Chuan Holdings Limited

川控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Chuan Holdings Limited (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Year**" or "**Reporting Year**" or "**2022**").

OVERALL PERFORMANCE

As a key earthworks contractor in Singapore, the Group has built a formidable reputation as a market leader for more than two decades, consistently dedicating itself to providing timely, reliable and high-quality services with a commitment to integrity and the finest workmanship while adhering to all safety and regulatory requirements.

During the Reporting Year, geopolitical tensions among regions, global supply chain disruptions, and ongoing increases in interest rates dampened the global economic recovery. In Singapore, as the Coronavirus Disease 2019 pandemic ("**COVID-19**" or "**pandemic**") remained stable, the government began to establish a "new normal" with a further easing of community and border restrictions, leading to a revival in business activities. The construction sector also showed signs of recovery, thanks to the government's tireless efforts to promote new infrastructure projects, and construction activity resumed in a gradual manner.

* *For identification purposes only*

Redoubling its efforts to ensure an acceleration of activity and development, the Group recorded a revenue increase of approximately 3.7% compared to the previous year, generally in line with Singapore's overall economic growth in 2022, to reach approximately S$88.6 million. Although the industry was on a growth track, the Group's revenue growth was less rapid than expected, due mainly to the slower progress of several key infrastructure projects secured in previous years, which resulted largely from delays in commencements of upstream activities such as bored piling and diaphragm wall construction by the Group's clients, hindering the progressive recognition of its revenue. Nonetheless, the Group promptly adjusted its tendering strategies to focus additionally on short-term projects with tenures of less than 12 months that required immediate commencement to fill the gap caused by hiccups in mega-projects.

The Group's operating costs remained persistently high during the Reporting Year amid rising oil prices and higher labour and materials costs. Accordingly, the Group adopted stringent cost control measures such as shifting more construction works off-site, employing more foreign workers, and introducing environmental-friendly machinery to combat these cost pressures. Helped by revenue growth, the Group's gross profit surged approximately 42.9% to approximately S$6.2 million, up from approximately S$4.3 million as at 31 December 2021, and its gross profit margin stood at approximately 7.0%, higher than the gross profit margin of 5.1% recorded as at 31 December 2021. Although the Group received less government assistance and ceased to benefit from the construction levy rebate for foreign workers during the Reporting Year, its financial burden was partly offset. Subsequently, net profit attributable to owners of the Company amounted to approximately S$1.7 million, an increase of approximately 14.9% compared to the previous year.

The Group continued to leverage its proven track record and professional expertise in the industry, and managed to secure a total of 33 projects in public infrastructure, residential and industrial segments during the Reporting Year. In addition, its upgrade to A2-grade contractor status for civil engineering and general building in the Singapore's Building and Construction Authority ("**BCA**") Contractors Registry System in 2021 has enabled the Group to tender for sizable public sector projects, a step closer to achieving success in direct tenders as a main contractor. The Group strategically partnered with enterprises with complementary skills and capabilities during the Reporting Year to launch bids in the government's infrastructure segment and increase its chances of winning such bids. Moreover, to further enhance competitiveness, the Group has stepped up its investment in machinery with 3D features, which has helped to enhance productivity, improve safety and reduce labour requirements, and, most importantly, to achieve sustainability goals by reducing fuel consumption.

In a move to bolster its presence in Singapore and diversify its operational risks, the Group sought to expand into the property redevelopment business. Through collaborating with prominent and reputable listed companies, the Group invested in landmark projects in Singapore to diversify its investments. During the Reporting Year, these investments bore fruit, with redevelopment projects already fruiting fair value gain. Leveraging its extensive experience in the industry, the Group will continue to seize redevelopment joint-venture project opportunities to meet rising demand in the industrial and commercial property markets.

INDUSTRY REVIEW

During the Year, global economic growth was overshadowed by surging inflation, tightening monetary policy and escalating geopolitical tensions between regions, despite the easing of COVID-19. Amid this challenging economic environment, Singapore's economy recorded slower growth of 3.6% in 2022, down from 7.6% in 2021 due largely to weaker external demand, according to the Ministry of Trade and Industry of Singapore ("**MTI**").

Following the relaxation of pandemic-related restrictions, Singapore's construction industry expanded 6.7% year-on-year, thanks mainly to the increased construction output in both the public and private sectors. Preliminary total construction demand for 2022 reached S$29.8 billion, which was within the BCA's forecast of S$27 billion to S$32 billion. Construction demand remained robust during the Reporting Year, supported by a strong pipeline of residential and infrastructure projects in both the private and public sectors, including constituent projects of the Home Improvement Programme alongside healthcare and infrastructure developments. Construction demand reached S$17.9 billion in the public sector and S$11.9 billion in the private sector.

Despite recovering sentiment in the construction industry, the sector still faced notable challenges, such as labour and materials shortages and resulting cost pressures. In addition, the sector's government-granted foreign worker levy rebate was phased out in the second half of the Year. Higher workers' dormitory costs resulting from supply shortages remained one of the most pressing issues.

In order to drive economic growth, Singapore's government pushed ahead with several key infrastructure projects, including the first phase of the Cross Island Mass Rapid Transit ("**MRT**") Line project, the Jurong Region MRT Line and healthcare facilities for the Ministry of Health of Singapore, resulting in an increase in employment. Total employment grew by an unprecedented 231,700 in 2022, exceeding the pre-pandemic level by 3%, according to the Ministry of Manpower of Singapore. The increase was driven mainly by the inflow of non-local residents following the relaxation of border controls in April 2022 and their backfilling of vacancies, particularly in industries that are more reliant on foreign labour, such as construction industry. At the same time, employment among local residents showed a recorded improvement, albeit at a slower pace than in 2021, as the unemployment rate gradually fell.

In order to drive growth, Singapore's government announced in August 2022 that mega-infrastructure projects such as the North-South Corridor, Changi Airport's Terminal 5, Tuas Port and the new town in Paya Lebar would be key sector developments, and that spending on these projects would aid the construction industry's growth for the next three to four years. In addition, the government also announced the launch of an online marketplace, aiming to connect major stakeholders – governments, developers and financiers – while improving the visibility of the infrastructure project pipeline across the region to support infrastructure development. With an estimated total infrastructure investment requirement of US$2 trillion to build sustainable infrastructure in Southeast Asia by 2030, it is believed that such projects will present enormous opportunities for the industry.

Amid the gradual improvement in construction activity, the Group maintained a pragmatic approach to its operations in the face of a complex and volatile macro environment, and preserved its competitive edge in order to support the government's plans to enhance high-productivity construction.

Revenue by Segment

Earthworks and Ancillary Services

During the Reporting Year, the earthworks and ancillary services segment remained the Group's major source of revenue, accounting for approximately 90.5% of total revenue, or approximately S$80.2 million, up from approximately S$71.4 million for the financial year ended 31 December 2021. The increase was attributable mainly to the gradual pick-up in construction activity, providing the Group with room for execution on projects secured in previous years and in 2022.

The Group was engaged in a total of 78 ongoing earthworks and ancillary services projects as at 31 December 2022. It secured 29 new projects in the segment, with a total contract value of approximately S$68.8 million during the Reporting Year. The Group persevered with its strategic tendering approach to win sizeable public infrastructure projects with higher margins and values, while adjusting to tendering for smaller projects with immediate commencement requirement to prevent resources becoming idle.

General Construction Works

In the general construction works segment, fierce competition persisted as projects in the commercial sector increased amid the refurbishment of attractions and hotels in preparation for a revival of inbound travel. However, the segment experienced a delayed pick-up in activity, resulting in a smaller-than-expected revenue contribution of approximately S$8.4 million, down from approximately S$14.0 million as at 31 December 2021.

The Group was engaged in 7 ongoing general construction works projects during the Reporting Year. It secured 4 new general construction works projects in 2022 with a total contract value of approximately S$29.2 million.

FINANCIAL REVIEW

Results for the Year

Revenue and Gross Profit

	2022			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	**80,179**	**5,691**	**7.1%**	71,438	3,975	5.6%
General construction works	**8,426**	**507**	**6.0%**	13,978	362	2.6%
Total	**88,605**	**6,198**	**7.0%**	85,416	4,337	5.1%

The total revenue of the Group for the year ended 31 December 2022 amounted to approximately S$88.6 million, representing a mild increase of approximately S$3.2 million or 3.7% as compared to the year ended 31 December 2021. The increase was mainly attributable to the gradual revival in construction industry in Singapore subsequent to stabilised COVID-19 situation upon the lifting of border and community measures. Nonetheless, the Group's revenue growth was slower than expected largely due to the slower progress of several key infrastructure projects secured in previous years. Thanks to the Group's disciplined financial management, coupled with its pragmatic strategies in enhancing productivity, the Group recorded a surge in gross profit of approximately 42.9% to approximately S$6.2 million (31 December 2021: approximately S$4.3 million), while gross profit margin also witnessed an increase to approximately 7.0% (31 December 2021: approximately 5.1%). With the increased revenue, coupled with the financial aids from Singapore government which helped alleviate part of the Group's financial burden, the Group's net profit attributable to owners of the Company accounted to approximately S$1.7 million (31 December 2021: approximately S$1.5 million).

Earthworks and Ancillary Services

During the Year, earthworks and ancillary services segment remained the key revenue contributor for the Group, accounting for approximately 90.5% of its total revenue. Following the progressive resumption of the Group's operations as well as its strategic approach in completing more short-term projects that required immediate commencement, segmental revenue increased by approximately 12.2% year-on-year to approximately S$80.2 million (31 December 2021: approximately S$71.4 million). The increase in recognised revenue alongside the effective cost control measures drove the segmental gross profit to increase to approximately S$5.7 million (31 December 2021: approximately S$4.0 million). Accordingly, the Group registered an increase in segmental profit amounting to approximately S$5.7 million for the Year (31 December 2021: approximately S$4.5 million).

Reflecting its favourable market position and strategic tendering approach, the Group successfully secured 29 new earthworks and ancillary services projects during the Reporting Year with a total contract value of approximately S$68.8 million. The Group had a total of 78 ongoing earthworks and ancillary services projects during the Reporting Year with an aggregate contract sum of approximately S$73.3 million.

General Construction Works

The total revenue contribution of this segment decreased to approximately S$8.4 million (31 December 2021: approximately S$14.0 million) during the Reporting Year, mainly dragged by the fierce competition as well as decreased tendering opportunities in the market. Given the drop in revenue, the Group managed to control its operating cost and achieve growth in segmental gross profit to approximately S$507,000 (31 December 2021: approximately S$362,000). Segmental profit amounted to approximately S$601,000 for the Year (31 December 2021: approximately S$216,000).

During the Reporting Year, the Group was deeply engaged in 7 general construction works projects. The Group continued to tender sizable projects so as to bolster its business by securing 4 new general construction works projects in 2022 with a total contract value of approximately S$29.2 million.

Other Income and Gains

Other income and gains amounted to approximately S$2.6 million for the year ended 31 December 2022, a decrease of approximately S$1.2 million as compared to the year ended 31 December 2021. Such decline was mainly attributable to the decrease in financial relief from Singapore government as well as wage support following the government's removal of the Jobs Support Scheme during the Year.

Administrative and Other Operating Expenses

During the Reporting Year, administrative and other operating expenses increased by approximately 10.1% to approximately S$6.4 million (31 December 2021: approximately S$5.8 million), mainly due to the increase in the employee expenses and remuneration packages which were generally in line with the overall improved performance of the Group.

Finance Costs

For the year ended 31 December 2022, finance costs decreased by approximately 51.5% to approximately S$213,000 (31 December 2021: approximately S$439,000), primarily due to a decrease in interest on lease liabilities and borrowings wholly repayable within five years.

Share of Results of Associates

The Group's share of results of associates amounted to approximately S$585,000 during the Reporting Year (31 December 2021: approximately S$10,000), principally generated from the recognition of fair value gain of the Group's property redevelopment project.

Income Tax Expense

For the year ended 31 December 2022, income tax expense amounted to approximately S$713,000, while that of approximately S$347,000 was recorded for the year ended 31 December 2021.

Net Profit attributable to Owners of the Company and Net Profit Margin

Based on the combined effect of the above factors, net profit attributable to owners of the Company for the Year amounted to approximately S$1.7 million (31 December 2021: approximately S$1.5 million), representing an increase of approximately 14.9%. Net profit margin was approximately 1.9% for the year ended 31 December 2022 (31 December 2021: approximately 1.8%).

Earnings per Share

For the year ended 31 December 2022, the basic earnings per share was S$0.17 cent, with the calculation based on net profit attributable to owners of the Company for the Year of approximately S$1.7 million and the weighted average number of 1,036,456,000 ordinary shares (the "**Shares**") of HK$0.01 each in the share capital of the Company in issue during the Year.

For the year ended 31 December 2022, the diluted earnings per share was S$0.15 cent, with the calculation based on net profit attributable to owners of the Company for the Year of approximately S$1.7 million and the weighted average number of Shares adjusted for the effects of dilution from the Group's share options of 1,136,408,000.

For the year ended 31 December 2021, the basic earnings per share was S$0.14 cent, with the calculation based on net profit attributable to owners of the Company for the year ended 31 December 2021 of approximately S$1.5 million and the weighted average number of 1,036,456,000 Shares.

For the year ended 31 December 2021, the diluted earnings per share was S$0.13 cent, with the calculation based on net profit attributable to owners of the Company for the year ended 31 December 2021 of approximately S$1.5 million and the weighted average number of Shares adjusted for the effects of dilution from the Group's share options of 1,126,044,000.

Liquidity, Financial Resources and Gearing Ratio

Liquidity

During the Reporting Year, the financial position of the Group remained sound and healthy, with working capital mainly financed by its internally generated funds, net proceeds from global offering (the "**Global Offering**") of the Shares in 2016 and bank borrowings. As at 31 December 2022, the Group had cash and cash equivalents of approximately S$23.4 million (31 December 2021: approximately S$31.5 million). The year-on-year decline was mainly attributable to the purchase of property, plant and equipment, the Group's investment in associates for redevelopment and construction of private properties, repayment of borrowings and lease liabilities.

To manage liquidity risk more effectively, the Group adopts conscious financial planning and analysis, and continuously monitors its level of cash and cash equivalents which is deemed adequate to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

Cash Flows Analysis

The table below summaries the Group's cash flows for the years ended 31 December 2022 and 2021:

	2022	2021
	S$'000	S$'000
Net cash flows generated from operating activities	**1,142**	5,624
Net cash flows used in investing activities	**(3,294)**	(15,067)
Net cash flows used in financing activities	**(5,921)**	(5,893)

Operating Activities

For the year ended 31 December 2022, the Group generated net cash inflow from operating activities of approximately S$1.1 million (31 December 2021: approximately S$5.6 million). The approximate S$4.5 million difference between the operating profit before working capital changes and net cash generated from operating activities was mainly attributable to (i) the increase in contract assets amounted to approximately S$4.2 million; (ii) the increase in trade receivables amounted to approximately S$2.8 million; (iii) the increase in deposits, prepayments and other receivables of approximately S$527,000; (iv) the decrease in contract liabilities of approximately S$527,000; (v) the decrease in trade payables of approximately S$212,000; and (vi) the increase in other payables, accruals and deposits received of approximately S$659,000.

Investing Activities

For the year ended 31 December 2022, the net cash used in investing activities was approximately S$3.3 million (31 December 2021: approximately S$15.1 million), mainly attributable to (i) investment in associates of approximately S$1.8 million; (ii) purchase of property, plant and equipment of approximately S$1.7 million; (iii) purchase of financial assets at fair value through profit or loss of approximately S$1.3 million; and (iv) proceeds from settlement of financial assets at fair value through profit or loss of approximately S$910,000.

Financing Activities

For the year ended 31 December 2022, the net cash used in financing activities was approximately S$5.9 million (31 December 2021: approximately S$5.9 million), which was principally attributable to (i) the repayment of principal portion of the lease liabilities of approximately S$4.5 million; (ii) the repayment of borrowings of approximately S$1.2 million; (iii) the repayment of interest portion of the lease liabilities amounted to approximately S$139,000; and (iv) the interest on borrowings of approximately S$74,000 paid.

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**"), all of which had been fully utilised as at 31 December 2022.

Intended applications	**Planned use of the Net Proceeds** ***(Note)***	**Amount utilised up to 31 December 2021**	**Change in use of the unutilised balance of the Net Proceeds on 1 November 2022**	**Amount utilised during the Year**	**Amount utilised up to 31 December 2022**	**Unutilised balance up to 31 December 2022**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
1. Purchase of excavation machines and tipper trucks	17,736	17,736	788	788	18,524	–
2. Purchase of software	2,085	1,223	(788)	74	1,297	–
3. Secure earth filling projects	–	–	–	–	–	–
4. Expand workforce	4,414	4,414	–	–	4,414	–
5. Working capital	2,247	2,247	–	–	2,247	–
Total	26,482	25,620	–	862	26,482	–

Note: 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**") were 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 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.

As disclosed in the interim report of the Group for the six months ended 30 June 2022, the Net Proceeds were not fully utilised 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 with an unutilised balance of the Net Proceeds (the "**Unutilised Net Proceeds**") amounting to approximately S$788,000 as at 30 June 2022.

As disclosed in the announcement of the Company dated 1 November 2022, taking into account (i) the business scale, the strategic development and the ongoing projects of the Group, (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, on 1 November 2022, 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 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.

The Board considered that the change in use of the Unutilised Net Proceeds would not have any material adverse effect on the existing business and operations of the Group, was fair and reasonable, which allowed the Group to meet its financial and operation needs more efficiently and flexibly, and was in the interest of the Group and the shareholders (the "**Shareholders**") of the Company as a whole. For further details, please refer to the announcement of the Company dated 1 November 2022.

As at 31 December 2022, the Group had fully utilised the Net Proceeds in accordance with the intended purposes as disclosed.

Borrowing and Gearing Ratio

As at 31 December 2022, the Group had an aggregate of current and non-current borrowings and lease liabilities of approximately S$7.2 million, a decrease from approximately S$11.4 million as at 31 December 2021. As at 31 December 2022, the Group's gearing ratio was approximately 0.08 times (31 December 2021: approximately 0.13 times). Gearing ratio was calculated by dividing total borrowings (borrowings and lease liabilities) by total equity as at the end of the respective year.

Cash and Cash Equivalents

As at 31 December 2022, the Group had cash and cash equivalents of approximately S$23.4 million (31 December 2021: approximately S$31.5 million). The Group had cash and cash balances of approximately S$24.7 million but the amount was reduced by pledge for the guarantee arrangement and issuance of performance bonds, as well as the banking facilities including letter of credit, overdraft and banking guarantee of approximately S$17.5 million.

Foreign Exchange Exposure

The Group operates primarily in Singapore with most of the transactions denominated in Singapore Dollars. However, a portion of the cash and cash equivalents generated from the Global Offering was valued in Hong Kong Dollars with a small portion valued 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 perform regular reviews and closely monitor this risk exposure in a timely manner.

Charges on Group's Assets

As at 31 December 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$5.1 million (31 December 2021: approximately S$8.5 million).

Contingent Liabilities

As at 31 December 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$4.0 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 were secured by pledged deposits.

Capital Expenditure and Capital Commitments

For the year ended 31 December 2022, the Group invested approximately S$2.0 million in the purchase of property, plant and equipment, which was primarily funded by the Unutilised Net Proceeds, finance lease liabilities and working capital.

As at 31 December 2022, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$1.4 million (31 December 2021: approximately S$1.9 million).

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures and Disclosable Transactions during the Reporting Year

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 considered that the termination of the JVA East Coast Investment Agreement had 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 Year 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 disclosable transactions from the information as disclosed in the annual report of the Company for the year ended 31 December 2021.

Connected Transactions

During the Reporting Year, six continuing connected transactions were carried out by the Company pursuant to Chapter 14A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Details of the major connected transaction and continuing connected transactions will be set out in the section headed "RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS" in the "Report of the Directors" of the annual report (the "**2022 Annual Report**") of the Group for the financial year ended 31 December 2022.

Off-balance Sheet Transactions

As of 31 December 2022, the Group did not enter into any material off-balance sheet transaction.

Quantitative and Qualitative Disclosure about Material Risk

Foreign Currency Risk

Transactions of the Group were mainly denominated in Singapore Dollars which was the functional currency of the Group. The Group was principally exposed to the foreign currency risk of Hong Kong Dollars and United States Dollars. The Group currently does not have a foreign currency hedging policy. The Group's management (the "**Management**") is responsible for monitoring foreign currency exposure and will consider hedging significant foreign currency exposure if deemed necessary.

Credit Risk

As at 31 December 2022, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and the financial guarantees provided by the Group was primarily attributable to trade and other receivables, contract assets, pledged deposits, cash and cash equivalents and the contingent liabilities in relation to guarantee issued by the Group.

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

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

Liquidity Risk

The Group maintained a level of cash and cash equivalents assessed as adequate by the Management to finance the Group's operations, and mitigate the effects of fluctuations in cash flows. The Group mainly relied on the proceeds from the Global Offering, internally generated funding and borrowings as significant sources of liquidity. It also closely monitored the utilisation of borrowings and ensured compliance with loan covenants.

SHARES OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to the written resolutions of the Shareholders passed on 10 May 2016. The objective of the Share Option Scheme is to enable the Company to grant options to employees and eligible participants, as incentives or rewards to optimise their contribution to the Group, and also to attract and retain talents whose contributions are or will be beneficial to the performance and growth of the Group.

As disclosed in the announcement of the Company dated 1 November 2022, on 1 November 2022, 10,364,000 share options to subscribe for a total of 10,364,000 Shares, representing approximately 1% of the issued Shares, were granted in accordance with the terms and conditions of the Share Option Scheme to Mr. Phang Yew Kiat, the chairman of the Board and a non-executive Director.

Details of the Share Option Scheme will be disclosed in the "Report of the Directors" of the 2022 Annual Report and notes to the audited consolidated financial statements of the Group for the financial year ended 31 December 2022.

EMPLOYEE AND EMOLUMENT POLICY

As at 31 December 2022, the Group had 534 (31 December 2021: 517) employees including foreign workers.

Total staff costs including the Directors' emoluments amounted to approximate S$22.4 million for the year ended 31 December 2022 (31 December 2021: approximately S$21.4 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 Group has also adopted the Share Option Scheme to recognise and reward the contribution of the employees for the benefit of the Group's operations and future development.

DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2022.

PROSPECT

This year marks the beginning of the end of COVID-19 as border and community restrictions are gradually lifted and more countries take steps towards a return to normal. The International Monetary Fund expects the global economy to grow 2.9%, a forecast better than the 2.7% expansion it had predicted earlier, albeit lower than the estimated 3.4% growth in 2022. Global growth prospects have improved, although the impacts of aggressive interest rate increases, consumer inflation and geopolitical tensions remain key risks.

Singapore's economy grew faster than official forecasts in 2022, yet the pace of economic activity has slowed since the fourth quarter, pointing to more risks in 2023 amid weaker external demand and increased inflationary pressures. According to the MTI, Singapore's GDP growth is forecast to maintain a level of 0.5% to 2.5% in 2023. Although the economy is likely to struggle for growth, the Monetary Authority of Singapore expects that the country will enjoy a brighter outlook starting in the second half of this year. One of the contributors to this is expected to be a pick-up in construction activity due to the rescheduling of some major projects from 2022 to 2023 and the redevelopment of old commercial premises.

With the government having committed to prioritising public infrastructure, transport and housing projects, the BCA predicts that total construction demand in 2023 will range between S$27 billion and S$32 billion, with approximately 60% of the total demand originating from the public sector. Following the reopening of Singapore's borders, a stronger recovery in inbound travel and international visitor arrivals is expected to benefit the private sector, leading to increased demand for attractions and hotel refurbishment. The Group will continue to ride this momentum and proactively seek fresh opportunities in both the public and private sectors in order to fuel its future growth.

Since the grant of A2-grade status as a contractor for civil engineering and general building in the BCA's Contractors Registration System in 2021 – a testimony to the Group's impressive capabilities and expertise, outstanding track record and comprehensive experience – the Group has benefited from being able to secure higher-profitability construction projects and position itself as a main contractor for new mega-projects. Apart from forging close ties with existing clients through higher-quality customer services, the Group will take decisive measures to strategically pursue suitable opportunities and tenders for public projects with higher margins and contract values.

The Management is pleased to announce that, thanks to the ceaseless efforts of the Group's tendering team, it managed to secure 4 earthworks and ancillary services projects and 3 general construction projects in the first quarter of 2023, including a public residential upgrading project and a hotel refurbishment project. To maximise its opportunities for successful tendering, the Group will continue to step up efforts to form strategic project tendering alliances with leading enterprises in the earthworks and ancillary services segment and the general construction works segment.

Although the outlook for the local construction industry remains upbeat, the industry nevertheless faces a number of challenges in the near term, notably labour and materials shortages, and supply chain disruptions. The Group will pay close attention to market dynamics and adopt a pragmatic approach when crafting its strategies. In a move to tackle these issues, the Group is seeking to diversify its supply chain, and to identify and work with reliable suppliers from neighbouring countries to ensure the efficient and smooth progress of projects. The Group is also sparing no effort in terms of talent retention, offering competitive remuneration and benefits to retain the most capable members of its workforce. Following the reallocation of the Unutilised Net Proceeds to purchase machinery, the Group will continue to invest in advanced and green machinery to foster environmental sustainability while boosting productivity and efficiency, enhancing safety and reducing costs. The Group is confident that its commitment to, and investments in, technology and innovation will sharpen its competitive edge and support the Singapore government's plans for infrastructure development.

The government announced plans to push forward with infrastructure projects such as Changi Airport's Terminal 5, Tuas Port and the new town in Paya Lebar in August 2022. Spending on these projects is expected to sustain the construction industry's growth in Singapore over the next three to four years. The Group believes the industry will gradually recover amid stabilised construction demand and the government's prioritisation of mega-infrastructure projects. The Group remains cautiously optimistic about the country's steady recovery to its pre-pandemic economic performance, and will continue to expand its core businesses while focusing on cost management and enhancing advanced construction technologies. Further boosting its competitiveness in project differentiation as a green market leader, it will also seek appropriate opportunities in green public eco-infrastructure and private industrial projects to expand its business presence.

As a veteran of Singapore's construction industry, the Group is dedicated to maintaining its high level of business integrity and standards, and to guaranteeing the timely execution and delivery of its projects. It will remain nimble in the face of any emerging challenges, and is determined to maintain its market leadership, with the ultimate goal of generating the best possible return for the Shareholders.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

	Note	**2022** **S$'000**	2021 S$'000
Revenue	*4*	**88,605**	85,416
Cost of sales		**(82,407)**	(81,079)
Gross profit		**6,198**	4,337
Other income and gains	*4*	**2,598**	3,780
Administrative and other operating expenses		**(6,423)**	(5,835)
Other expenses		**(309)**	(6)
Finance costs	*5*	**(213)**	(439)
Share of results of associates		**585**	10
Profit before income tax	*6*	**2,436**	1,847
Income tax expense	*7*	**(713)**	(347)
Net profit attributable to owners of the Company		**1,723**	1,500
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income ("**FVOCI**") – Fair value gains/(losses)		**470**	(44)
Other comprehensive income/(loss), net of tax		**470**	(44)
Total comprehensive income for the year attributable to owners of the Company		**2,193**	1,456
Basic earnings per share (cents)	*9*	**0.17**	0.14
Diluted earnings per share (cents)	*9*	**0.15**	0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 S$'000	2021 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**11,020**	15,217
Investment property		**1,286**	1,298
Investment in associates		**9,924**	7,587
Other assets		**365**	369
Deposits, prepayments and other receivables		**140**	138
Financial assets at fair value through profit or loss ("**FVTPL**")		**7,784**	7,104
Financial assets at FVOCI		**1,394**	925
Financial assets at amortised cost		**250**	250
Deferred tax assets	*7*	**228**	411
Total non-current assets		**32,481**	33,299
Current assets			
Contract assets		**28,020**	24,096
Trade receivables	*10*	**21,852**	18,736
Deposits, prepayments and other receivables		**3,460**	2,919
Pledged deposits		**1,281**	1,276
Cash and cash equivalents		**23,441**	31,514
Total current assets		**78,054**	78,541
Total assets		**110,535**	111,840
Current liabilities			
Contract liabilities		**2,295**	2,822
Trade payables	*11*	**6,893**	7,105
Other payables, accruals and deposits received		**4,878**	3,974
Borrowings		**1,252**	1,227
Lease liabilities		**2,820**	4,473
Income tax payable		**529**	–
Total current liabilities		**18,667**	19,601

	Note	2022 S$'000	2021 S$'000
Net current assets		**59,387**	58,940
Total assets less current liabilities		**91,868**	92,239
Non-current liabilities			
Other payables, accruals and deposits received		**6**	7
Borrowings		**1,817**	3,069
Lease liabilities		**1,262**	2,656
Total non-current liabilities		**3,085**	5,732
Total liabilities		**21,752**	25,333
Net assets		**88,783**	86,507
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,767**	1,767
Share premium		**27,250**	27,250
Reserves		**59,766**	57,490
Total equity		**88,783**	86,507

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

	Share capital S$'000	Share premium S$'000	Merger reserve* S$'000	Share option reserve* S$'000	Fair value reserve* S$'000	Retained profits* S$'000	Total S$'000
At 1 January 2021	1,767	27,250	5,166	160	(574)	50,921	84,690
Profit for the year	–	–	–	–	–	1,500	1,500
Other comprehensive loss:							
Changes in fair value of financial assets at FVOCI	–	–	–	–	(44)	–	(44)
Total comprehensive (loss)/income for the year	–	–	–	–	(44)	1,500	1,456
Equity-settled share option arrangements	–	–	–	361	–	–	361
At 31 December 2021	1,767	27,250	5,166	521	(618)	52,421	86,507
At 1 January 2022	1,767	27,250	5,166	521	(618)	52,421	86,507
Profit for the year	–	–	–	–	–	1,723	1,723
Other comprehensive income:							
Changes in fair value of financial assets at FVOCI	–	–	–	–	470	–	470
Total comprehensive income for the year	–	–	–	–	470	1,723	2,193
Equity-settled share option arrangements	–	–	–	83	–	–	83
At 31 December 2022	1,767	27,250	5,166	604	(148)	54,144	88,783

* *These reserve accounts comprise the consolidated reserves of S$59,766,000 (2021: S$57,490,000) in the consolidated statement of financial position as at 31 December 2022.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

1. GENERAL INFORMATION

Chuan Holdings Limited (the "**Company**") is a limited liability company incorporated and domiciled in 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 of the Company, the immediate holding company and the ultimate holding company of the Company is Brewster Global Holdings Limited, which is incorporated in British Virgin Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (the "**IFRSs**") as issued by the International Accounting Standards Board (the "**IASB**") and the disclosures requirement of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a historical basis except as disclosed in the accounting policies below.

The consolidated financial statements are presented in Singapore Dollars ("**SGD**" or "**S$**"), which is the Company's functional currency and all values are rounded to the nearest thousand ("**SGD'000**" or "**S$'000**"), except where otherwise stated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same financial year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Standards issued but not yet effective

The Group has not adopted the following applicable standards that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
IFRS 17 *Insurance Contracts*	1 January 2023
Amendments to IAS 1: *Classification of Liabilities as Current or Non-Current*	1 January 2024
Amendments to IAS 8: *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosures of Accounting Policies*	1 January 2023
Amendments to IAS 12: *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*	1 January 2023
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The directors expect that the adoption of the standards above will have no material impact on the Group's financial statements in the period of initial application.

3. OPERATING SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group determines its operating segments based on the reports reviewed by chief operating decision maker ("**CODM**") that are used to make strategic decisions. Consolidated financial statements reported to the CODM, based on the following segments:

a) 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

b) Provision of general construction works, mainly include construction of new buildings, alternation and addition works (collectively referred as "**General construction works**").

Segment revenue and results

Segment revenue below represents revenue from external customers. There were no inter-segment revenue during the years ended 31 December 2022 and 31 December 2021. Operating revenue, direct costs, gain on disposals of property, plant and equipment (including plant and machinery and motor vehicles), interest expenses on leases liabilities, provision for ECL on trade receivables and bad debts recovered, are allocated to different segments to assess corresponding performance.

The segment revenue and results, and the totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the consolidated financial statements are as follows:

	Earthworks and ancillary services S$'000	General construction works S$'000	Total S$'000
2022			
Revenue from external customers	**80,179**	**8,426**	**88,605**
Reconciliation:			
Reportable segment results	**5,732**	**601**	**6,333**
Unallocated other income and gains			**2,010**
Corporate and other unallocated expenses			**(6,418)**
Interest on borrowings			**(74)**
Share of results of associates			**585**
Profit before income tax			**2,436**
2021			
Revenue from external customers	71,438	13,978	85,416
Reconciliation:			
Reportable segment results	4,509	216	4,725
Unallocated other income and gains			3,042
Corporate and other unallocated expenses			(5,834)
Interest on borrowings			(96)
Share of results of associates			10
Profit before income tax			1,847

Corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipment, provision for ECL on other receivables and other centralised administrative cost for the Group's headquarter.

Segment assets and liabilities

Reportable segment assets

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

	2022	2021
	S$'000	S$'000
Earthworks and ancillary services	**51,775**	49,433
General construction works	**8,760**	8,790
Total	**60,535**	58,223
Additions to non-current segment assets:		
Earthworks and ancillary services	**3,259**	5,908

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

	2022	2021
	S$'000	S$'000
Reportable segment assets	**60,535**	58,223
Unallocated property, plant and equipment	**254**	393
Unallocated right-of-use assets	**202**	226
Financial assets at FVTPL	**7,874**	7,104
Financial assets at amortised cost	**250**	250
Financial assets at FVOCI	**1,394**	925
Investment property	**1,286**	1,298
Other assets	**365**	369
Deferred tax assets	**228**	411
Pledged deposits	**1,281**	1,276
Cash and cash equivalents	**23,441**	31,514
Investment in associates	**9,924**	7,587
Corporate and other unallocated assets	**3,501**	2,264
Group assets	**110,535**	111,840

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

Reportable segment liabilities

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

	2022	2021
	S$'000	S$'000
Earthworks and ancillary services	**11,849**	15,652
General construction works	**1,210**	1,225
Total	**13,059**	16,877

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

	2022	2021
	S$'000	S$'000
Reportable segment liabilities	**13,059**	16,877
Borrowings	**3,069**	4,296
Corporate and other unallocated liabilities	**5,624**	4,160
Group liabilities	**21,752**	25,333

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

Other segment information

	Earthworks and ancillary services S$'000	General construction works S$'000	Unallocated S$'000	Total S$'000
2022				
Gain on disposals of property, plant and equipment	**202**	**–**	**–**	**202**
Write-off of lease liabilities	**68**	**–**	**–**	**68**
Fair value gain on financial assets at FVTPL	**–**	**–**	**247**	**247**
Depreciation of property, plant and equipment	**7,066**	**–**	**276**	**7,342**
Bad debts recovered	**236**	**82**	**–**	**318**
Provision for ECL on contract assets	**270**	**19**	**–**	**289**
Provision for/(reversal of) ECL on trade receivables	**56**	**(31)**	**–**	**25**
Finance costs	**139**	**–**	**74**	**213**
Interest income	**–**	**–**	**57**	**57**
Share of results of associates	**–**	**–**	**585**	**585**
2021				
Gain on disposals of property, plant and equipment	**467**	**–**	**–**	**467**
Fair value gain on financial assets at FVTPL	**–**	**–**	**422**	**422**
Depreciation of property, plant and equipment	**8,925**	**8**	**284**	**9,217**
Bad debts recovered	**270**	**1**	**–**	**271**
Reversal of ECL on contract assets	**(178)**	**(35)**	**–**	**(213)**
Provision for ECL on trade receivables	**38**	**182**	**–**	**220**
Finance costs	**343**	**–**	**96**	**439**
Interest income	**–**	**–**	**47**	**47**
Share of results of associates	**–**	**–**	**10**	**10**

Geographical information

The Group's non-current assets are all based in Singapore. No geographical information is presented for the Group's business segment as the Group is principally engaged in projects within Singapore. The Group's non-current assets are also all based in Singapore. Accordingly, the Group's revenue is all derived from customers located in Singapore.

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

	2022	2021
	S$'000	S$'000
Customer A – attributable to Earthworks and ancillary services	**15,711**	18,214
Customer B – attributable to Earthworks and ancillary services	**N/A**	9,105

N/A *Transactions during the year did not exceed 10% of the Group's revenue*.

4. 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 year is as follows:

	Revenue from external customers	
	2022	2021
	S$'000	S$'000
Revenue from contracts with customer and recognised over time:		
Earthworks and ancillary services	**80,179**	71,438
General construction works	**8,426**	13,978
	88,605	85,416

Earthworks and ancillary services include revenue of S$73,298,000 (2021: S$66,105,000) from earthworks and S$6,881,000 (2021: S$5,333,000) from earthworks ancillary services.

b) Transaction price allocated to remaining performance obligations

As at 31 December 2022, the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) in relation to project works are S$230,473,000 (2021: S$228,269,000). The directors of the Company expect that the unsatisfied performance obligations will be recognised as revenue from 1 to 5 years according to the contract period.

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

	2022	2021
	S$'000	S$'000
Other income		
Management service income	**417**	292
Interest income from financial assets at amortised cost	**57**	47
Bad debts recovered *(Note 10)*	**318**	271
Rental income from investment property	**111**	112
Dividend income from financial assets at FVOCI	**46**	28
Sales of scrap materials and consumables	**421**	262
Government grants	**597**	1,315
Others	**18**	6
	1,985	2,333
Gains		
Gain on disposals of property, plant and equipment	**202**	467
Write-off of lease liabilities	**68**	–
Gain on re-measurement of lease liabilities	**–**	13
Gain on settlement of financial assets at FVTPL	**96**	–
Fair value gain from financial assets at FVTPL	**247**	422
Net foreign exchange gain	**–**	545
	613	1,447
Total	**2,598**	3,780

The Group received funding support from Singapore government. The entitlement of the government grants is under the discretion of the relevant government bureaus. Included within the government grants for the year ended 31 December 2022 are S$505,000 (2021: S$574,000) of Foreign Worker Levy rebates and Nil (2021: S$416,000) of Job Support Scheme ("**JSS**"). Under JSS, employers receive cash grants in relation to gross monthly wages of eligible employees paid. The purpose of the above-mentioned government grants programs are to support the payroll of the Group's employees and help construction firms defray part of the Group's costs during the COVID-19 pandemic. The Group does not have other unfulfilled obligations relating to these programs.

5. FINANCE COSTS

	2022 S$'000	2021 S$'000
Interest expenses from financial liabilities at amortised cost:		
– Interest on lease liabilities	**139**	343
– Interest on borrowings wholly repayable within five years	**74**	96
	213	439

6. PROFIT BEFORE INCOME TAX

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

	Note	2022 S$'000	2021 S$'000
Auditor's remuneration		**185**	190
Depreciation of property, plant and equipment	*(i)*	**7,342**	9,217
Depreciation of investment property	*(ii)*	**12**	12
Direct operating expenses arising from investment property that generated rental income		**17**	17
Net foreign exchange loss/(gain)		**9**	(545)
Employee benefit expenses (including directors' remuneration):			
– Salaries, wages and bonuses		**18,538**	17,653
– Equity-settled share option expenses		**83**	361
– Defined contribution retirement plan		**703**	664
– Other short-term benefits		**3,098**	2,760
Provision for/(reversal of) ECL on contract assets		**289**	(213)
Provision for ECL on trade receivables *(Note 10)*		**25**	203
Impairment on other assets		**4**	(2)
Fair value gain from financial assets at FVTPL		**(247)**	(422)

Notes:

(i) Depreciation of property, plant and equipment amounted to S$7,070,000 (2021: S$8,933,000) has been included in direct costs and S$272,000 (2021: S$284,000) in administrative and other operating expenses during the year.

(ii) Depreciation of investment property has been included in administrative and other operating expenses.

7. INCOME TAX EXPENSE

a) Income tax

	2022	2021
	S$'000	S$'000
Current tax – Singapore income tax		
Charge for the year	**491**	–
Under/(over) provision for prior year	**39**	(67)
	530	(67)
Deferred tax		
Charge for the year due to origination and reversal of temporary differences *(Note (b))*	**183**	414
Income tax expense	**713**	347

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

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2022	2021
	S$'000	S$'000
Profit before income tax	**2,436**	1,847
Less: Share of results of associates	**(585)**	(10)
	1,851	1,837
Tax at statutory tax rate of 17%	**315**	312
Enhanced tax allowances, exemptions and rebates	**(35)**	–
Non-deductible expenses	**156**	203
Income not subject to tax	**(8)**	(141)
Effect of tax due to different jurisdiction	**–**	9
Under/(over) provision for prior year	**39**	(67)
Utilisation of previously unrecognised deferred income tax benefits	**31**	(257)
Tax loss disregarded	**312**	285
Effect of temporary differences	**(72)**	–
Others	**(25)**	3
Income tax expense	**713**	347

As at 31 December 2022, the Group has unutilised estimated tax losses of S$672,000 available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised estimated tax losses due to the unpredictability of future profit stream. The unutilised estimated tax losses can be carried forward indefinitely.

b) **Deferred tax**

The movements in deferred tax liabilities and assets during the year are as follow:

Deferred tax (liabilities)/assets

	Accelerated tax depreciation	Leases	Impairment loss	Unutilised leave	Unutilised losses	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 January 2021	672	7	146	–	–	825
(Charge)/credit to profit or loss for the year *(Note (a))*	(642)	13	28	55	132	(414)
At 31 December 2021	30	20	174	55	132	411
(Charge)/credit to profit or loss for the year *(Note (a))*	(66)	(10)	37	(14)	(130)	(183)
At 31 December 2022	(36)	10	211	41	2	228

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022	2021
	S$'000	S$'000
Deferred tax assets	**228**	411
Deferred tax liabilities	**–**	–

8. DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 December 2022 (2021: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2022 is based on the profit for the year of S$1,723,000 (2021: S$1,500,000) and on the weighted average number of 1,036,456,000 (2021: 1,036,456,000) ordinary shares in issue during the year ended 31 December 2022.

The calculation of diluted earnings per share for the year ended 31 December 2022 is based on the profit for the year of S$1,723,000 (2021: S$1,500,000) and on the weighted average number of ordinary shares adjusted for the effects of dilution from the Group's share options of 1,136,408,000 (2021: 1,126,044,000).

10. TRADE RECEIVABLES

	Note	2022 S$'000	2021 S$'000
Trade receivables		**22,642**	19,516
Retention receivables		**254**	557
	(a)	**22,896**	20,073
Less: Provision for ECL on trade receivables and retention receivables		**(1,044)**	(1,337)
	(b)	**21,852**	18,736
Total trade receivables, net			
– Non-related parties		**21,807**	17,684
– Related parties	*(c)*	**45**	1,052
		21,852	18,736

Notes:

(a) During the year, credit period granted to the Group's customers generally within 30 (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 1 year) after completion of the contract. Retention receivables are unsecured and interest-free.

(b) Based on invoice date, ageing analysis of the Group's trade receivables is as follows:

	2022	2021
	S$'000	S$'000
0 to 30 days	**7,062**	8,586
31 to 90 days	**7,592**	7,851
91 to 180 days	**4,312**	712
181 to 365 days	**2,293**	311
Over 365 days	**593**	983
	21,852	18,443
Retention receivables	**–**	293
	21,852	18,736

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

	2022	2021
	S$'000	S$'000
Neither past due nor impaired	**7,058**	8,586
1 to 30 days past due	**3,898**	4,615
31 to 90 days past due	**5,957**	3,622
91 to 180 days past due	**2,582**	395
181 to 365 days past due	**1,864**	242
Over 365 days past due	**493**	983
	21,852	18,443
Retention receivables	**–**	293
	21,852	18,736

The Group's trade receivables as at the reporting date 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 and retention receivables:

	2022	2021
	S$'000	S$'000
Balance at beginning of the year	**1,337**	1,405
Provision for ECL, net	**25**	220
Bad debts recovered	**(318)**	(271)
Written off	**–**	(17)
Balance at end of the year	**1,044**	1,337

(c) The receivables from these related parties are unsecured, interest free and repayable on demand.

	2022	2021
	S$'000	S$'000
Trade receivables	**45**	1,085
Less: Provision for ECL	**–**	(33)
	45	1,052

11. TRADE PAYABLES

	Note	2022 S$'000	2021 S$'000
Trade payables	*(a)*	**6,532**	6,701
Retention payables		**361**	404
		6,893	7,105
Total trade payables			
– Non-related parties		**6,467**	7,006
– Related parties		**426**	99
		6,893	7,105

Note:

(a) 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:

	2022 S$'000	2021 S$'000
0 to 30 days	**4,671**	4,645
31 to 90 days	**1,759**	1,482
91 to 180 days	**57**	420
Over 180 days	**406**	558
	6,893	7,105

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

There was no purchase, sale or redemption of the Shares by the Company or any of its subsidiaries during the Year.

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**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors, following specific enquiries made by the Company, have confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions throughout the Year.

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 holding companies 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 Model Code. All Relevant Employees have been requested to follow such code when dealing in the securities of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles in and adopted all the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code set out in Appendix 14 to the Listing Rules as its own code on corporate governance practices.

The Company had complied with all applicable Code Provisions throughout the Year, with the deviation of the Code Provision C.1.6 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 ("**2022 AGM**") due to other engagement. All other non-executive Directors, including independent non-executive Directors, did attend the 2022 AGM to respond to the Shareholders' questions and enquiries in relation to their works, and to gain and develop a balanced understanding of the Shareholders' views.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed with the Management the accounting principles and practices adopted by the Group and the annual results of the Group for the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

During the Year and up to the date of this announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient amount of public float for the Shares as required under the Listing Rules.

PUBLICATION OF ANNUAL REPORT

The 2022 Annual Report containing all applicable information required by the Listing Rules will be despatched to the Shareholders and available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chuanholdings.com) in due course.

EVENTS AFTER END OF YEAR

The Directors confirm that there has been no significant event affecting the Group after 31 December 2022 and up to the date of this announcement.

SCOPE OF WORK OF ERNST & YOUNG LLP

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's auditors, Ernst & Young LLP ("**EY**"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements as issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the EY on this announcement.

APPRECIATION

The Board would like to express its gratitude to all the customers, management and staff of the Group, as well as the business partners and the Shareholders for their continuous support.

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

Hong Kong, 30 March 2023

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.