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Chuan Holdings Limited

川 控 股 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

(1) GRANT OF SHARE OPTIONS; AND (2) CHANGE IN USE OF NET PROCEEDS

GRANT OF SHARE OPTIONS

The Board hereby announces that on 1 November 2022, the Company granted the Shares Options to subscribe for a total of 10,364,000 Shares, representing approximately 1% of the issued share capital of the Company, under the Share Option Scheme to Mr. Phang, subject to his acceptance.

CHANGE IN USE OF NET PROCEEDS

As disclosed in the 2022 Interim Report, the Unutilised Net Proceeds amounted to approximately S\$788,000 as at 30 June 2022. After careful and due consideration on the prevailing business environment and development needs of the Group, the Board resolved to reallocate the Unutilised Net Proceeds originally assigned for the purchase of software to be used for the purchase of excavation machines and tipper trucks.

GRANT OF SHARE OPTIONS

This section of announcement is made by Chuan Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.06A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

* *For identification purposes only*

Reference is made to the announcement of the Company dated 16 October 2020 in relation to, among others, the appointment of Mr. Phang Yew Kiat (“**Mr. Phang**”) as the chairman of the board (the “**Board**”) of directors (the “**Directors**”) of the Company and a non-executive Director for a term of three years commencing from 16 October 2020 (the “**Appointment**”).

The Board hereby announces that on 1 November 2022, the Company granted 10,364,000 share options (the “**Share Options**”) to subscribe for a total of 10,364,000 ordinary shares (the “**Shares**”) of HK\$0.01 each in the share capital of the Company, representing approximately 1% of the issued share capital of the Company, under the share option scheme (the “**Share Option Scheme**”) adopted by the Company on 10 May 2016 to Mr. Phang, subject to his acceptance.

The grant of the Share Options to Mr. Phang was made pursuant to the letter of appointment entered into between the Company and Mr. Phang in relation to the Appointment, whereby the Company agreed to pay Mr. Phang a nominal Director’s fee of HK\$1.00 per annum and grant to Mr. Phang share options which represent 1% of the issued share capital of the Company at the time of grant for each of the three years term, provided that the Appointment is not terminated before the end of each appointment year and subject to the terms and conditions of the Share Option Scheme.

Details of the Share Options are as follows:

Date of grant:	1 November 2022 (the “ Date of Grant ”)
Exercise price of the Share Options:	HK\$0.103 per Share, which represents the highest of: (i) the closing price of HK\$0.10 per Share as stated in the Stock Exchange’s daily quotations sheet on the Date of Grant; (ii) the average closing price of HK\$0.1024 per Share as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.01 per Share
Closing price of the Shares on the Date of Grant:	HK\$0.10 per Share

Validity period (exercise period) of the Share Options:	The Share Options will be exercisable from 16 October 2023 to 9 May 2026 (both days inclusive) (the “ Validity Period ”).
	None of the Share Options will be exercisable after the expiry of the Validity Period.

The grant of the Share Options to Mr. Phang had been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules.

CHANGE IN USE OF NET PROCEEDS

References are made to (i) the prospectus of the Company dated 25 May 2016 (the “**Prospectus**”) in relation to, among others, the proposed use of the net proceeds (the “**Net Proceeds**”) from the global offering of the Shares; (ii) the circular of the Company dated 7 March 2018 (the “**Circular**”) in relation to, among others, the change in use of the Net Proceeds; (iii) the announcement of the Company dated 23 January 2019 (the “**Announcement**”) in relation to, among others, the reallocation of the Net Proceeds; and (iv) the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”) in relation to, among others, the use of the Net Proceeds. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the 2022 Interim Report.

Previous Change in Use of the Net Proceeds

The Net Proceeds, after deducting underwriting fees, commissions and listing expenses, were approximately S\$26.5 million. The original intended use of the Net Proceeds was disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As disclosed in the Prospectus and the Circular, since the Company did not enter into any agreement for securing earth filling project by 31 October 2017, the Reallocated Proceeds of S\$6,607,000 originally assigned to securing earth filling project was reassigned to the purchase of additional excavation machines and tipper trucks. After taking into account 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 Major Transaction in March 2018. As disclosed in the Announcement, 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. For further details, please refer to the Prospectus, the Circular and the Announcement.

Further Change in Use of the Net Proceeds

As disclosed in the 2022 Interim Report, the unutilised balance of the Net Proceeds (the “**Unutilised Net Proceeds**”) amounted to approximately S\$788,000 as at 30 June 2022. After careful and due consideration on the prevailing business environment and development needs of the Group, the Board resolved to reallocate the Unutilised Net Proceeds originally assigned for the purchase of software to be used for the purchase of excavation machines and tipper trucks.

The utilisation of the Net Proceeds as at the date of this announcement and the proposed change in use of the Unutilised Net Proceeds are set out below:

Intended applications	Planned use of the Net Proceeds (as disclosed in the Prospectus, the Circular and the Announcement) <i>S\$'000</i>	Amount utilised up to the date of this announcement <i>S\$'000</i>	Unutilised balance up to the date of this announcement <i>S\$'000</i>	Proposed use of the Unutilised Net Proceeds <i>S\$'000</i>
Purchase of excavation machines and tipper trucks	17,736	17,736	–	788
Purchase of software	2,085	1,297	788	–
Securing earth filling projects	–	–	–	–
Expand workforce	4,414	4,414	–	–
Working capital	2,247	2,247	–	–
	<u>26,482</u>	<u>25,694</u>	<u>788</u>	<u>788</u>
Total	<u>26,482</u>	<u>25,694</u>	<u>788</u>	<u>788</u>

The Unutilised Net Proceeds are expected to be fully utilised by the end of 2022.

Reasons for and Benefits of the Change in Use of the Net Proceeds

As disclosed in the 2022 Interim Report, as at 30 June 2022, the Group did not fully utilise the Net Proceeds to purchase software as the Group had purchased software from a vendor which charged the Group at a price lower than originally quoted, resulting in a huge saving to the Group. Meanwhile, with the gradual resumption in construction activities subsequent to the stabilised pandemic situation in Singapore and supported by the Singapore government’s development plan, it is anticipated that the planned infrastructure projects will create numerous opportunities for the construction industry in medium to long term. 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.

Taking into account (i) the business scale, the strategic development and the ongoing projects of the Group as at the date of this announcement, (ii) the software purchased by the Group since the listing of the Shares, and (iii) the average cycle for the updating or replacement of the software, the Company considers that the software currently acquired is sufficient for the Group's business operations based on its business scale and growth rate and there is a genuine need to purchase more excavation machines and tipper trucks to support the Group's business operations and strategy (including the expansion of the Group's production capacity), in order to undertake more projects and to seize new business opportunities amid the rebound in the market demands.

As such, in view of strengthening the efficiency and effectiveness of the capital use and enhancing the flexibility in financial management of the Group, the use of the Unutilised Net Proceeds is appropriately adjusted to better meet the current business needs of the Group, which also enables the Group to invest its financial sources in a more beneficial and effective way so as to cooperate in the future development of the Group and grasp the potential business opportunities in the future.

The Board considers that the change in use of the Unutilised Net Proceeds will not have any material adverse effect on the existing business and operations of the Group, is fair and reasonable, which allows the Group to meet its financial and operation needs more efficiently and flexibly, and is in the interest of the Group and the shareholders of the Company as a whole. The Board confirms that the business development direction of the Group is still in line with the disclosure in the Prospectus.

Save as disclosed above, there are no other changes in use of the Net Proceeds.

By order of the Board

Chuan Holdings Limited

Phang Yew Kiat

Chairman and Non-executive Director

Hong Kong, 1 November 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.