 13).

21. EVENTS AFTER THE REPORTING PERIOD

No significant event occurred after 30 June 2022.

22. APPROVAL OF THE INTERIM REPORT

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 were approved and authorised for issue by the Board on 30 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overall Performance

As a mainstay earthworks contractor that has enjoyed a market-leading position in Singapore for more than two decades, the Group has always been committed to providing timely and reliable quality services with integrity and best-in-class workmanship while complying with all safety and regulatory requirements.

In the first half of 2022, the global economy continued an uneven recovery amid lingering risks due to the persistence of Coronavirus Disease 2019 ("**COVID-19**" or the "**pandemic**") and a growing threat of inflation. Nevertheless, with the pandemic situation in Singapore stabilised, the construction activities started to resume in the first quarter of the year, leading to a gradual rebound in the construction sector's output. Benefiting from the recovery of the industry, the Group recorded a moderately positive performance during the period under review, with revenue rising to approximately S$42.5 million, an increase of 2.6% from the same period last year, largely in line with growth reported by the Singapore's Ministry of Trade and Industry ("**MTI**"). Yet, given the slower progress of several infrastructure development projects in the country, such as the previously secured Mass Rapid Transit ("**MRT**") Cross Island Line project, the Group recorded a smaller-than-expected improvement in its overall revenue. Amid delays to the progress of mega-earthworks projects, the Group did not delay in shifting its tender strategies to short-term projects of less than 12 months that required immediate commencement in order to utilise the idle period caused by the elongation of large-scale project timelines.

Applying strategic financial discipline and cost management, the Group's gross profit during the period under review surged 116.9% from the same period last year to reach to approximately S$3.9 million. Following the relaxation of border restrictions, in particular between Singapore and Malaysia, labour shortage problems were mitigated as higher overheads related to quarantine requirements for migrant workers were no longer an expense. During the Reporting Period, the Group received a construction levy rebate for foreign workers, which partially offset its financial burden. Subsequently, net profit for the period attributable to owners of the Company amounted to approximately S$1.3 million, more than doubling from the same period last year.

The Group continued to capitalise on its proven track record and brand recognition in the industry, and managed amid fierce competition to secure mega-projects with higher profit margins in the public and private residential, commercial and industrial segments. Following its upgrade to the status of A2-grade contractor, the Group was able to bid for larger projects and secured 13 earthworks projects with a combined contract value exceeding S$21.7 million. It also participated in two mega-projects in the General construction works segment during the period under review. In the challenging operating landscape, the Group diversified its operating risk by tapping the property market through redevelopment project investment, and recorded profit from its shares in a joint venture.

Industry Review

In the first half of 2022, the resurgence of COVID-19 and resulting economic fallout had varying impacts across countries. Global business conditions remained challenging, with rising economic uncertainty compounded by escalating geopolitical tensions, growing financial instability and surging inflation. The human tragedy of the Russian-Ukraine war had a significant impact on the global economy, hindering any recovery. The MTI revealed that the country's gross domestic product ("**GDP**") growth in the first quarter was 3.7% on a year-on-year basis, down from 6.1% in the previous quarter. Nevertheless, with the reopening of Singapore's borders to all fully vaccinated travellers since 1 April 2022, the country's economic recovery was back on track, with 4.8% growth recorded on a year-on-year basis in the second quarter of the year.

Following the relaxation of community and border restrictions in the country, more foreign workers, especially fully vaccinated non-Malaysian work permit holders have returned to Singapore with in-principle approval documents, easing the labour crunch, particularly in the construction sector. The unemployment rate continued to fall close to pre-pandemic levels, according to the Singapore's Ministry of Manpower.

In the construction sector, data released by the MTI indicated year-on-year growth of 2.1% in the first quarter, easing from 2.9% in the previous quarter, attributable mainly to a pick-up of activity in both the private and public sectors. According to the Singapore's Building and Construction Authority ("**BCA**"), the construction industry is expected to register annual average growth of 4.5% from 2023 to 2026, with the support of an increase in the total value of contracts awarded for construction, coupled with investments in transport, housing, renewable energy and manufacturing infrastructure projects. The total value of construction contracts is estimated to be between US$20.3 and US$24 billion in 2022. Thanks to Singapore's Home Improvement Programme, a strong pipeline of public housing projects has supported the public sector construction activity, and is expected to contribute 60% of its value. Yet, the construction market in Singapore has remained precarious due to the country's dependence on imports of all construction materials. Global supply chain challenges persist amid rising worldwide demand, supply shortages and supply chain bottlenecks continue to push up the costs of key construction materials. As a result, construction commodity prices in Singapore are expected to remain at record high levels during the year, according to the latest commodity report released by Linesight, a global construction consultancy.

In view of the continued labour shortages and elevated operating costs arising from the pandemic, Singapore's government extended support measures for the industry – including the launch of financial assistance through the foreign worker levy rebate, construction support packages and legislative relief through the COVID-19 (Temporary Measures) Act, that aim to foster its business sustainability and longer-term resilience. Meanwhile, project loans to the domestic construction sector through the enhanced Enterprise Financing Scheme have been extended for another year, from 1 April 2022 to 31 March 2023, to facilitate the spread of the recovery in the sector.

Under the challenging yet gradually recovering environment in Singapore, the Group has continued to leverage its extensive experience and pragmatic strategies to sustain its profitability.

Earthworks and ancillary services

Earthworks and ancillary services segment remained the Group's primary revenue source, accounting for approximately 91.6% of total revenue. During the period under review, revenue from the segment amounted to approximately S$38.9 million, increasing from S$33.7 million during the same period last year. The increase was attributable mainly to an increased number of projects completed following the progressive resumption of the Group's operations and its strategic tendering approach to win short-term projects.

During the Reporting Period, the Group was engaged in 13 ongoing Earthworks and ancillary services projects, including project related to the construction of sewerage at Tuas South and noise control barrier works on bridges, with a total contract value of approximately S$21.7 million.

General construction works

During the period under review, tendering opportunities in the General construction works segment were somewhat limited, leading to a smaller revenue contribution of approximately 8.4%, or S$3.6 million.

Despite the highly competitive tendering process in the segment, the Group continued to take a conservative approach to project bidding and decided strategically to allocate increased resources to the Earthworks and ancillary services segment.

FINANCIAL REVIEW

Revenue and Gross Profit

	For six months ended 30 June 2022			For six months ended 30 June 2021		
	Revenue recognised S$'000	**Gross profit S$'000**	**Gross profit margin**	Revenue recognised S$'000	Gross profit S$'000	Gross profit margin
Earthworks and ancillary services	**38,896**	**3,481**	**8.9%**	33,741	1,493	4.4%
General construction works	**3,577**	**374**	**10.5%**	7,647	284	3.7%
Total	**42,473**	**3,855**	**9.1%**	41,388	1,777	4.3%

The total revenue of the Group for the six months ended 30 June 2022 amounted to approximately S$42.5 million, representing a slight increase of approximately S$1.1 million or 2.6% as compared to the corresponding period in 2021. The increase was mainly attributable to the gradual resumption in construction activities subsequent to the stabilised pandemic situation in Singapore during the first half of the year, which resulted in more income recognised upon project completion. With the increase in revenue, coupled with disciplined financial management, the Group reported a surge in gross profit of 116.9% to approximately S$3.9 million (30 June 2021: approximately S$1.8 million). Gross profit margin also registered an increase to approximately 9.1% (30 June 2021: approximately 4.3%).

Earthworks and ancillary services

During the Reporting Period, Earthworks and ancillary services segment remained the key revenue contributor for the Group, accounting for approximately 91.6% of its total revenue. Thanks to the Group's strategic tendering approach to win shorter-term projects with an increase in the number of completed projects, segmental revenue increased by approximately 15.3% year-on-year to approximately S$38.9 million (30 June 2021: approximately S$33.7 million). Although the operating costs increased along with the resumption of operations, the increase in recognised revenue drove the segmental gross profit to approximately S$3.5 million (30 June 2021: approximately S$1.5 million).

General construction works

For the six months ended 30 June 2022, the Group's revenue contribution in the segment contracted by approximately 53.2% to approximately S$3.6 million, mainly due to limited tendering opportunities. In response, the Group strategically allocated more resources in Earthworks and ancillary services segment and shifted its focus on projects with higher profitability. Guided by the Group's effective strategies and stringent cost control measures, segmental gross profit thus increased to S$374,000, representing an increase of approximately 31.7% (30 June 2021: S$284,000).

Other Income and Gains

Other income and gains amounted to approximately S$1.8 million for the six months ended 30 June 2022, representing a decrease of S$285,000 or approximately 13.8% as compared to the previous period. Such decline was mainly due to the decrease in financial relief from the Singapore government during the Reporting Period.

Administrative and Other Operating Expenses

For the six months ended 30 June 2022, administrative and other operating expenses increased by approximately 3.3% to approximately S$3.2 million (30 June 2021: S$3.1 million), primarily attributable to the increase in labour overheads which was mostly in line with the improved performance of the Group.

Other Expenses

Other expenses for the six months ended 30 June 2022 were S$780,000 (30 June 2021: Nil), mainly due to the provision for ECL on trade receivables and contract assets during the period under review.

Finance Costs

For the six months ended 30 June 2022, finance costs decreased by approximately 52.1% from S$240,000 in the previous period to S$115,000, principally due to the decrease in interest on lease liabilities and on borrowings wholly repayable within five years.

Share of Result of Associates

Share of result of associates of the Group for the six months ended 30 June 2022 amounted to S$48,000 (30 June 2021: loss of S$8,000), primarily generated from the investment in property redevelopment project.

Income Tax Expense

For the six months ended 30 June 2022, income tax expense amounted to S$269,000, while income tax expense of S$87,000 was recorded in the previous period.

Net Profit for the Period and Net Profit Margin

Combining the aforementioned factors, net profit for the period amounted to approximately S$1.3 million, representing an increase of approximately 215.4% from S$422,000 in the last corresponding period. Net profit margin was approximately 3.1% for the six months ended 30 June 2022 (30 June 2021: approximately 1.0%).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

The financial position of the Group remained sound and healthy during the Reporting Period, with working capital mainly financed by its internally generated funds, net proceeds from global offering of the ordinary shares (the "**Shares**") of HK$0.01 each in the share capital of the Company in 2016 (the "**Global Offering**") as well as borrowings. As at 30 June 2022, the Group had cash and cash equivalents of approximately S$27.8 million (31 December 2021: approximately S$31.5 million). The decline was mainly attributable to the investment in a joint venture for redevelopment and construction of private properties, repayments of lease liabilities and borrowings.

To better manage liquidity risk, the Group continued to closely monitor its level of cash and cash equivalents which was deemed adequate to finance its operations and mitigate the effects of unexpected fluctuations in cash flows.

Use of Proceeds

The net proceeds from the Global Offering were approximately S$26.5 million (after deducting underwriting fees, commissions and listing expenses) (the "**Net Proceeds**"), out of which approximately S$25.7 million was utilised as at 30 June 2022.

Intended applications	**Planned use of Net Proceeds** S$'000	**Amount utilised up to 31 December 2021** S$'000	**Amount utilised during the Reporting Period** S$'000	**Amount utilised up to 30 June 2022** S$'000	**Unutilised balance up to 30 June 2022** S$'000	**Expected timeline of full utilisation of the remaining unutilised amount** *(Note 2)*
Purchase of excavation machines and tipper trucks *(Note 1)*	17,736	17,736	–	17,736	–	
Purchase of software	2,085	1,223	74	1,297	788	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	–	
Total	26,482	25,620	74	25,694	788	

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 unutlised Net Proceeds of 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 business scale and projects of the Company, the number of tipper trucks, excavators and telescopic excavators acquired by the Group since the listing of the Shares in 2016 and the average replacement cycle of tipper trucks, excavators and telescopic excavators, 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 2022, the Group did not fully utilise the Net Proceeds to purchase softwares. The Group had purchased softwares from a vendor which charged the Group at a price lower than originally quoted, resulting in a huge saving to the Group. 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 the Net Proceeds. The unutilised amount is expected to be used in accordance with the intended purpose as disclosed.

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

Borrowings and Gearing Ratio

As at 30 June 2022, the Group had an aggregate of current and non-current bank borrowings and lease liabilities of approximately S$9.0 million, a decrease from approximately S$11.4 million as at 31 December 2021. As at 30 June 2022, the Group's gearing ratio was approximately 0.10 times (31 December 2021: approximately 0.13 times). Gearing ratio was calculated by dividing total borrowings (bank borrowings and lease liabilities) by total equity as at the end of the respective period.

Foreign Exchange Exposure

With main operations in Singapore, most of the transactions of the Group are settled in Singapore Dollars which is the functional currency. Yet, a portion of the cash and cash equivalents generated from the Global Offering was converted to Hong Kong Dollars with a small portion denominated in United States Dollars. The Group has no significant foreign exchange risk due to limited foreign currency transactions other than the functional currency of respective entities. The Group would closely monitor this risk exposure from time to time.

Charges on Group's Assets

As at 30 June 2022, the Group's banking facilities were secured by the pledge of the Group's deposits of approximately S$1.3 million (31 December 2021: approximately S$1.3 million), while the Group's lease liabilities were secured by the charge over the leased assets of net book value of approximately S$8.1 million (31 December 2021: approximately S$8.5 million).

Contingent Liabilities

As at 30 June 2022, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business in the amount of approximately S$3.6 million as compared to approximately S$3.6 million for the year ended 31 December 2021. The guarantees in respect of performance bonds issued by banks are secured by pledged deposits.

Capital Expenditures and Capital Commitments

For the six months ended 30 June 2022, the Group invested approximately S$1.6 million in the purchase of property, plant and equipment and right-of-use assets, which were mainly funded by finance lease liabilities and working capital.

As at 30 June 2022, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$1.9 million (31 December 2021: approximately S$1.9 million).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND DISCLOSEABLE TRANSACTIONS DURING THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 19 July 2022, on 19 July 2022, after arm's length negotiations, Chuan Lim Construction Pte. Ltd. ("**Chuan Lim**"), a company incorporated in Singapore with limited liability which is an indirect wholly-owned operating subsidiary of the Company, and JVA East Coast Pte. Ltd. ("**JVA East Coast**") entered into an investment settlement letter, whereby the parties agreed that upon JVA East Coast's settlement of a total sum of S$910,000 (the "**Settlement Sum**"), the investment agreement (the "**JVA East Coast Investment Agreement**") entered into between Chuan Lim and JVA East Coast relating to a project to redevelop and construct a piece of land at 10 Grove Crescent, Singapore 279152 into four units of terrace landed house and their subsequent sale should be terminated and the parties should be released and discharged from any further obligations or liabilities thereunder.

The Settlement Sum had been settled. The Board considers that the termination of the JVA East Coast Investment Agreement has no material adverse impact on the business, operation or financial position of the Group. For further details, please refer to the announcement of the Company dated 19 July 2022.

Save as disclosed above, during the Reporting Period and up to the date of this announcement, there has been no material change on the current information in relation to the significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures and discloseable transactions from the information as disclosed in the annual report of the Company for the year ended 31 December 2021.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2022, the Group had 537 (31 December 2021: 517) employees including foreign workers. The Group's total remuneration including Directors' emoluments for the six months ended 30 June 2022 amounted to approximately S$10.9 million (30 June 2021: approximately S$10.5 million).

Employees of the Group were remunerated according to their job duties and market trends. All employees were also entitled to discretionary bonus depending on their respective performance. 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. The Company has also adopted a share option scheme to recognise and reward the contribution of the employees for the benefit of the Group's operations and future development.

PROSPECTS

Given that more countries have reopened internal and external borders, with a gradual resumption of business activities, the persistence of COVID-19 still poses a risk to the global economy. In addition, exacerbated inflationary pressures, disruptions to global supply chains, and tightening monetary policy are likely to dampen economic growth. Due to these headwinds, the International Monetary Fund expects global economic growth to slow amid a more gloomy and uncertain outlook. In Singapore, the MTI has narrowed the country's GDP growth forecast to 3% - 4% for 2022 to reflect the deteriorating global economic environment.

The construction sector has nonetheless been progressively gaining momentum, driven by well-thought-out support measures implemented by the government and amid a labour market revival. The relaxation of border restrictions on inflows of labour since the end of March and the 2022 financial year budget announced in February – which includes development expenditure of US$13 billion and states Singapore's aim to become carbon-neutral by 2050, are expected to drive infrastructure investment in the country and continue to lead the sector's recovery. Moreover, the government has announced a plan to issue up to US$26.3 billion of green bonds by 2030 to fund the public sector development of green infrastructure projects. Together with the goal of long-term growth, the construction sector will be supported by the country's development plan, with approximately US$75.8 billion to be spent on developing transport infrastructure over the eight years to 2030. The planned infrastructure projects will create numerous opportunities for the industry and offer bright prospects to the market in medium to long term.

The award of the status of A2-grade contractor for civil engineering and general building in the BCA's Contractors Registry System last year is a testimony to the Group's strong capabilities, proven track record, and extensive experience and expertise, enabling it to participate in higher-value contract tenders and bringing it a step closer to success in direct tenders as a main contractor for new projects.

Leveraging its strong fundamentals and business resilience, the Group will continue to adopt a prudent yet strategic approach, focusing on the smooth execution of its healthy pipeline of ongoing construction projects. Meanwhile, the management team will adhere to the Group's strategic tendering approach by identifying suitable projects and placing a greater emphasis on those with higher profit margins. Thanks to a rebound in market demand and the unwavering efforts of the team in strategic tendering, the Group managed to secure another six new projects from 1 July 2022, including a major MRT Cross Island Line infrastructure project and several public residential projects.

The global economic outlook is expected to be increasingly bleak, which may weigh on the construction sector in Singapore. With this in mind, the Group will continue to pay close attention to the macroeconomic environment and implement contingency plans in a timely manner. It will continue to exercise stringent financial discipline and deploy cost management strategies, alongside an employee compensation scheme tied to operational and financial performance, to better navigate challenges amid a competitive environment, labour shortages and hefty energy and construction costs.

To further fuel future growth, the Group will tap rising demand in Singapore and seek fresh opportunities, particularly in public sector infrastructure projects. It will also seek to explore international business opportunities and enlarge its footprint through strategic partnerships with leading companies in both the Earthworks and ancillary services and General construction works segments. Remaining cautiously optimistic, the Group will continue to expand its presence in the General construction works segment by identifying suitable opportunities to develop public eco-infrastructure and private industrial projects. With regard to property market investment, the Group will remain prudent yet optimistic in this segment and has plans to boost investment when opportunities arise.

Looking ahead, although record-high commodity prices in Singapore are expected to persist in the second half of the year as the construction sector continues to grapple with rising price inflation, high material costs and shortages of skilled labour, the Group remains confident that the country will be well placed to transition from the pandemic and return to a relatively normal state, which will have a positive impact on the construction industry. As a veteran player in the earthworks and construction industry, the Group is well-equipped to continue its high performance to ensure the consistent execution and delivery of its projects. It will rise to new challenges that may arise, and will remain dedicated to preserving its market leadership while creating greater value for its shareholders.

CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, the Company complied with all the applicable code provisions (the "**Code Provision(s)**") of the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix 14 to the Listing Rules during the Reporting Period, with the deviation of Code Provision C.1.6 of the CG Code as Mr. Chan Po Siu, a then independent non-executive Director, was unable to attend the annual general meeting of the Company held on 27 May 2022 (the "**AGM**") due to other engagement. All other non-executive Directors, including independent non-executive Directors, did attend the AGM to respond to the shareholders (the "**Shareholders**") of the Company questions and enquiries in relation to their works, and to develop a balanced understanding of the Shareholders' views.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors, following specific enquiries made by the Company, have confirmed that they complied with the standard as required in the Model Code during the Reporting Period.

The Company has also adopted a written code of conduct regarding securities transactions by its relevant employees (including all employees of the Company and all directors and employees of the Company's subsidiaries and its holding company who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities, the "**Relevant Employees**") on terms no less exacting than the required standard set out in the Model Code. All Relevant Employees have been requested to follow such code when dealing in the securities of the Company.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors namely, Mr. Wong Ka Bo Jimmy (chairman), Mr. Wee Hian Eng Cyrus and Mr. Xu Fenglei.

At the request of the Audit Committee, Ernst & Young LLP, the auditor of the Company (the "**Auditor**"), has performed certain agreed-upon procedures on the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 in accordance with International Standards on Related Services 4400 (Revised) *Agreed-Upon Procedures Engagements*.

The agreed-upon procedures were performed solely to assist the Audit Committee to review the interim results of the Group for the six months ended 30 June 2022. Because the agreed-upon procedures did not constitute an assurance engagement performed in accordance with International Standards on Auditing or International Standards on Review Engagements, the Auditor does not express any assurance on the interim results of the Group for the six months ended 30 June 2022.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters, including the review of the unaudited consolidated interim results of the Group for the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the 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 (http://www.hkex.news.hk) and on the website of the Company (http://www.chuanholdings.com). The interim report of the Company for the six months ended 30 June 2022 will be available on the aforesaid websites and despatched to the Shareholders in due course.

By order of the Board
Chuan Holdings Limited
Phang Yew Kiat
Chairman and Non-executive Director

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprises Mr. Lim Kui Teng and Mr. Bijay Joseph as executive Directors; Mr. Phang Yew Kiat as non-executive Director; and Mr. Wee Hian Eng Cyrus, Mr. Wong Ka Bo Jimmy and Mr. Xu Fenglei as independent non-executive Directors.