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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)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF ENTIRE EQUITY INTEREST IN HULETT CONSTRUCTION AND SALE LOANS

THE ACQUISITION

The Board is pleased to announce that on 14 February 2024 (after trading hours), Mr. Lim, Ms. Yee, Chuan Lim, an indirect wholly-owned subsidiary of the Company, and Hulett Construction entered into the Agreement, pursuant to which Mr. Lim (in respect of the Sale Shares I and the Sale Loans) and Ms. Yee (in respect of the Sale Shares II) have conditionally agreed to sell, and Chuan Lim has conditionally agreed to purchase, the Sale Shares, representing the entire equity interest in Hulett Construction, together with the Sale Loans at the Total Consideration of S\$46,700,000.00, which shall be settled:

- (a) as to S\$8,000,000.00 by the issue of the Promissory Note; and
- (b) as to S\$38,700,000.00 in cash.

Upon the Completion, Hulett Construction will become an indirect wholly-owned subsidiary of the Company and the financial results of Hulett Construction will be consolidated in the consolidated financial statements of the Group.

* *For identification purposes only*

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Lim is a controlling Shareholder with interest in 550,505,000 Shares (i.e. approximately 44.26% of the total number of issued Shares) and an executive Director, and Ms. Yee is the spouse of Mr. Lim. As such, both Mr. Lim and Ms. Yee are connected persons of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all three independent non-executive Directors who do not have a material interest in the Acquisition, to consider and to advise the Independent Shareholders whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote on the Agreement and the transactions contemplated thereunder at the EGM, after taking into account the advice of the Independent Financial Adviser.

Grande Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving, among others, the Agreement and the transactions contemplated thereunder.

Any Shareholder who has a material interest in the Acquisition and all his/her/its associates are required to abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder at the EGM under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Lim, Ms. Yee and their respective associates (being Brewster Global), none of the Shareholders has any material interest in the Acquisition and is required to abstain from voting on the resolution approving the Agreement and the transactions contemplated.

A circular containing, among others, (i) details of the Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder; (iv) the accountants' report of Hulett Construction; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the valuation report of the Property; (vii) the valuation report of Hulett Construction; (viii) other information as required under the Listing Rules; and (ix) the notice of the EGM together with the proxy form for use at the EGM, will be despatched to the Shareholders on or before 6 March 2024.

As the Completion is subject to fulfilment or waiver (if applicable) of the conditions precedent set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 14 February 2024 (after trading hours), Mr. Lim, Ms. Yee, Chuan Lim, an indirect wholly-owned subsidiary of the Company, and Hulett Construction entered into the Agreement, pursuant to which Mr. Lim (in respect of the Sale Shares I and the Sale Loans) and Ms. Yee (in respect of the Sale Shares II) have conditionally agreed to sell, and Chuan Lim has conditionally agreed to purchase, the Sale Shares, representing the entire equity interest in Hulett Construction, together with the Sale Loans at the Total Consideration of S\$46,700,000.00, which shall be settled:

- (a) as to S\$8,000,000.00 by the issue of the Promissory Note; and
- (b) as to S\$38,700,000.00 in cash.

THE AGREEMENT

Date

14 February 2024

Parties

- (1) Mr. Lim (as vendor of the Sale Shares I and the Sale Loans);
- (2) Ms. Yee (as vendor of the Sale Shares II);
- (3) Chuan Lim (as purchaser); and
- (4) Hulett Construction (as target company).

Assets to be Acquired

Pursuant to the Agreement:

- (a) Mr. Lim has conditionally agreed to sell, and Chuan Lim has conditionally agreed to purchase, the Sale Shares I, representing 65% of the entire equity interest in Hulett Construction, at the consideration of S\$27,755,000.00 together with the Sale Loans at the consideration of S\$4,000,000.00; and
- (b) Ms. Yee has conditionally agreed to sell, and Chuan Lim has conditionally agreed to purchase, the Sale Shares II, representing 35% of the entire equity interest in Hulett Construction, at the consideration of S\$14,945,000.00.

The Sale Shares, comprising the Sale Shares I and the Sale Shares II, represent the entire equity interest in Hulett Construction.

The Sale Loans of S\$4,000,000.00 are all the loans due and owing by Hulett Construction to Mr. Lim. Pursuant to the Agreement, Mr. Lim shall assign the Sale Loans to Chuan Lim upon the Completion.

Consideration

The Total Consideration of S\$46,700,000.00, comprising (i) S\$27,755,000.00 for the Sale Shares I and S\$4,000,000.00 for the Sale Loans; and (ii) S\$14,945,000.00 for the Sale Shares II, shall be settled by Chuan Lim in the following manner:

- (a) as to S\$8,000,000.00, representing approximately 17.13% of the Total Consideration, shall be satisfied by way of the issue of the Promissory Note in the principal amount of S\$8,000,000.00 to Mr. Lim on the Completion Date; and
- (b) as to S\$38,700,000.00, representing approximately 82.87% of the Total Consideration, shall be settled in cash to Mr. Lim and Ms. Yee in the respective amounts of S\$23,755,000.00 and S\$14,945,000.00 within three Business Days from the Completion Date.

The Cash Consideration will be funded (i) as to S\$6,980,000.00 by internal resources of the Group; and (ii) as to S\$31,720,000.00 by banking facilities available to the Enlarged Group.

The aforesaid allocation as to settlement of the Total Consideration is based on (i) the Group's cash and cash equivalent of approximately S\$30,000,000.00 as at 31 December 2023, of which S\$6,980,000.00 (i.e. approximately 23.27%) will be used for the settlement of part of the Cash Consideration; (ii) the Group's level of cash and cash equivalent which is deemed adequate to finance its operations, in particular, the working capital for tender bids, day-to-day business operations and expansions, and mitigate any foreseen fluctuation in cash flows to effectively address the liquidity risk of the Group; (iii) the banking facilities available to the Enlarged Group and the terms thereof; and (iv) the net proceeds of HK\$15,000,000.00 (equivalent to approximately S\$2,586,000.00) raised by the Company by the issue of the new Shares under the specific mandate granted to the Directors by the Shareholders at the extraordinary general meeting of the Company on 4 January 2024, of which HK\$3,900,000.00 (equivalent to approximately S\$672,000.00) is intended to be utilised for leasing or acquisition of industrial property for the Group's use.

The Total Consideration was determined after arm's length negotiations among the parties to the Agreement with reference to, among others, (i) the preliminary valuation of the Property of S\$75,000,000.00 as at 30 November 2023, which was appraised by the Independent Valuer based on the market approach; (ii) the preliminary valuation of Hulett Construction of approximately S\$51,650,000.00 as at 30 November 2023, which was appraised by the Independent Valuer based on the cost approach; (iii) the payment terms of the Total Consideration and the assignment of the Sale Loans; and (iv) the reasons for and benefits of the Acquisition as elaborated in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION".

The Board understands that the Independent Valuer adopts summation method in the preliminary valuation of Hulett Construction, which involves valuing each of the component assets that are part of Hulett Construction using the appropriate valuation approaches and methods and adding the value of the component assets together to reach the value of Hulett Construction. As at 30 November 2023, the net asset value of Hulett Construction was approximately S\$9,700,000.00. Fair value adjustments of approximately S\$43,297,000.00 are made to the book values of the Property and the right-of-use assets (land) in the aggregated sum of approximately S\$31,703,000.00, with reference to the preliminary valuation of the Property of S\$75,000,000.00, in arriving the adjusted net asset value of Hulett Construction of approximately S\$52,997,000.00 as at 30 November 2023. A discount for lack of marketability of 2.55% is applied to said adjusted net asset value of Hulett Construction to derive the preliminary valuation of Hulett Construction of approximately S\$51,650,000.00.

The Total Consideration is then arrived at by adding the consideration for the Sale Shares of S\$42,700,000.00, which represents a discount of approximately 17.33% to the preliminary valuation of Hulett Construction, and the consideration for the Sale Loans of S\$4,000,000.00 on a dollar-for-dollar basis.

The Promissory Note

The principal terms of the Promissory Note are as follows:

Issuer	:	Chuan Lim
Issue Date	:	the Completion Date
Principal amount to be issued	:	S\$8,000,000.00
Holder of the Promissory Note	:	Mr. Lim
Issue price	:	100% of the principal amount of Promissory Note to be issued
Maturity Date	:	The date falling on the fourth anniversary after the issue date of the Promissory Note (the “ Maturity Date ”)
Interest	:	8.0% per annum on the outstanding principal amount of the Promissory Note and payable semi-annually
Transferability	:	The holder of the Promissory Note may by giving ten Business Days’ prior written notice to Chuan Lim assign or transfer the Promissory Note to any persons (except for the connected persons of the Company).
Security	:	The obligations of Chuan Lim under the Promissory Note are unsecured.
Early Redemption	:	Chuan Lim may at any time after six months from the issue date of the Promissory Note and from time to time prior to the Maturity Date by giving five Business Days’ prior written notice repay the whole or any part of the outstanding principal amount of the Promissory Note together with interest accrued thereon.

Event of Default : If any of the following events occurs, Chuan Lim shall on demand of the holder of the Promissory Note forthwith repay the whole (but not part) of the outstanding principal amount of the Promissory Note together with the accrued interest thereon:

- (a) Chuan Lim fails to pay in accordance with the terms and conditions of the Promissory Note any sum (including any interest payable) due thereunder;
- (b) Chuan Lim is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the whole or any material part of its undertaking, property, assets or revenues or enters into a general assignment or compromise with or for the benefit of its creditors, in each case, which would have a material adverse effect on the ability of Chuan Lim to perform its obligations under the Promissory Note;
- (c) Chuan Lim defaults in the repayment of the indebtedness at the maturity thereof or at the expiration of any applicable grace period thereof, or any guarantee of or indemnity in respect of any indebtedness given by Chuan Lim shall not be honoured when due and called upon, in each case, which would have a material adverse effect on the ability of Chuan Lim to perform its obligations under the Promissory Note;
- (d) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of Chuan Lim, in each case, which would have a material adverse effect on the ability of Chuan Lim to perform its obligations under the Promissory Note;

- (e) Chuan Lim shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, composition or insolvency law or scheme of arrangement while insolvent;
- (f) an order of court is made or an effective resolution of shareholders is passed for the winding up of Chuan Lim or Chuan Lim ceases or threatens to cease carrying on all or substantially all or a material part of its business or operations;
- (g) a moratorium is agreed or declared in respect of any indebtedness of Chuan Lim or any governmental authority or agency seizes, compulsorily purchases, expropriates or nationalises all or a substantial part of the assets of Chuan Lim, in each case, which would have a material adverse effect on the ability of Chuan Lim to perform its obligations under the Promissory Note;
- (h) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any part of the property, assets or revenues of Chuan Lim, in each case, which would have a material adverse effect on the ability of Chuan Lim to perform its obligations under the Promissory Note;
- (i) proceedings shall have been initiated (that is, issued and served) against Chuan Lim under any applicable bankruptcy, composition or insolvency law or scheme of arrangement while insolvent;
- (j) Mr. Lim and his associates, which collectively hold 550,505,000 Shares (i.e. approximately 44.26% of the total number of issued Shares), cease to be collectively the single largest Shareholder; or

- (k) any of the provisions in the Promissory Note is defaulted or rendered unlawful, unenforceable or jeopardised in its force, effect or validity in any way.

The Group intends to repay the outstanding amount of the Promissory Note together with the interests accrued thereon by the internal resources of the Enlarged Group.

The terms of the Promissory Note were determined after arm's length negotiation between Mr. Lim and Chuan Lim with reference to (i) the prevailing market condition; (ii) the financial position of the Group; (iii) the stable income and profits generated from the business of Hulett Construction as disclosed in the section headed "Financial Information of Hulett Construction"; and (iv) other reasons for and benefits of the Acquisition as disclosed in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION".

The Directors (excluding the independent non-executive Directors representing the Independent Board Committee who shall express their view after taking into account the advice of the Independent Financial Adviser and Mr. Lim who has abstained from voting due to his material interest in the Acquisition) consider that the terms of the Promissory Note are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

The Completion is conditional upon fulfilment of all the following conditions:

- (a) Mr. Lim being the sole legal and beneficial owner of, and having the capacity to sell and assign, the Sale Shares I and the Sale Loans free from all Encumbrances on Completion;
- (b) Ms. Yee being the sole legal and beneficial owner of, and having the capacity to sell and assign, the Sale Shares II free from all Encumbrances on Completion;
- (c) Hulett Construction having a good title to the Property free from all Encumbrances save and except the Mortgages;
- (d) save and except the Sale Loans, there being no outstanding loans or sums due from Hulett Construction to any of Mr. Lim and Ms. Yee immediately prior to the Completion;

- (e) the representations, warranties and undertakings made and given by each of Mr. Lim and Ms. Yee under the Agreement being true and accurate in all material aspects and not materially misleading as if each of Mr. Lim and Ms. Yee had given them on the Completion Date by reference to the facts and circumstances then existing as at the Completion Date;
- (f) the passing of the ordinary resolution approving the Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM; and
- (g) all other authorisations, approvals, consents, waivers and permits (if any) which are necessary or relevant to give effect to the Agreement and the transactions contemplated thereunder having been granted, received or obtained and not revoked or withdrawn on the Completion Date.

Chuan Lim may, at its sole discretion, waive in whole or in part any of the above conditions (save and except the conditions set out in paragraphs (f) and (g)) and such waiver may be made subject to such terms and conditions as are determined by Chuan Lim.

If any of the above conditions is not fulfilled or waived (as the case may be) on or before the Long Stop Date, either Mr. Lim, Ms. Yee or Chuan Lim may by giving written notice to the other parties terminate the Agreement, upon which all the rights and obligations of the parties to the Agreement shall cease immediately, save for the then accrued rights and obligations.

Completion

The Completion shall take place on the Completion Date when Mr. Lim and Ms. Yee shall assign to Chuan Lim the Sale Shares and the Sale Loans.

Upon the Completion, Hulett Construction will become an indirect wholly-owned subsidiary of the Company and the financial results of Hulett Construction will be consolidated in the consolidated financial statements of the Group.

INFORMATION OF HULETT CONSTRUCTION

Hulett Construction is a company incorporated in Singapore with limited liability and has a paid-up capital of S\$1,000,000.00. The principal activity of Hulett Construction is investment holding and its only significant asset is the Property.

As at the date of this announcement, Hulett Construction is owned as to 65% by Mr. Lim and 35% by Ms. Yee.

The Property

The Property is the piece of leasehold industrial land held under Private Lots Nos.A2163000 and A2163001, also known as Government Survey Lot No.1808L Mukim 13, and situated at 20 Senoko Drive, Singapore 758207 with a land area of approximately 92,987 sq. ft. together with the Building, the 9-storey single-user general industrial factory development comprising warehouse, workshop, production space, ancillary office, temporary secondary workers dormitory, parking lots for heavy vehicles, temporary ancillary staff canteen and other utilities with a total gross floor area of 232,467 sq. ft., erected thereon. The Property is held under the lease entered into between JTC and Hulett Construction with a tenure of 30 years from 16 September 2012, under which JTC shall charge Hulett Construction a monthly land rent of S\$17,191.01 (which may be subject to revision based on the market rent as determined by JTC). The Group plans to renew the lease of the Property upon expiry of the existing tenure in 2042.

In or about 2014, Hulett Construction engaged Chuan Lim for redevelopment of the Property, including the erection of the Building thereon, at the total contract sum of approximately S\$39,700,000.00 (exclusive of goods and services tax chargeable under the Goods and Services Tax Act, Chapter 117A Laws of Singapore). The construction of the Building was completed in or about February 2016.

The Property is now subject to the Mortgages to secure the Bank Loans. As at 10 December 2023, the total sum of the outstanding loans principal and the accrued interests owed by Hulett Construction to DBS was approximately S\$13,850,000.00. The Bank Loans include a term loan of approximately S\$13,431,000.00 and a bridging loan of approximately S\$419,000.00, principal terms of which are as follows:

(a) Term loan

Principal amount	:	S\$23,000,000.00
Term	:	10 years from 10 February 2020
Interest	:	3-month compounded Singapore Overnight Rate Average in-arrears published by The Monetary Authority of Singapore as of 12:00 p.m. on the day that is two business days preceding the first day of the relevant interest period (“ SORA in-advance ”) plus a margin of 1.0% per annum for the year from 31 May 2023 to 30 May 2024 and SORA in-advance plus a margin of 3.0% per annum for the subsequent years
Repayment	:	120 monthly instalments comprising loan principal and interest of such amounts as notified by DBS

(b) Bridging Loan

Principal amount	:	S\$1,090,000.00
Term	:	5 years from 19 May 2020
Interest	:	2.0% per annum
Repayment	:	60 monthly instalments comprising loan principal and interest of such amounts as notified by DBS

The Acquisition shall not affect the repayment of the Bank Loans by Hulett Construction in accordance with the terms and conditions thereof and the Enlarged Group will obtain banking facilities of S\$31,720,000.00 from DBS, which will be secured by the Mortgages, to finance part of the Cash Consideration.

Lease Agreements

As disclosed in the Announcement, on 14 December 2021, Hulett Construction and Chuan Lim entered into the Master Lease Agreement in relation to the provision of rental services from Hulett Construction to Chuan Lim for a term of two years commencing on 1 January 2022 and ended on 31 December 2023. Pursuant to the Master Lease Agreement, Hulett Construction shall lease to Chuan Lim the Premises comprising (i) the warehouse, workshop and production space with aggregate floor area of 37,899.26 sq. ft.; (ii) the ancillary office with aggregate floor area of 4,684.19 sq. ft.; (iii) the workers dormitory (based on availability and actual need of Chuan Lim); and (iv) the parking lots for heavy vehicles (based on availability and actual need of Chuan Lim), all situated at the Building and shall provide the related management services to Chuan Lim, which shall pay an aggregated sum of the following components in advance on the first day of each calendar month during the term of the Master Lease Agreement:

- (a) the Monthly Rent of S\$64,812.01, comprising the rentals of (i) the warehouse, workshop and production space of 37,899.26 sq. ft. at the monthly rate of S\$56,848.89; and (ii) the ancillary office of 4,684.19 sq. ft. at the monthly rate of S\$7,963.12; and
- (b) the Other Charges, comprising the aggregated sums of (i) workers dormitory charges at the rate of S\$280 per bed; (ii) parking charges at the rate of S\$280 per parking lot; and (iii) charges for the utilities and management services provided to the Premises and used by Chuan Lim or any occupier thereof, all of which shall be adjusted and calculated on a monthly basis based on the actual usage of Chuan Lim.

As Hulett Construction is owned as to 65% by Mr. Lim, a controlling Shareholder with interest in 550,505,000 Shares (i.e. approximately 44.26% of total number of issued Shares) and an executive Director, and 35% by Ms. Yee, the spouse of Mr. Lim, it is a connected person of the Company under the Listing Rules and the transactions contemplated under the Master Lease Agreement constituted a connected transaction and continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company had complied with all the applicable Listing Rules requirements in respect thereof. For further details, please refer to the Announcement.

In contemplation of the Completion, which is targeted to take place in or about end of March 2024, on 30 December 2023, Hulett Construction and Chuan Lim entered into the New Master Lease Agreement in relation to the provision of rental services from Hulett Construction to Chuan Lim for a term of three months commencing on 1 January 2024 and ending on 31 March 2024. Save for the increment of the rate of the workers dormitory charges from S\$280 per bed to S\$450 per bed and the aforesaid three-month term of the New Master Lease Agreement, all other terms and conditions under the New Master Lease Agreement remain the same as the Master Lease Agreement.

Prior to the Completion, the transactions contemplated under the New Master Lease Agreement shall constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the transactions contemplated under the New Master Lease Agreement are conducted on normal commercial terms or better, and all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect thereof are less than 5% and the total consideration thereof is less than HK\$3,000,000.00, the transactions contemplated under the New Master Lease Agreement are fully exempt from the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Based on the information provided by Mr. Lim and Ms. Yee, approximately 90% of the portions of the Building unoccupied by Chuan Lim (with the workers dormitory in the Building being fully let) are let under various lease agreements yielding a total monthly rental income of approximately S\$440,000.00 with the latest lease agreement expiring on 30 April 2025. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Cheng Yap Construction Pte. Ltd., a company incorporated in Singapore with limited liability which is owned as to 100% by Mr. Lim Cheng Yap, a brother of Mr. Lim, all other tenants are Independent Third Parties.

The abovementioned existing lease agreements will not be terminated and will continue pursuant to the terms thereof after the Completion. Upon the Completion, the transactions contemplated under the existing lease agreement with Cheng Yap Construction Pte. Ltd. will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and based on the information provided by Mr. Lim and Ms. Yee, are conducted on normal commercial terms or better, and all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect thereof are less than 5% and the total consideration thereof is less than HK\$3,000,000.00. As such, the same will be fully exempt from the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. After the Completion, the Group will review the leasing arrangements with all tenants regularly and comply with all applicable Listing Rules requirements in respect thereof should the circumstances so arise.

Financial Information of Hulett Construction

Set out below is a summary of the financial information in the audited accounts of Hulett Construction for FY2021 and FY2022 and in the unaudited management accounts of Hulett Construction for the ten months ended 31 October 2023 respectively:

	For the financial year ended 31 December		For the ten months ended 31 October
	2021	2022	2023
	<i>S\$</i>	<i>S\$</i>	<i>S\$</i>
	<i>Approximate (audited)</i>	<i>Approximate (audited)</i>	<i>Approximate (unaudited)</i>
Revenue	5,623,000.00	6,121,000.00	6,451,000.00
Profit before tax	2,294,000.00	2,663,000.00	3,403,000.00
Profit after tax	1,595,000.00	1,879,000.00	2,584,000.00

The unaudited net asset value of Hulett Construction was approximately S\$9,427,000.00 as at 31 October 2023.

The original acquisition cost of the Sale Shares by Mr. Lim and Ms. Yee is in the total sum of approximately S\$2,750,000.00.

INFORMATION OF THE PARTIES AND THE GROUP

Mr. Lim

Mr. Lim is a controlling Shareholder with interest in 550,505,000 Shares (i.e. approximately 44.26% of total number of issued Shares), an executive Director and the chief executive officer of the Company.

As at the date of this announcement, Hulett Construction is owned as to 65% by Mr. Lim.

Ms. Yee

Ms. Yee is the spouse of Mr. Lim and is deemed to be interested in the Shares in which Mr. Lim is interested under the SFO.

As at the date of this announcement, Hulett Construction is owned as to 35% by Ms. Yee.

Chuan Lim

Chuan Lim is a company incorporated in Singapore with limited liability which is an indirect wholly-owned operating subsidiary of the Company. The principal activities of Chuan Lim are general contractors and builders.

The Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange. The principal business activity of the Company is investment holding.

The principal activities of the Group are (i) the provision of earthworks and ancillary services, including land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation, earth disposal, earth filling and shore protection. Certain earthworks projects may require civil engineering works such as road diversions, road reinstatements, overhead bridge, sewerage, drainage, pipe laying and cable trench works; and (ii) the provision of general construction works, including alteration and addition works, which can be classified into interior works or works affecting building systems, or components such as structural works, additions of lifts and reinforcement works, and the construction of new buildings.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Hulett Construction has let parts of the Property to the Group since the completion of redevelopment of the Property in or about April 2016. As at the date of this announcement, the Premises let to Chuan Lim under the New Master Lease Agreement form less than 30% of the total area of the Property. The ancillary office of the Premises has been used as the Group's head office and the remaining portions thereof have been used for the Group's operations, as well as workers dormitory and carparks for heavy vehicles.

The Property is situated in Senoko Industrial Estate within District 27, which is located in the north of Singapore, and sited with easy road access and in close proximity to public transport network, daily necessities and services. The Building is in a fairly good state of repair and maintenance and features warehouse, workshop, production space and ancillary office with large floor area, workers dormitory with the maximum capacity of 1,272 workers, parking lots with high ceiling heights which are designed for heavy vehicle servicing and production, as well as temporary canteen, minimart and other utilities. Coupled with its well-designed fittings, the Building is suitable for the Group to consolidate all its workforce, heavy vehicles, building materials and equipment within, which enables the Group to achieve operational and management efficiency.

Moreover, the influx of the migrant workers after the lifting of the border restrictions, coupled with the more stringent requirements imposed by the Singapore government on the employers' responsibility to provide its migrant workers with proper housing, subsequent to Coronavirus Disease 2019 cause the supply shortage of suitable workers dormitories in Singapore, which in turn results in huge increment in dormitories costs and remains one of the pressing issues to the industry. In view of the circumstances, the Ministry of Manpower of Singapore has repeatedly called for the employers to build their own workers dormitory to house their foreign workers. As at the date of this announcement, the Group has a total of 449 foreign workers, whom the Group has the legal responsibility to ensure proper housing is provided with. Currently, the Group's foreign workers who require accommodation are arranged to stay at the workers dormitory in the Premises or the dormitories operated by third parties. The Acquisition will guarantee the Group to be able to provide sufficient and suitable housing for its foreign workers without incurring exorbitant dormitories costs.

Whilst the letting of the Premises from Hulett Construction fulfils the Group's current requirements for its operations, the Property can indeed accommodate more workers and heavy vehicles, which fits for the Group's strategic development to expand its production capacity and workforce so as to enable the Group to seize the business opportunities amid market rebound and to undertake more projects. Upon the Completion, Hulett Construction will become 100% owned by Chuan Lim and the Group will obtain full control and management of the Property. With the flexibility in management of the Property, the Group may from time to time review its business situation and consider whether to utilise the whole Building for its business operations and future expansion, which will be beneficial to the Group's development.

Even if the Group will not occupy the whole Building (including the workers dormitory with the maximum capacity of 1,272 workers therein) for self-use in the future, taking into account the existing lease agreements entered into between Hulett Construction and the other tenants, the persistent supply shortage of workers dormitory, and the location, size and fittings of the Building, the Group believes that the rental market in the vicinity and the demand for the portions of the Building unoccupied by the Group will remain stable, which will enable the Group to generate stable rental income and broaden its revenue base. As disclosed in the interim report of the Group for 1H2023, as at 30 June 2023, the Group held investment properties of approximately S\$1,280,000.00 which generate rental income of approximately S\$47,000.00 for 1H2023. Taking into account (i) the letting of the portions of the Building unoccupied by Chuan Lim currently yields a total monthly rental income of approximately of S\$440,000.00 (i.e. approximately 9.4 times of the rental income of the Group for 1H2023); (ii) the revenue of Hulett Construction for FY2021 and FY2022 were approximately S\$5,623,000.00 (i.e. approximately 6.35% of the total revenue of the Group of approximately S\$85,416,000.00 for FY2021) and S\$6,121,000.00 (i.e. approximately 7.17% of the total revenue of the Group of approximately S\$88,605,000.00 for FY2022) respectively; (iii) the profit before income tax of Hulett Construction for FY2021 and FY2022 were approximately S\$2,294,000.00 (i.e. approximately 1.24 times of the profit before income tax of the Group of approximately S\$1,847,000.00 for FY2021) and S\$2,663,000.00 (i.e. approximately 1.09 times of the profit before income tax of the Group of approximately S\$2,436,000.00 for FY2022) respectively; (iv) the Group's use of the Premises and the existing lease agreements of the Property; and (v) the business operations and strategic expansion of the Group, the Board considers that the Acquisition is an expansion of the Company's existing business and the rental income generated from the leasing of the Property will be recorded under a new operating segment of the Group, which helps to diversify the Group's operational risks and suits for the Group's strategic development plan. The Group may also benefit from any long-term capital appreciation of the Property.

Furthermore, the Acquisition will enable the Group to relieve its rental expenses burden in relation to the use of the Premises and/or other portions of the Building (as the case may be) in the long run. The total amount of the Monthly Rent and the Other Charges paid by Chuan Lim to Hulett Construction under the Master Lease Agreement for FY2022 and the ten months ended 31 October 2023 were approximately S\$2,421,000.00 and S\$2,026,000.00 respectively. Meanwhile, the industrial property market in Singapore has continued growth momentum since the last quarter of 2020. Based on the statistics released by JTC, in the third quarter of 2023, prices and rentals of all industrial space have continued to rise amid overall inflationary pressures and recorded a year-on year increase of 6.2% and 9.3% respectively. For single-user factory (i.e. the same type of property as the Building), both price and rental indices rose by 5.0% and 7.6% respectively in the third quarter of 2023 compared to the previous year. In view of the prevailing market conditions, it is expected that the consideration for acquisition or leasing of the Property or any other industrial property for the Group's use will only increase with time. In consideration of the same, it is believed that the Acquisition can bring long-term benefits to the Group.

Apart from that, the scale of the Group's connected transactions will be reduced upon the Completion. As elaborated in the section headed "Lease Agreements", leasing of the Premises by Hulett Construction to Chuan Lim constitutes a connected transaction and continuing connected transactions of the Company and may be subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules. After the Completion, the leasing of the Premises and/or any portions of the Building by Hulett Construction to any members of the Group (as the case may be) will no longer constitute a connected transaction or continuing connected transactions of the Company under Chapter 14A of the Listing Rules, which will help the Group to reduce administrative costs incurred incidental to compliance with the applicable Listing Rules requirements in respect thereof.

Taking into account (i) the Total Consideration is of approximately 16.08% discount to the total sum of the preliminary valuation of Hulett Construction and the Sale Loans; (ii) the Acquisition will help solve the Group's issue in providing sufficient and suitable housing for its foreign workers without incurring exorbitant dormitories costs, enhance the Group's operational and management efficiency and cater for the business operations and future expansion needs of the Group, which is beneficial to the Group's long-term development; (iii) leasing of the unoccupied portions of the Building to other tenant(s) can generate a stable source of income to the Group and broaden its revenue base, which in turn expands the Group's existing business and helps to diversify its operational risks; (iv) the prevailing industrial market conditions, in which the Group is not aware of any significant change in the near future, indicate that the consideration for acquisition or leasing of the Property or other industrial property for the Group's use will increase with time; (v) the Acquisition will reduce the rental expenses burden and administrative costs incurred by the Group in the long run; (vi) relocation of the Group's office, operation space, warehouse, workers dormitory and parking lots of heavy vehicles will lead to unnecessary business disruption costs; and (vii) the Property may be part of the securities in obtaining further banking facilities for the use of the Group's business and operations should the circumstances so arise, the Directors (excluding the independent non-executive Directors representing the Independent Board Committee who shall express their view after taking into account the advice of the Independent Financial Adviser and Mr. Lim who has abstained from voting due to his material interest in the Acquisition) are of the view that the Acquisition (including the terms of the Agreement) is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Lim is a controlling Shareholder with interest in 550,505,000 Shares (i.e. approximately 44.26% of the total number of issued Shares) and an executive Director, and Ms. Yee is the spouse of Mr. Lim. As such, both Mr. Lim and Ms. Yee are connected persons of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Lim, who has a material interest in the Acquisition, has abstained from voting on the Board resolution approving the Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors is regarded as having any material interest in the Acquisition and is required to abstain from voting on the Board resolution approving the Agreement and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all three independent non-executive Directors who do not have a material interest in the Acquisition, to consider and to advise the Independent Shareholders whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote on the Agreement and the transactions contemplated thereunder at the EGM, after taking into account the advice of the Independent Financial Adviser.

Grande Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving, among others, the Agreement and the transactions contemplated thereunder.

Any Shareholder who has a material interest in the Acquisition and all his/her/its associates are required to abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder at the EGM under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Lim, Ms. Yee and their respective associates (being Brewster Global), none of the Shareholders has any material interest in the Acquisition and is required to abstain from voting on the resolution approving the Agreement and the transactions contemplated.

A circular containing, among others, (i) details of the Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder; (iv) the accountants' report of Hulett Construction; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the valuation report of the Property; (vii) the valuation report of Hulett Construction; (viii) other information as required under the Listing Rules; and (ix) the notice of the EGM together with the proxy form for use at the EGM, will be despatched to the Shareholders on or before 6 March 2024.

As the Completion is subject to fulfilment or waiver (if applicable) of the conditions precedent set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“1H2023”	the six months ended 30 June 2023
“Acquisition”	the acquisition of the Sale Shares and the Sale Loans by Chuan Lim from Mr. Lim and Ms. Yee under the terms of the Agreement
“Agreement”	the sale and purchase agreement dated 14 February 2024 entered into among Mr. Lim, Ms. Yee, Chuan Lim and Hulett Construction in respect of the Acquisition
“Announcement”	the announcement of the Company dated 14 December 2021 in relation to, among others, the Master Lease Agreement
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Bank Loans”	the outstanding loans principal together with interest accrued thereon owing by Hulett Construction to DBS
“Board”	the board of the Directors
“Brewster Global”	Brewster Global Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 100% by Mr. Lim and is a controlling Shareholder
“Building”	the 9-storey single-user general industrial factory development comprising warehouse, workshop, production space, ancillary office, temporary secondary workers dormitory, parking lots for heavy vehicles, temporary ancillary staff canteen and other utilities with a total gross floor area of 232,467 sq. ft. and situated at 20 Senoko Drive, Singapore 758207

“Business Day(s)”	day(s) on which banks in Singapore are generally open for business (excluding Saturdays and Sundays)
“Cash Consideration”	S\$38,700,000.00 to be settled in cash by Chuan Lim to Mr. Lim and Ms. Yee as partial settlement of the Total Consideration pursuant to the Agreement
“Chuan Lim”	Chuan Lim Construction Pte. Ltd., a company incorporated in Singapore with limited liability which is an indirect wholly-owned operating subsidiary of the Company
“Company”	Chuan Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1420)
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date on which the Completion takes place which shall be within 15 Business Days (or such other date as agreed by the parties to the Agreement in writing) following fulfilment or waiver (if applicable) of all conditions precedent to the Completion pursuant to the Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“DBS”	DBS Bank Ltd, a licensed bank in Singapore and an Independent Third Party
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among others, the Agreement and the transactions contemplated thereunder
“Encumbrances”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrances or security interests of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect and any agreement or obligation to create or grant any of the aforesaid
“Enlarged Group”	the Group as enlarged by the Acquisition upon the Completion
“FY2021”	the financial year ended 31 December 2021
“FY2022”	the financial year ended 31 December 2022
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hulett Construction”	Hulett Construction (S) Pte. Ltd, a company incorporated in Singapore with limited liability which is owned as to 65% by Mr. Lim and 35% by Ms. Yee
“Independent Board Committee”	the independent committee of the Board, comprising all three independent non-executive Directors who do not have a material interest in the Acquisition, formed for the purpose of advising the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder

“Independent Financial Adviser” or “Grande Capital”	Grande Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) who is/are not required to abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder at the EGM due to any material interest in the Acquisition
“Independent Third Party(ies)”	third party(ies) who is/are independent of the Company and its connected persons
“Independent Valuer”	Valtech Valuation Advisory Limited, an independent qualified valuer engaged by the Company to appraise the value of the Property and of Hulett Construction
“JTC”	JTC Corporation, a statutory board under the Ministry of Trade and Industrial of Singapore which is in charge of Singapore’s industrial progress
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2024 (or such later date as agreed by the parties to the Agreement in writing)
“Master Lease Agreement”	the master lease agreement dated 14 December 2021 entered into between Hulett Construction and Chuan Lim in respect of the rental services provided by Hulett Construction to Chuan Lim for the period between 1 January 2022 and 31 December 2023

“Monthly Rent”	the monthly rent of S\$64,812.01 payable by Chuan Lim to Hulett Construction under the Master Lease Agreement, comprising the rentals of (i) the warehouse, workshop and production space of 37,899.26 sq. ft. at the monthly rate of S\$56,848.89; and (ii) the ancillary office of 4,684.19 sq. ft. at the monthly rate of S\$7,963.12
“Mortgages”	two all-monies mortgages/legal charges against the Property both dated 12 June 2019 made by Hulett Construction in favour of DBS to secure the Bank Loans
“Mr. Lim”	Mr. Lim Kui Teng, a controlling Shareholder, an executive Director and the chief executive officer of the Company
“Ms. Yee”	Ms. Yee Say Lee, the spouse of Mr. Lim
“New Master Lease Agreement”	the master lease agreement dated 30 December 2023 entered into between Hulett Construction and Chuan Lim in respect of the rental services provided by Hulett Construction to Chuan Lim for the period between 1 January 2024 and 31 March 2024
“Other Charges”	the other charges payable by Chuan Lim to Hulett Construction under the Master Lease Agreement, comprising the aggregated sums of (i) workers dormitory charges at the rate of S\$280 per bed; (ii) parking charges at the rate of S\$280 per parking lot; and (iii) charges for the utilities and management services provided to the Premises and used by Chuan Lim or any occupier thereof, all of which shall be adjusted and calculated on a monthly basis based on the actual usage of Chuan Lim

“Premises”	the premises comprising (i) the warehouse, workshop and production space with aggregate floor area of 37,899.26 sq. ft.; (ii) the ancillary office with aggregate floor area of 4,684.19 sq. ft.; (iii) the workers dormitory (based on availability and actual need of Chuan Lim); and (iv) the parking lots for heavy vehicles (based on availability and actual need of Chuan Lim), all situated at the Building and leased to Chuan Lim by Hulett Construction
“Promissory Note”	the promissory note in the principal amount of S\$8,000,000.00 to be issued by Chuan Lim to Mr. Lim as partial settlement of the Total Consideration pursuant to the Agreement
“Property”	the piece of leasehold industrial land held under Private Lots Nos.A2163000 and A2163001, also known as Government Survey Lot No.1808L Mukim 13, and situated at 20 Senoko Drive, Singapore 758207 with a land area of approximately 92,987 sq. ft. together with the Building erected thereon
“Sale Loans”	all the loans due and owing by Hulett Construction to Mr. Lim as the director of Hulett Construction in the sum of S\$4,000,000.00, which are interest-free, unsecured and repayable on demand
“Sale Shares”	1,000,000 ordinary shares of S\$1.00 each in the share capital of Hulett Construction, comprising the Sale Shares I and the Sale Shares II and representing the entire equity interest in Hulett Construction
“Sale Shares I”	650,000 ordinary shares of S\$1.00 each in the share capital of Hulett Construction held by Mr. Lim, representing 65% of the entire equity interest in Hulett Construction
“Sale Shares II”	350,000 ordinary shares of S\$1.00 each in the share capital of Hulett Construction held by Ms. Yee, representing 35% of the entire equity interest in Hulett Construction

“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“S\$”	Singapore Dollar, the lawful currency of Singapore
“Total Consideration”	the total consideration for the Acquisition of S\$46,700,000.00, comprising (i) S\$27,755,000.00 for the Sale Shares I and S\$4,000,000.00 for the Sale Loans; and (ii) S\$14,945,000.00 for the Sale Shares II
“%”	per cent

For the purpose of this announcement, the exchange rate of S\$1.00 to HK\$5.80 has been used, where applicable, for purpose of illustration only.

By order of the Board
Chuan Holdings Limited
Phang Yew Kiat
Chairman and Executive Director

Hong Kong, 14 February 2024

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