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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO EXTENSION OF NEW MASTER LEASE AGREEMENT

References are made to the announcement of the Company dated 14 December 2021 in relation to, among others, the Master Lease Agreement and the announcement of the Company dated 14 February 2024 in relation to, among others, the Acquisition and the New Master Lease Agreement.

The Board hereby announces that on 16 April 2024 (after trading hours), Hulett Construction and Chuan Lim entered into the Lease Extension Agreement to extend the New Master Lease Agreement, which has expired on 31 March 2024, for a term of two months commencing on 1 April 2024 and ending on 31 May 2024.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Hulett Construction is owned as to 65% by Mr. Lim, the controlling Shareholder and the executive Director, and 35% by Ms. Yee, the spouse of Mr. Lim. As such, Hulett Construction is a connected person of the Company and the transactions contemplated under the New Master Lease Agreement (as extended by the Lease Extension Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

* *For identification purposes only*

As the transactions contemplated under the New Master Lease Agreement, which was fully exempt from the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, and the transactions contemplated under the Lease Extension Agreement are related and shall be completed within a 12 month period, the Directors consider that the same should be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual cap of the continuing connected transactions contemplated under the New Master Lease Agreement (as extended by the Lease Extension Agreement) exceed 5% but are all less than 25% and the total consideration thereof is less than HK\$10,000,000, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review but are exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

References are made to the announcement of the Company dated 14 December 2021 in relation to, among others, the Master Lease Agreement and the announcement of the Company dated 14 February 2024 in relation to, among others, the Acquisition and the New Master Lease Agreement.

The Board hereby announces that on 16 April 2024 (after trading hours), Hulett Construction and Chuan Lim entered into the Lease Extension Agreement to extend the New Master Lease Agreement, which has expired on 31 March 2024, for a term of two months commencing on 1 April 2024 and ending on 31 May 2024.

LEASE EXTENSION AGREEMENT

Date : 16 April 2024

Parties : (1) Hulett Construction (as landlord); and
(2) Chuan Lim (as tenant)

- Term : A term of two months commencing on 1 April 2024 and ending on 31 May 2024 (both days inclusive)
- Nature of Transaction : 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 20 Senoko Drive, Singapore 758207 and provide the related management services to Chuan Lim.
- Rent : Chuan Lim shall pay an aggregated sum of the following components in advance on the first day of each calendar month during the term of the New 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 New Other Charges, comprising the aggregated sums of (i) workers dormitory charges at the rate of S\$450 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.

Save for the aforesaid extension of term, all other terms and conditions under the New Master Lease Agreement remain the same and in full force and effect.

The terms of the Lease Extension Agreement (including the new workers dormitory charges at the rate of S\$450 per bed under the New Master Lease Agreement) were determined after arm's length negotiation between Hulett Construction and Chuan Lim with reference to (i) the terms of the Master Lease Agreement; (ii) the terms of the New Master Lease Agreement; (iii) the workers dormitory charges charged by Hulett Construction to other tenants under the lease agreements entered into since May 2023, which ranged from S\$450 per bed to S\$600 per bed; (iv) prevailing market rents for the workers dormitory; and (v) the expected date of the Completion. Taking into account (i) the said new workers dormitory charges are at the lowest end of the workers dormitory charges charged by Hulett Construction to its tenants under the lease agreements entered into since May 2023; and (ii) the surge in the market rents for the workers dormitory subsequent to Coronavirus Disease 2019 due to supply shortage of suitable workers dormitories in Singapore, of which according to the Singapore government, the median monthly rental rate of new contracts signed for dormitory beds at workers dormitories for the year ended 31 December 2023 was approximately S\$450 per bed, the Directors consider that the terms of the Lease Extension Agreement (including the said new workers dormitory charges) were on normal commercial terms or better.

NEW MASTER LEASE AGREEMENT

In contemplation of the Completion, which was targeted to take place in or about end of March 2024 at the material time, 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 ended 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.

HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAP

The approximate total amounts of the Monthly Rent and the Other Charges paid by Chuan Lim to Hulett Construction for each of the two financial years ended 31 December 2023 were as follows:

	For the financial year ended	
	31 December	
	2022	2023
	<i>S\$'000</i>	<i>S\$'000</i>
	<i>Approximate</i>	<i>Approximate</i>
Monthly Rent	778	778
Other Charges	<u>1,643</u>	<u>1,651</u>
Total	<u><u>2,421</u></u>	<u><u>2,429</u></u>

The proposed annual cap for the aggregated sum of the Monthly Rent and the New Other Charges payable by Chuan Lim to Hulett Construction under the New Master Lease Agreement (as extended by the Lease Extension Agreement) for the period between 1 January 2024 and 31 May 2024 is S\$900,000.

In determining the above proposed annual cap, the Directors have considered a number of factors, including (i) the historical transaction amounts with respect to the Monthly Rent and the Other Charges; (ii) the demand of the Group on the workers dormitory, taking into account the number of foreign employees who require the Group provide accommodation; and (iii) the expected Monthly Rent and the New Other Charges payable during the whole term of the New Master Lease Agreement (as extended by the Lease Extension Agreement).

INFORMATION OF THE PARTIES AND THE GROUP

Hulett Construction

Hulett Construction is a company incorporated in Singapore with limited liability which is owned as to 65% by Mr. Lim and 35% by Ms. Yee. The principal activity of Hulett Construction is investment holding.

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 ENTERING INTO THE LEASE EXTENSION AGREEMENT

Hulett Construction has let the Premises to the Group since or about April 2016. 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 Premises consisting of workshop, office, workers dormitory, and parking lots with the size of the same and their locations fulfil the requirement of the Group for its operation. Taking into account (i) the Acquisition and the expected date of the Completion; (ii) 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 (iii) the transactions contemplated under the New Master Lease Agreement (as extended by the Lease Extension Agreement) is in line with the prevailing market rents and on terms not less favourable than those to be provided by other Independent Third Parties, the Directors (including the independent non-executive Directors but excluding Mr. Lim who has abstained from voting due to his material interest in the transactions contemplated under the New Master Lease Agreement (as extended by the Lease Extension Agreement)) are of the view that the terms of the New Master Lease Agreement (as extended by the Lease Extension Agreement) are fair and reasonable, the transactions contemplated thereunder are 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Hulett Construction is owned as to 65% by Mr. Lim, the controlling Shareholder with interest in 550,505,000 Shares (i.e. approximately 43.54% of total number of issued Shares) and the executive Director, and 35% by Ms. Yee, the spouse of Mr. Lim. As such, Hulett Construction is a connected person of the Company and the transactions contemplated under the New Master Lease Agreement (as extended by the Lease Extension Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the transactions contemplated under the New Master Lease Agreement, which was fully exempt from the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, and the transactions contemplated under the Lease Extension Agreement are related and shall be completed within a 12-month period, the Directors consider that the same should be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual cap of the continuing connected transactions contemplated under the New Master Lease Agreement (as extended by the Lease Extension Agreement) exceed 5% but are all less than 25% and the total consideration thereof is less than HK\$10,000,000, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review but are exempt from the 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 transactions contemplated under the New Master Lease Agreement (as extended by the Lease Extension Agreement), has abstained from voting on the Board resolution approving the New Master Lease Agreement, the Lease Extension Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors is regarded as having any material interest in the transactions contemplated under the New Master Lease Agreement (as extended by the Lease Extension Agreement) and is required to abstain from voting on the Board resolution approving the New Master Lease Agreement, the Lease Extension Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in Hulett Construction and sale loans in the sum of S\$4,000,000 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
“associate(s)”	has the meaning ascribed thereunder in the Listing Rules
“Board”	the board of the Directors

“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
“Director(s)”	the director(s) of the Company
“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 Shareholder(s)”	the Shareholder(s) except Mr. Lim and his associates
“Independent Third Party(ies)”	third party(ies) who is/are independent of the Company and its connected persons
“Lease Extension Agreement”	the lease extension agreement dated 16 April 2024 entered into between Hulett Construction and Chuan Lim in respect of the extension of the New Master Lease Agreement for a term of two months from 1 April 2024 to 31 May 2024

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“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
“New Other Charges”	the other charges payable by Chuan Lim to Hulett Construction under the New Master Lease Agreement, comprising the aggregated sums of (i) workers dormitory charges at the rate of S\$450 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
“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 20 Senoko Drive, Singapore 758207 and leased to Chuan Lim by Hulett Construction
“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 in the Listing Rules
“S\$”	Singapore Dollar, the lawful currency of Singapore
“%”	per cent

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

Hong Kong, 16 April 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.