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Building a better working world

Consent letter

22 April 2024

The Directors
Chuan Holdings Limited
20 Senoko Drive
Singapore 758207

Dear Sirs,

**Chuan Holdings Limited (the "Company") and its subsidiaries (the "Group")
Circular regarding the Very Substantial Acquisition and Connected Transaction in relation to Acquisition of Entire Equity Interest in Hulett Construction (S) Pte. Ltd ("Target Company") and Sale Loans**

We refer to the circular issued by Chuan Holdings Limited dated 22 April 2024 (the "Circular") in respect of the captioned matter, a copy of which is attached and initialed by us on its front cover for the purpose of identification. Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the Circular.

We have given and have not withdrawn our written consent to the issue of the Circular, with the inclusion of our accountants' report dated 22 April 2024 on the historical financial information of the Target Company set out in Appendix II to the Circular; and our accountants' report dated 22 April 2024 on the pro forma financial information of the Enlarged Group set out in Appendix V to the Circular, and the references to our name in the form and context in which they are respectively included.

As at the Latest Practicable Date, we did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, we had no direct or indirect interest in any assets which had been, since the date to which the latest published audited consolidated financial statements of the issuer were made up, acquired, disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Yours faithfully,

Ernst & Young LLP

Ernst & Young LLP
Singapore

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all the shares in **Chuan Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 8 to 34 of this circular. 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 is set out on pages 35 and 36 of this circular. 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 is set out on pages 37 to 61 of this circular.

A notice convening the EGM to be held at 20 Senoko Drive, Singapore 758207 on Tuesday, 7 May 2024 at 10:00 a.m. is set out on pages EGM-1 and EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 10:00 a.m. on Sunday, 5 May 2024) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

22 April 2024

* *For identification purposes only*

CONTENTS

In this circular, unless the context requires otherwise, the following expressions 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
"close associate(s)"	has the meaning ascribed thereto in the Listing Rules
"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
"COVID-19" or "pandemic"	Coronavirus Disease 2019
"DBS"	DBS Bank Ltd, a licensed bank in Singapore and an Independent Third Party
"Director(s)"	the director(s) of the Company
"DLOM"	discount for lack of marketability
"EGM"	the extraordinary general meeting of the Company to be held at 20 Senoko Drive, Singapore 758207 on Tuesday, 7 May 2024 at 10:00 a.m., or any adjournment thereof 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
"FY2020"	the financial year ended 31 December 2020
"FY2021"	the financial year ended 31 December 2021
"FY2022"	the financial year ended 31 December 2022
"FY2023"	the financial year ended 31 December 2023
"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
"Latest Practicable Date"	16 April 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"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
"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
"Model Code"	Model Code of Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules

"Monthly Rent"	the monthly rent of S$64,812.01 payable by Chuan Lim to Hulett Construction under the Master Lease Agreement and the New 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
"Mr. Phang"	Mr. Phang Yew Kiat, a substantial Shareholder, the chairman of the Board and an executive Director
"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
"Notice"	the notice convening the EGM dated 22 April 2024 set out on pages EGM-1 and EGM-2 of this circular

"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 Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the registered holder(s) of the Share(s)
"sq. ft."	square feet
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the issuing by the Company and the subscription by Mr. Phang of 207,291,200 new Shares under the terms of the subscription agreement dated 17 November 2023 entered into between the Company and Mr. Phang
"subsidiary(ies)"	has the meaning ascribed thereto in the Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"S$"	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 circular, the exchange rate of S$1.00 to HK$5.80 has been used, where applicable, for purpose of illustration only.

Chuan Holdings Limited
川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

Executive Directors:
Mr. Lim Kui Teng *(Chief Executive Officer)*
Mr. Phang Yew Kiat *(Chairman)*
Mr. Bijay Joseph

Independent Non-executive Directors:
Mr. Wee Hian Eng Cyrus
Mr. Wong Ka Bo Jimmy
Mr. Xu Fenglei

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in Singapore:
20 Senoko Drive
Singapore 758207

Principal Place of Business in Hong Kong:
Rooms 2102-03, 21/F, 299QRC
287-299 Queen's Road Central
Hong Kong

22 April 2024

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 14 February 2024 in relation to the Acquisition.

* *For identification purposes only*

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 purpose of this circular is to provide you with information with, 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.

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 approximately 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".

Valuations of Hulett Construction and the Property

The valuation of Hulett Construction as at 30 November 2023 as appraised by the Independent Valuer is approximately S$51,650,000.00, after taking into account the valuation of the Property as at 30 November 2023 of S$75,000,000.00 as appraised by the Independent Valuer. The valuation report of the Property and the valuation report of Hulett Construction as prepared by the Independent Valuer are set out in Appendix VI and Appendix VII to this circular respectively.

The Board has reviewed the valuation report of Hulett Construction and understands that it is prepared based on the cost approach, which is based on the value of assets net of liabilities and where value is established based on the cost of reproducing or replacing the business operations. The Board also understands that the Independent Valuer has considered all commonly used valuation approaches, including market approach, income approach and cost approach, and taking into account (i) the market approach is not appropriate in the valuation as Hulett Construction has not recently been sold in a transaction appropriate for consideration under the basis of value, e.g. recent round of equity financing or recent transfer of shares in Hulett Construction between existing or new shareholder(s) (if any), the transaction price of which would have served as a direct reference of market value; and there is no publicly available information regarding the possible recent observable transactions in substantially similar businesses to Hulett Construction which is a property holding company; (ii) the income approach is not appropriate in the valuation as reasonable projections of the amount and timing of future income are not available for the valuation of Hulett Construction, and the financial projections require inputs of different assumptions which might inherit uncertainty; (iii) the value of the Property, which is the principal asset of Hulett Construction, can be readily determined with reference to the valuation of the Property, recreation of Hulett Construction with substantially the same utility is abled; and (iv) the cost approach is the most commonly adopted valuation approach for valuation targets involving in property investment business, as the tangible assets of this type of valuation target are the best indicator of its value, the cost approach is considered to be the most appropriate approach in the valuation of Hulett Construction.

The Board understands that the Independent Valuer adopts summation method in 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 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 DLOM of 2.55% is applied to the aforesaid adjusted net asset value of Hulett Construction to derive the valuation of Hulett Construction of approximately S$51,650,000.00. The Board understands from the Independent Valuer that DLOM is commonly considered in the valuations of privately held companies to reflect difference in the non-marketable status of the shares of the subject private companies. A DLOM of 2.55% is estimated with reference to the Pluris DLOM Database, which includes an examination of DLOM from actual transactions in restricted stock private placements. The Independent Valuer applies filter of the real estate investment trusts (SIC code 6798), which are establishments primarily engaged in closed-end investments in real estate or related mortgage assets operating, in the Pluris DLOM Database and arrives at the median DLOM of 2.55% with reference to common stock discounts of list of filtered transactions.

The valuation of Hulett Construction is made on the following general assumptions:

(a) There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions in countries/regions where Hulett Construction currently operates in and in new markets that Hulett Construction may potentially expand into as proposed by management of the Company;

(b) There are no deviations, the aggregate of which when viewed together, may be construed to be a material adverse change in industry demand and/or market conditions;

(c) There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the fluctuation of interest rates or currency exchange rates in any country which would be deemed to have a negative impact or the ability to hinder the existing and/or potentially future operations of Hulett Construction;

(d) There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the current laws of taxation in those countries in which Hulett Construction operates in or Hulett Construction may potentially operate in;

(e) All relevant legal approvals, business certificates, trade and import permits, bank credit approval have been procured, in place and in good standing prior to commencement of operations by Hulett Construction under the normal course of business;

(f) Revenue projections and future business potential generated from Hulett Construction are expected to largely conform to those as forecasted by the management of the Company;

(g) Hulett Construction will be able to retain existing and competent management, key personnel, and technical staff to support all facets of the ongoing business and future operations; and

(h) Trademarks, patents, technology, copyrights and other valuable technical and management knowhow will not be infringed in countries/regions where Hulett Construction is or will be carrying on business.

The Board understands from the Independent Valuer that these assumptions are commonly adopted when determining the fair value of similar type of business and are in line with industry practices.

The Board has also reviewed the valuation report of the Property and understands that it is prepared based on the direct comparison method, which is based on the principle of substitution, where comparison is made based on the prices realised on actual sales and/or asking prices of comparable properties. The Board also understands that the Independent Valuer has considered various valuation methodologies, including direct comparison method, profits method and cost method and that profit method is not considered appropriate as plenty of assumptions are involved in formulating the financial projection of the Property, and the assumptions might not be able to reflect the uncertainties in the future performance of the Property and improper assumptions will impose significant impact on the fair value, whereas cost method, which establishes value based on the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation, will generally only be considered if there lacks market comparables. Taking into into account (i) there are readily identifiable market comparables; (ii) the availability of reliable, verifiable and relevant recent market information; and (iii) the direct comparison method is universally considered as the most accepted valuation methodology for valuing most forms of property, the direct comparison method is considered to be the most appropriate valuation methodology for valuation for the Property. Furthermore, the Board understands that the valuation of the Property is made on the commonly adopted assumptions for property valuation, including (i) the Property would be sold in the open market in its existing state, with the benefit of vacant possession, without the benefit of deferred term contract, leaseback, joint venture, management agreement or any similar arrangements which could affect the value of the Property; (ii) the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value; and (iii) the Property have been constructed, occupied and used in full compliance with, and without contravention of all ordinances, and all required licenses, permit, certificates, and authorisations have been obtained for any use of the Property.

In consideration of the abovementioned and the qualifications and experience of, and the scope of works done by, the Independent Valuer in relation to the preparation of the valuation reports of Hulett Construction and the Property, the Board considers that valuation methodologies and the key assumptions adopted in the valuations of Hulett Construction and the Property are fair and reasonable, and the valuations fairly and reasonably reflect the fair value of Hulett Construction and the Property.

The Total Consideration was 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 valuation of Hulett Construction, and the consideration for the Sale Loans of S$4,000,000.00 on a dollar-for-dollar basis.

Set out below is the reconciliation between the fair value of the Property as at 30 November 2023 and financial information of Hulett Construction as at 31 October 2023 as set out in Appendix II to this circular:

	S$
Net book value of the Property and right-of-use asset (land) as at 31 October 2023	31,843,351
Fair value adjustment	43,156,649
Fair value of the Property as at 30 November 2023	75,000,000

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 interest accrued 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 43.54% 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 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".

Taking into account (i) Chuan Lim's obligation under the Promissory Note is collateral-free and unsecured, as compared to the Enlarged Group's obligations under the Bank Loans and the banking facilities obtained for the Acquisition which were secured by the Mortgages; (ii) the manageable repayment schedule of the Promissory Note, which the Enlarged Group may choose to repay the whole principal amount of the Promissory Note on the Maturity Date or repay any part of outstanding principal amount of the Promissory Note from time to time, if the Enlarged Group has sufficient cashflow to repay, or can obtain better terms of lending in respect of, any early repayment amount; (iii) the interest rate of the Promissory Note factors in the default risk of the Promissory Note which Mr. Lim is facing; and (iv) the issue of the Promissory Note will not have any dilution impact to the existing shareholding structure of the Company, as compared to equity financing methods such as right issue or open offer, the Directors (including the members of the Independent Board Committee after taking into account the advice from the Independent Financial Adviser but excluding Mr. Lim who has abstained from voting due to his material interest in the Acquisition) consider that the terms of the Promissory Note (including the interest rate thereof) 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 the 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 the 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, any one of 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.

As at the Latest Practicable Date:

(i) save as disclosed above, the Company was not aware of any other authorisations, approvals, consents, waivers and permits necessary or relevant to give effect to the Agreement and the transactions contemplated thereunder; and

(ii) none of the conditions set out in paragraphs (a) to (g) had been fulfilled or waived (if applicable).

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 Latest Practicable Date, Hulett Construction was 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 from time to time without specified frequency thereof set out in the lease of the Property). 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 ("**SORA**") 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 has been offered banking facilities of S$31,720,000.00 from DBS involving a second term loan to Hulett Construction of S$26,720,000.00 and a term loan to Chuan Lim of S$5,000,000.00 respectively, which will be secured by the Mortgages, to be used wholly for funding the Acquisition, in particular, to finance part of the Cash Consideration. The principal terms of the aforesaid two term loans, which are not subject to further negotiation and/or adjustment upon the Completion, are as follows:

(a) *Second Term Loan to Hulett Construction*

Principal amount	:	S$26,720,000.00
Borrower	:	Hulett Construction
Drawdown date	:	on the Completion Date
Term	:	7 years from the drawdown date of the loan
Interest	:	SORA in-arrears plus a margin of 1.35% per annum
Repayment	:	84 monthly instalments comprising loan principal and interest of such amounts as notified by DBS
Securities (other than the Mortgages)	:	1. Assignment of rental proceeds; 2. Charge over rental proceeds account; 3. Charge over the entire issued share capital of Hulett Construction; 4. Corporate guarantee of the Company; and 5. Corporate guarantee of Chuan Lim

Covenant relating to specific performance of the controlling Shareholder	:	(1) Mr. Lim shall continue to act as the chief executive officer of the Company throughout the term of the term loan; and (2) Mr. Lim, Ms. Yee together with their associates shall collectively continue to hold at least 30% of the total number of issued Shares throughout the term of the term loan.

(b) Term Loan to Chuan Lim

Principal amount	:	S$5,000,000.00
Borrower	:	Chuan Lim
Drawdown date	:	on the Completion Date
Term	:	3 years from the drawdown date of the loan
Interest	:	SORA in-arrears plus a margin of 1.45% per annum
Repayment	:	36 monthly instalments comprising loan principal and interest of such amounts as notified by DBS
Securities (other than the Mortgages)	:	1. Second all-monies mortgage/legal charge against the Property; 2. Assignment of rental proceeds; 3. Charge over rental proceeds account; 4. Corporate guarantee of the Company; and 5. Corporate guarantee of Hulett Construction
Covenant relating to specific performance of the controlling Shareholder	:	Mr. Lim shall continue to act as the chief executive officer of the Company throughout the term of the term loan.

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 43.54% 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 was 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 from 1 January 2024 to 31 March 2024 (which is subsequently extended to 31 May 2024 pursuant to the Lease Extension Agreement). 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 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. The terms of the New Master Lease Agreement (including the new workers dormitory charges at the rate of S$450 per bed) 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 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; and (iii) prevailing market rents for the workers dormitory. 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 COVID-19 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 considered that the terms of the New Master Lease Agreement (including the said new workers dormitory charges) were on normal commercial terms or better.

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 (as extended by the Lease Extension Agreement) are conducted on normal commercial terms or better, and one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect thereof 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.

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 FY2023 respectively:

	For the financial year ended 31 December		
	2021	**2022**	**2023**
	S$	*S$*	*S$*
	Approximate	*Approximate*	*Approximate*
	(audited)	*(audited)*	*(unaudited)*
Revenue	5,623,000.00	6,121,000.00	7,853,000.00
Profit before tax	2,294,000.00	2,663,000.00	4,160,000.00
Profit after tax	1,595,000.00	1,879,000.00	3,160,000.00

The unaudited net asset value of Hulett Construction was approximately S$10,003,000.00 as at 31 December 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.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon the Completion, Hulett Construction will be owned as to 100% by Chuan Lim, and accordingly, become an indirect wholly-owned subsidiary of the Company. The financial results of Hulett Construction will be consolidated in the consolidated financial statements of the Group.

Assets and Liabilities

The unaudited consolidated total assets, total liabilities and net assets of the Group as at 30 June 2023 as extracted from the interim report of the Group for 1H2023 were approximately S$114,153,000.00, S$23,604,000.00 and S$90,549,000.00 respectively. Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix V to this circular, assuming the Acquisition had completed on 30 June 2023, the unaudited pro forma total assets, total liabilities and net assets of the Enlarged Group would have been approximately S$172,749,000.00, S$82,428,000.00 and S$90,321,000.00 respectively.

Earnings

The audited net profit attributable to the owners of the Company of the Group for FY2022 as extracted from the annual report of the Group for FY2022 was approximately S$1,723,000.00. Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix V to this circular, assuming the Acquisition had completed on 1 January 2022, the Enlarged Group would have recorded a net profit of approximately S$2,658,000.00.

It is noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group would be after the Completion.

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 43.54% of total number of issued Shares), an executive Director and the chief executive officer of the Company.

As at the Latest Practicable Date, Hulett Construction was 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 Latest Practicable Date, Hulett Construction was 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 Latest Practicable Date, the Premises let to Chuan Lim under the New Master Lease Agreement formed 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 COVID-19 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 Latest Practicable Date, the Group had a total of 476 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. It is the current intention of the Group that the Premises shall continue to be used for the Group's operations and the other portions of the Building shall continue to be leased to the other tenants after the Completion. 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. In consideration of the aforesaid and the nature of Hulett Construction's business, it is expected that the Acquisition will bring positive contribution to the earnings of the Group without necessity to devote extra resources and workforce. 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. Pursuant to the New Master Lease Agreement, the Monthly Rent payable by the Group is S$64,812.01 per month and the New Other Charges (amount of which is based on availability and actual need of the Group) involve an increment of the rate of the workers dormitory charges from S$280 per bed to S$450 per bed. Accordingly, based on (i) the previous use of the Premises; (ii) the existing business and operations of the Group, including the number of projects secured by the Group; (iii) the business expansion plan of the Group; and (iv) the existing number of foreign workers who require the Group's provision of dormitory, it is expected that the Group may be able to save rental expenses of not less than S$2,500,000.00 per annum as a result of the Acquisition. 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 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 of not less than S$2,500,000.00 per annum 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 (including the members of the Independent Board Committee after taking into account the advice from the Independent Financial Adviser but excluding 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.

Mr. Lim is a controlling Shareholder with interest in 550,505,000 Shares (i.e. approximately 43.54% 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.

EGM AND CLOSURE OF REGISTER OF MEMBERS

The EGM will be held for the purpose of considering and, if thought fit, approving, among others, the Agreement and the transactions contemplated thereunder. The Notice is set out on pages EGM-1 and EGM-2 of this circular.

Any Shareholder who has a material interest in the Acquisition and 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. As at the Latest Practicable Date, (i) Brewster Global directly held 529,125,000 Shares (i.e. approximately 41.85% of the total number of issued Shares); (ii) Mr. Lim was the sole shareholder and sole director of Brewster Global and hence, deemed to be interested in the Shares directly held by Brewster Global under the SFO. Together with 21,380,000 Shares (i.e. approximately 1.69% of the total number of issued Shares) directly held by him, Mr. Lim was interested in an aggregate of 550,505,000 Shares (i.e. approximately 43.54% of the total number of issued Shares). Accordingly, Mr. Lim and Brewster Global will abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Lim and his 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 thereunder at the EGM.

To the extent the Directors were aware having made all reasonable enquiries, as at the Latest Practicable Date:

(a) there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any of Mr. Lim and Brewster Global, or obligation or entitlement of any of Mr. Lim and Brewster Global, whereby he/it had or might have temporarily or permanently passed control over the exercise of the voting right in respect of his/its Shares to a third party, either generally or on a case-by-case basis; and

(b) it was not expected that there would be any discrepancy between the beneficial shareholding interest in the Company of any of Mr. Lim and Brewster Global as disclosed in this circular and the number of Shares in respect of which he/it would control or would be entitled to exercise control over the voting right at the EGM.

A form of proxy for use at the EGM is enclosed herewith, a copy of which can also be obtained via the website of the Stock Exchange and the website of the Company. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 10:00 a.m. on Sunday, 5 May 2024) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll vote results will be made by the Company in the manner prescribed under Rule 13.39(5) of the Listing Rules and will be published on the website of the Stock Exchange and the website of the Company.

On a poll, every Shareholder presents in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote on a poll needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 2 May 2024 to Tuesday, 7 May 2024, both days inclusive, during which period no transfer of the Shares will be registered. The record date for determining the entitlements of the Shareholders to attend and vote at the EGM is Tuesday, 7 May 2024. In order to be eligible to attend and vote at the EGM, all duly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 30 April 2024.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 35 and 36 of this circular, containing its advice to the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out on pages 37 to 61 of this circular, 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.

The Directors (including the members of the Independent Board Committee after taking into account the advice from the Independent Financial Adviser but excluding Mr. Lim who has abstained from voting due to his material interest in the Acquisition) consider that although the Acquisition is not in the ordinary and usual course of the business of the Group, the terms of the Agreement are fair and reasonable, the transactions contemplated under the Agreement are on normal commercial terms following arm's length negotiations between the parties thereto and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee after taking into account the advice from the Independent Financial Adviser but excluding Mr. Lim who has abstained from voting due to his material interest in the Acquisition) recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

As the Completion is subject to the 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.

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

Chuan Holdings Limited
川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

22 April 2024

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 22 April 2024 (the "**Circular**") of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the members of the Independent Board Committee to consider and to advise the Independent Shareholders whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned, whether the transactions contemplated under the Agreement 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, and how to vote on the Agreement and the transactions contemplated thereunder at the EGM.

We wish to draw your attention to the letter from the Board set out on pages 8 to 34 of the Circular and the letter from the Independent Financial Adviser set out on pages 37 to 61 of the Circular, which contains its advice to you and us in respect of the terms of the Agreement and the transactions contemplated thereunder as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation.

Having taken into account the terms of the Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by, and the advice from, the Independent Financial Adviser, we are of the opinion that although the Acquisition is not in the ordinary and usual course of the business of the Group, the terms of the Agreement are fair and

* *For identification purposes only*

reasonable so far as the Independent Shareholders are concerned, the transactions contemplated under the Agreement are on normal commercial terms following arm's length negotiations between the parties thereto and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee
Chuan Holdings Limited

Wee Hian Eng Cyrus	**Wong Ka Bo Jimmy**	**Xu Fenglei**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of a letter of advice from Grande Capital to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular:

Grande Capital Limited

22 April 2024

To the Independent Board Committee and the
*Independent Shareholders of **Chuan Holdings Limited***

Dear Sirs/Madam,

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

INTRODUCTION

We refer to our appointment as 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, details of which are set out in the Letter from the Board (the "**Board Letter**") of the circular issued by the Company dated 22 April 2024 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 14 February 2024, 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.

LISTING RULES IMPLICATION

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.

Mr. Lim is a controlling Shareholder with interest in 550,505,000 Shares (i.e. approximately 43.54% 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

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.

We, Grande Capital, have been appointed and approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

During the last two years immediately preceding to Latest Practicable Date, Grande Capital was engaged as the independent financial adviser to the independent board committee and the independent shareholders of the Company for the following transactions:

Date of the relevant circular and our letter of advice	Nature of the transaction
11 January 2022	Continuing connected transaction in relation to the supplemental agreement
15 December 2023	Connected transaction in relation to issue of new shares under specific mandate

Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, we were not aware of any relationships or interest between Grande Capital and the Company or any parties that could be reasonably be regarded as hindrance to Grande Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees paid or payable to us in connection with the previous appointments mentioned above as well as this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. Grande Capital has not acted as a financial adviser to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date.

We have also assumed that all statements of belief, opinion, expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors and the management of the Company. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular, which includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all materials respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

This letter is issued for provision of the information to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Agreement and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Agreement and the transactions contemplated thereunder, we have taken into account the principal factors and reasons set out below:

A. Background information of 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 Company is an investment holding company and 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.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2022 as extracted from the Company's annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"):

	For the year ended 31 December 2022 *S$'000*	**For the year ended 31 December 2021** *S$'000*	**Year-on-year change** *%*
Revenue	88,605	85,416	3.7
Gross profit	6,198	4,337	42.9
Profit for the year	1,723	1,500	14.9

As depicted from the table above, the Group's revenue increased by approximately 3.7% from approximately S$85.4 million for FY2021 to approximately S$88.6 million for FY2022. With reference to the 2022 Annual Report, 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.

The Group's gross profit for the year increased by approximately 42.9% from approximately S$4.3 million for FY2021 to approximately S$6.2 million for FY2022. With reference to the 2022 Annual Report, the increase was mainly attributable to the increase in gross profit margin from approximately 5.1% for FY2021 to approximately 7.0% for FY2022, due to the Group's disciplined financial management, coupled with its pragmatic strategies in enhancing productivity.

The Group's net profit for the year increased by approximately 14.9% from approximately S$1.5 million for FY2021 to approximately S$1.7 million for FY2022. With reference to 2022 Annual Report, such change was mainly due to (i) the aforesaid increase in the Group's revenue, gross profit and gross profit margin; and (ii) increase in the share of results of associates resulting from the recognition of fair value gain of the Group's property redevelopment project; as partially offset by (i) decrease in other income and gains; and (ii) increase in income tax expenses.

Set out below is the unaudited consolidated financial information of the Group for 1H2023 and the six months ended 30 June 2022 ("**1H2022**") as extracted from the Company's interim report for 1H2023 (the "**2023 Interim Report**"):

	For the six months ended 30 June 2023	**For the six months ended 30 June 2022**	**Year-on-year change**
	S$'000	*S$'000*	*%*
Revenue	66,756	42,473	57.2
Gross profit	4,238	3,855	9.9
Profit for the period	1,739	1,331	30.7

As depicted from the table above, the Group's revenue increased by approximately 57.2% from approximately S$42.5 million for 1H2022 to approximately S$66.8 million for 1H2023. With reference to the 2023 Interim Report, the increase was mainly attributable to further resumption of construction activity in Singapore subsequent to the lifting of pandemic-related travel restrictions, resulting more income generation upon project completion.

The Group's gross profit increased by approximately 9.9% from approximately S$3.9 million for 1H2022 to approximately S$4.2 million for 1H2023. With reference to the 2023 Interim Report, the increase was mainly attributable to the increase in revenue and disciplined financial management, while such increase in revenue was offset by the increase in labour and material costs which caused the Group's gross profit margin decreased from approximately 9.1% for 1H2022 to approximately 6.3% for 1H2023.

The Group's net profit increased by approximately 30.7% from approximately S$1.3 million for 1H2022 to approximately S$1.7 million for 1H2023. With reference to the 2023 Interim Report, such change was mainly due to (i) the aforesaid increase in the Group's revenue and gross profit; and (ii) decrease in other expenses for 1H2023 due to the reversal of provision on trade receivables and contract assets; as partially offset by (i) decrease in other income and gains; (ii) increase in administrative and other operating expenses primarily due to the increase in labour overheads; and (iii) increase in income tax expenses.

With reference to the 2023 Interim Report, to further diversify its revenue stream, the Group will strategically pursue opportunities to participate in large-scale infrastructure projects and public housing initiatives that offer higher profit margins. Tourism in Singapore is experiencing a resurgence, with revitalisations of attractions and hotels presenting the Group with promising opportunities in the commercial property sector. The project win at Resorts World Sentosa Festive Hotel has demonstrated that the Group's unwavering tendering efforts and strategic approach are effective in capturing increasing opportunities. Going forward, the Group remains committed to closely monitoring market trends and diligently pursuing a growing number of new opportunities to drive its sustainable long-term revenue growth.

B. Background 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 Latest Practicable Date, Hulett Construction was owned as to 65% by Mr. Lim and 35% by Ms. Yee.

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 account of Hulett Construction for FY2023 respectively:

	For the financial year ended 31 December		
	2021	**2022**	**2023**
	S$	*S$*	*S$*
	Approximate	*Approximate*	*Approximate*
	(audited)	*(audited)*	*(unaudited)*
Revenue	5,623,000.00	6,121,000.00	7,853,000.00
Profit before tax	2,294,000.00	2,663,000.00	4,160,000.00
Profit after tax	1,595,000.00	1,879,000.00	3,160,000.00

The unaudited net asset value of Hulett Construction was approximately S$10,003,000.00 as at 31 December 2023.

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.

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 43.54% 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 was 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 from 1 January 2024 to 31 March 2024 (which is subsequently extended to 31 May 2024 pursuant to the Lease Extension Agreement). 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 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 (as extended by the Lease Extension Agreement) are conducted on normal commercial terms or better, and one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect thereof 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.

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.

C. Reasons for and benefits of the Acquisition

As stated in the Board Letter, 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 Latest Practicable Date, the Premises let to Chuan Lim under the New Master Lease Agreement formed less than 30% of the total area of the Property. For the remaining portions of the Building unoccupied by Chuan Lim, approximately 90% of the remaining portions are let under various lease agreements yielding a total monthly rental income of approximately S$440,000, according to the Board Letter. 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.

We understand from the management and note from the circular of the Group dated 15 December 2023 that the Group has been actively capturing business opportunities arising from the resumption of the construction activity and has the need to increase its working capital, production capacity and workforce, including acquisition of construction equipment and machineries (e.g. excavation machines and tipper trucks) and recruitment of more foreign workers to cater the growing business scale of the Group. In light of the growing business scale of the Group, the Group would need more workers dormitories to house its newly recruited foreign workers and more parking lots and warehouses for construction equipment and machineries. We understand from the management that, although the Group could lease part of the workers dormitories, carparks or warehouses operated by the third parties for its future expansion, the management are of the view that the Group could achieve operational and management efficiency by consolidating all its workforce, heavy vehicles, construction equipment and machineries within a single building, and preferably at the existing Property let by Hulett Construction to avoid unnecessary business disruption costs incurred in relation to the relocation of the Group's office, operation space, warehouse, workers dormitory and parking lots.

We note from the 2022 Annual Report that the Group incurred rental expenses of approximately S$2.4 million for the existing use of the Premises under the Master Lease Agreement for FY2022. Pursuant to the New Master Lease Agreement, the Monthly Rent payable by the Group is S$64,812.01 per month and the New Other Charges (amount of which is based on availability and actual need of the Group) involve an increment of the rate of the workers dormitory charges from S$280 per bed to S$450 per bed. Accordingly, based on (i) the previous use of the Premises; (ii) the existing business and operations of the Group, including the number of projects secured by the Group; and (iii) the business expansion plan of the Group, and with reference to the rental expenses of the Group incurred for FY2022 and FY2023, it is expected that the Group should be able to save rental expenses of not less than S$2.5 million per annum as a result of the Acquisition, which in turn, would improve the financial performance of the Group.

In addition to the relief of rental expenses burden, the Acquisition also allows the Group to further broaden its revenue stream. We understand from the management that the other portions of the Building unoccupied by the Group shall continue to be leased to the other tenants after the Completion. As stated in the Board Letter, approximately 90% of the portions of the Building unoccupied by the Group (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, which is equivalent to an annual rental income of approximately S$5.3 million. We note from the 2022 Annual Report that the Group recorded an annual rental income from the investment property of approximately S$111,000. The Acquisition would improve the rental income generated, diversify the Group's revenue stream and provide a more stable source of income.

Taking into account of the abovementioned, we are of the view that although the Acquisition is not in the ordinary and usual course of the business of the Group, the Acquisition is in the interests of the Company and the Shareholders as a whole.

D. Principal terms of 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 approximately HK$15,000,000.00 (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 direct comparison method; (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 summation method under 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" in the Board Letter.

E. Assessment of the Total Consideration

The Total Consideration is arrived at by adding the consideration for the Sale Shares of S$42,700,000, and the consideration for the Sale Loans of S$4,000,000 on a dollar-for-dollar basis, and is approximately 16.08% discount to the total sum of the valuation of Hulett Construction (i.e. S$51,650,000) and the Sale Loans.

In assessing the fairness and reasonableness of the determination of the consideration for the Sale Shares, we have obtained and reviewed the valuation report of Hulett Construction (the "**Equity Valuation Report**") and the valuation report of the Property (the "**Property Valuation Report**", together as the "**Valuation Reports**"). We noted that (i) both Valuation Reports were prepared by the Independent Valuer; (ii) the appraised value of Hulett Construction as at 30 November 2023 of approximately S$51.7 million, which was appraised by the Independent Valuer based on the summation method under cost approach; and (iii) the appraised value of the Property as at 30 November 2023 of approximately S$75.0 million, which was appraised by the Independent Valuer based on the direct comparison method. Details of the relevant Valuation Reports are set out in Appendix VI and Appendix VII to the Circular.

For our due diligence purpose, we have reviewed the supporting documents on the qualifications, experience and expertise of the Independent Valuer and discussed the same with the Independent Valuer. In particular, we noted that the person signing the Equity Valuation Report, being the director of the Independent Valuer, is a member of Hong Kong Institute of Certified Public Accountants, a holder of Chartered Financial Analyst, and is accredited in business valuation by the American Institute of Certified Public Accountants, with over 10 years of experience in handling business valuation in Hong Kong, the PRC, Australia and the United States, etc. We also noted that the person signing the Property Valuation Report, being the senior associate director of the Independent Valuer, is a Registered Professional Surveyor (General Practice Division), a member of Hong Kong Institute of Surveyors and a member of Royal Institution of Chartered Surveyors, with over 25 years of experience in handling property valuations in Hong Kong, Singapore and the PRC, etc. Based on the above, we are satisfied with the competence of the Independent Valuer in respect of the preparation of the Valuation Report.

We have also reviewed the Independent Valuer's terms of engagement including its scope of work and discussed with the Independent Valuer the work it has performed as regards to the Valuation Reports. We are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Reports. The Independent Valuer also confirmed its independence from the Group, Hulett Construction, Mr. Lim, Ms. Yee and their respective connected persons as at the Latest Practicable Date.

Valuation of Hulett Construction

The Company engaged the Independent Valuer to conduct the valuation on the fair value of Hulett Construction as at 30 November 2023. According to the Equity Valuation Report, the valuation of Hulett Construction was approximately S$51.7 million as at 30 November 2023. The Total Consideration is then arrived at by adding the consideration for the Sale Shares of S$42,700,000 and the consideration for the Sale Loans of S$4,000,000.00 on a dollar-for-dollar basis, and is approximately 16.08% discount to the total sum of the valuation of Hulett Construction and the Sale Loans.

Valuation methodology and assumptions

For our due diligence purpose, we have reviewed the Equity Valuation Report prepared by the Independent Valuer and discussed with the Independent Valuer regarding the methodology adopted and the basis and assumptions used in the valuation. The Equity Valuation Report was prepared by the Independent Valuer by adopting summation method under the cost approach. We understand from the Independent Valuer that the Independent Valuer has considered the three generally accepted approaches, which are commonly adopted approaches for valuation of business and are also consistent with normal market practice, namely market approach, income approach and cost approach:

– Market approach refers to a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have previously been sold. Value is established based on the principle of comparison. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should be approximate to one another. As advised by the Independent Valuer, as Hulett Construction has not recently been sold in a transaction appropriate for consideration under the basis of value, e.g. recent round of equity financing or recent transfer of shares in Hulett Construction between existing or new shareholder(s) (if any), the transaction price of which would have served as a direct reference of market value; and there is no publicly available information regarding the possible recent observable transactions in substantially similar businesses to Hulett Construction which is a property holding company, market approach was not adopted by the Independent Valuer.

– Income approach refers to a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount. In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued. The Independent Valuer considered income approach is not appropriate due to reasonable projections of the amount and timing of future income are not available for the valuation of Hulett Construction, and the financial projections require inputs of different assumptions which might inherit uncertainty.

– Cost approach refers to a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. The Independent Valuer considered that the principal asset of Hulett Construction would be the Property and its value could be readily determined with reference to the valuation of the Property. Therefore, the Independent Valuer adopted the cost approach for the valuation of Hulett Construction.

For our due diligence purpose, we have attempted to cross-check the valuation of Hulett Construction as at the valuation date via different approaches. For market approach, we noted that Hulett Construction has not recently been sold in a transaction and we have conducted independent research in respect of the recent observable transactions since the fourth quarter of 2023 ("**2023Q4**"), in substantially similar businesses to Hulett Construction which is a property holding company. However, there was no such transaction according to the research results from the public domain. We have subsequently conducted relevant research for the past twelve months while no such transaction was noted from the public domain. Given the lack of comparable transactions, we are not able to obtain market value that can be served as a direct reference under market approach. We have subsequently attempted to consider the income approach, and noted that the parameters required and assumptions under the income approach may not be easily verified or reasonably justified, and therefore income approach is considered to be inappropriate. According to the International Valuation Standard, the cost approach should be applied and afforded significant weight if it is able to recreate an asset with substantially the same utility as the subject asset. Taking into consideration that the principal asset of Hulett Construction would be the Property and the subject asset value could be readily determined with reference to the valuation of the Property, we consider that the cost approach is the most appropriate approach for the valuation of Hulett Construction.

Pursuant to the International Valuation Standard, there are three conventional valuation methods under the cost approach, namely replacement cost method, reproduction cost method and summation method. With reference to the Equity Valuation Report, as Hulett Construction is an investment holding company having the Property as principal asset, the Independent Valuer considered that summation method would be the most appropriate method for the valuation of Hulett Construction. According to the International Valuation Standard, replacement cost method refers to a method that indicates value by calculating the cost of a similar asset offering equivalent utility. Reproduction cost method refers to a method under the cost that indicates value by calculating the cost to recreating a replica of an asset. The summation method is also referred to as the underlying asset method, it is typically used for investment companies or entities for which value is primarily a factor of the values of their holdings. The key steps in summation method are valuing each of the component assets that are part of the subject asset using the appropriate valuation approaches and methods and adding the value of the component assets together to reach the value of the subject asset.

For our due diligence purpose, we have attempted to cross-check the valuation results under replacement cost method and reproduction cost method. We have conducted independent research on recent observable transactions since 2023Q4, in substantially similar businesses to Hulett Construction which is a property holding company with similar asset offering equivalent utility. We have also conducted research on the appropriate cost data that is required to recreate a replica of Hulett Construction, such as major assets and liabilities of Hulett Construction, to estimate the cost of reproduction. However, there was no such transaction or appropriate cost data according to the research results from the public domain. We have subsequently conducted relevant research for the past twelve months while no such information was noted from the public domain. Given the lack of relevant information, we were not able to assess the valuation results under such two methods. According to the International Valuation Standard, the summation method is typically used for investment companies or entities for which value is primarily a factor of the values of their holdings. Given that the principal asset of Hulett Construction is the Property in which the value of the Property is primarily a factor of the value of Hulett Construction, we consider that summation method is the most appropriate method for the valuation of Hulett Construction.

As advised by the Independent Valuer, the use of summation method under the cost approach relates to the valuation of assets and liabilities of Hulett Construction as at 30 November 2023, which includes current assets, non-current assets, current liabilities and non-current liabilities. Details of which are set forth below:

(a) Current assets

As at 30 November 2023, the book value of current assets of Hulett Construction amounted to approximately S$0.8 million, comprising cash and cash equivalents of approximately S$0.6 million, trade receivables of approximately S$0.1 million, and other current assets of approximately S$0.1 million. In appraising the market value of the current assets of Hulett Construction, the Independent Valuer based on its book value from the management account of Hulett Construction as at 30 November 2023. In view of the nature and liquidity of current assets, the Independent Valuer considered that they reflected the fair value and were relatively insignificant as compared to the market value of the Property. Therefore, market value adjustment to the current assets was not necessary and the market value of current assets was the same as its book value.

(b) Non-current assets

As at 30 November 2023, the book value of non-current assets of Hulett Construction amounted to approximately S$31.7 million, mainly comprising the Property and right-of-use asset (land) of approximately S$31.7 million. In appraising the market value of the Property, the Independent Valuer performed an independent valuation to appraise the market value of the Property as at 30 November 2023 of approximately S$75.0 million. Please refer to "Valuation of the Property" below for further analysis.

(c) Current and non-current liabilities

As at 30 November 2023, the book value of total current and non-current liabilities of Hulett Construction amounted to approximately S$22.8 million, comprising total borrowings of approximately S$16.4 million, which mainly include the mortgage loan in relation to the Property, term loan and lease liabilities, amount due to a director of S$4.0 million, provision for income tax of approximately S$0.9 million and other liabilities of approximately S$1.6 million. In appraising the market value of the liabilities of Hulett Construction, the Independent Valuer based on its book value from the management account of Hulett Construction as at 30 November 2023. We understand that the Independent Valuer has obtained and reviewed the financial breakdown and other supporting documents and financial records in respect of the non-current liabilities such as the lease liabilities schedule and loan agreements of Hulett Construction, and concluded that the carrying amount should reflect its fair value with respect to the terms and conditions of the loans. Therefore, the market value of liabilities was the same as its book value.

Based on the summation approach under the cost approach relates to the valuation of assets and liabilities of Hulett Construction as at 30 November 2023, the implied equity value before valuation adjustments of Hulett Construction amounted to approximately S$53.0 million as at 30 November 2023.

Discount for lack of control

Discount for lack of control ("**DLOC**") is a valuation adjustment applied to reflect downward adjustment with regard to ability to make decisions and changes resulting from lack of control over the subject asset. Based on the International Valuation Standard, a DLOC may be appropriate to apply when valuing a subject asset that reflects a minority interest. We understand that the Independent Valuer did not apply DLOC as Hulett Construction will be wholly-owned by the Group after the acquisition and we are of the view that no DLOC adjustment is appropriate and consistent with the relevant valuation standard.

Discount for lack of marketability

We understand that the Independent Valuer has applied a discount for lack of marketability ("**DLOM**") of approximately 2.55% in the valuation of Hulett Construction. We have discussed with and was advised by the Independent Valuer that the DLOM reflects the concept that when comparing otherwise identical assets, a readily marketable asset would have a higher value than an asset with a long marketing period or restrictions on the ability to sell the asset, and is a valuation adjustment used to reflect difference in the value for non-marketable assets. In view of the fact that Hulett Construction is a private company, DLOM is applied in the valuation of Hulett Construction. To estimate the DLOM applicable to Hulett Construction, which can be characterised as an asset holding company, the Independent Valuer adopted the observed DLOM from close-end funds. A closed-end fund, like a public company, issues a set number of shares in an initial public offering and trades on an exchange. Its share price is primarily determined by the total value of the assets it holds, and also determined by investor demand and perception on marketability. Thus, closed-end funds can trade at a discount or premium from their net asset values.

We note that the Independent Valuer determined the DLOM with reference to the Pluris DLOM Database, a database studying DLOM from actual transactions in restricted stock private placements. The real estate investment trusts are establishments primarily engaged in closed-end investments in real estate or related mortgage assets operating. We understand that the Independent Valuer has applied filter of real estate investment trusts in Pluris DLOM database, and arrived at a median DLOM of 2.55% with reference to common stock discounts of list of filtered transactions.

As advised by the Independent Valuer and based on our independent research, the Pluris DLOM Database is an independent research database commonly referenced by professional valuers. It is also noted that the filter applied by the Independent Valuer in the database is real estate investment trusts, which is a category under Standard Industrial Classification ("**SIC**") Codes. According to the SIC manual, such category refers to establishments primarily engaged in close-end investments in real estate or related mortgage assets operating. We also noted that SIC codes include major categories such as industrial applications and services, office of energy & transportation, office of real estate & construction (which includes real estate investment trusts), office of manufacturing, office of life sciences, office of technology, office of trade & services and office of Finance, in which only categories in relation to real estate investment trusts is considered the most relevant to the business operation of Hulett Construction. We are of the view that the DLOM of approximately 2.55% applied by the Independent Valuer for the valuation of Hulett Construction is fair and justifiable.

During our review, we noted that the valuation of Hulett Construction was conducted based on the key assumptions that, among others, there would be no material adverse changes in the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions as well as the current laws of taxation in the regions and countries where Hulett Construction currently operates in and carrying on its businesses. In addition, among others, the Independent Valuer assumed that all relevant legal approvals, business certificates and bank credit approval have been procured, in place and in good standing prior to commencement of operations by Hulett Construction under the normal courses of business. We have obtained the business profile of Hulett Construction filed with the Singapore's Accounting and Corporate Regulatory Authority, the licence to operate a foreign employee dormitory of Hulett Construction, and title search document of the Property and noted that Hulett Construction is the current owner of the Property. We have also reviewed the appraisal assumptions in the Equity Valuation Report as set out in Appendix VII to the Circular. As advised by the Independent Valuer, the abovementioned assumptions are in line with market practice. We have also performed independent research on equity valuation reports published in the past twelve months, which we have reviewed 30 equity valuation reports published by listed issuers and noted that the abovementioned assumptions are common assumptions adopted in the majority of the equity valuation reports, and we have not identified any major factors that cause us to doubt the reasonableness of the key assumptions adopted by the Independent Valuer, we are therefore of the view that the assumptions adopted in the valuation are reasonable. During the course of our discussion with the Independent Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the appraised value of Hulett Construction.

Based on our review of the Equity Valuation Report and discussion with the Independent Valuer regarding, among others, the scope of work and experiences of the Independent Valuer, the reasons and appropriateness of adopting the summation method under the cost approach for the valuation of Hulett Construction, the basis, assumptions and methodology adopted in the Equity Valuation Report, and the valuation work and adjustments performed by the Independent Valuer, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the preparation of the Equity Valuation Report.

Valuation of the Property

In assessing the fairness and reasonableness of the Total Consideration, we have also reviewed the Property Valuation Report as set out in Appendix VI to the Circular. According to the Property Valuation Report, the appraised value of the Property was approximately S$75.0 million as at 30 November 2023.

Valuation methodology and assumptions

For our due diligence purpose, we reviewed the Property Valuation Report prepared by the Independent Valuer and discussed with the Independent Valuer regarding the methodology adopted and the basis and assumptions used in the valuation. The Property Valuation Report was prepared by the Independent Valuer by adopting the direct comparison method. Upon our further enquiry with the Independent Valuer, we understand that the Independent Valuer has considered various valuation methodologies, including direct comparison method, profit method and cost method. Profit method is not considered appropriate as plenty of assumptions are involved in formulating the financial projection of the Property, and the assumptions might not be able to reflect the uncertainties in the future performance of the Property and improper assumptions will impose significant impact on the fair value, whereas cost method, which establishes value based on the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation, will generally only be considered if there lacks market comparables. Direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. According to the International Valuation Standard, the direct comparison method (also known as market approach) is commonly applied for the valuation of real property interests. As confirmed by the Independent Valuer, and taking into consideration that (i) there are readily identifiable market comparables; (ii) the availability of reliable, verifiable and relevant recent market information; and (iii) the direct comparison method is universally considered as the most accepted valuation methodology for valuing most forms of property, direct comparison method is adopted rather than alternative valuation methodologies and is considered to be the most appropriate valuation methodology for valuation of the Property. For our due diligence purpose, we have tried to cross-check the valuation using other valuation methodologies. We have attempted to consider the profit method, and noted that the parameters required and assumptions under the profit method may not be easily verified or reasonably justified, while the cost method required to analyse appropriate cost data on the current cost of replacing an asset with its modern equivalent asset, such as construction costs and other overheads including materials and labour costs, to estimate the cost of replacement. According to the International Valuation Standard, such method may be used as the primary approach when there is either no evidence of transaction prices for similar property or no identifiable actual or notional income stream. Having considered that (i) there are readily identifiable market comparables; (ii) based on the International Valuation Standard and our independent research on property valuation reports published in the past twelve months, which we have reviewed 45 property valuation reports published by listed issuers and noted that the direct comparison method (also known as market approach) is commonly applied for the valuation of real property interests in the majority of the property valuation reports; and (iii) fewer assumptions and uncertainties in arriving the valuation result, we are of the view that direct comparison method is considered to be the most appropriate valuation methodology for the valuation of the Property.

As discussed with the Independent Valuer, when valuing the Property using the direct comparison method, the Independent Valuer had identified and analysed various comparable properties of similar usage (industrial) in the vicinity. Specifically, the selection criteria including (i) the property type of comparable properties is industrial; (ii) the location of the comparable properties is located in the close proximity to the Property; and (iii) the offering date of the comparable properties is in 2023Q4 which aligns to the valuation date. We have also performed independent research on property valuation reports published in the past twelve months, which we have reviewed 45 property valuation reports published by listed issuers and noted that the property type, the location and the offering date which should align to the valuation date are commonly used selection criteria for the selection of comparable properties in the majority of the property valuation reports, and we have not identified any major factors that cause us to doubt the reasonableness of the selection criteria and are of the view that the selection criteria regarding the similar usage and nearby location of the comparable properties are fair and reasonable. We have also gone through the comparable selection process together with the Independent Valuer by applying the same selection criteria and obtained the same results. We further noted that in valuing the Property, the Independent Valuer had made due adjustments to the unit rates of these comparable properties to reflect factors including but not limited to time, location, size, amenities, and land tenure. Based on the discussion and our independent research, the information of the comparable properties is consistent with online public information. We understand that these adjustments are reasonable accounts for any differences between the Property and the chosen comparables. We have also performed independent research on property valuation reports published in the past twelve months, which we have reviewed 45 property valuation reports published by listed issuers and noted that these adjustments are commonly applied in the majority of the property valuation reports, and we have not identified any major factors that cause us to doubt the reasonableness of the application of adjustments by the Independent Valuer. We noted that upward adjustment in the unit rate has been made to inferior factors and downward adjustment in the unit rate has been made to superior factors of the comparable properties and we are of the view that such adjustments applied to the unit rates of the comparable properties are fair and reasonable and align with industry practices based on the results of our independent research as mentioned above. We have reviewed the computation of the value of each comparable property and noted that the unit rate of the Property is within the range of the adjusted unit rates of the comparable properties identified in the Property Valuation Report. Hence, we are of the view that this approach aligns with industry best practices and ensures that the valuation considers the unique characteristics of the Property while maintaining consistency and comparability with similar properties in the market.

During our review, we noted that the valuation was conducted based on the key assumptions that, among others, the Property have been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. It is further assumed that, for any use of the Property upon which the Property Valuation Report is based, all licenses, permit, certificates, and authorisations have been obtained. We have obtained the title search document of the Property and noted that the current owner of the Property is Hulett Construction, and the licence to operate a foreign employee dormitory of Hulett Construction. We have also reviewed the appraisal assumptions in the Property Valuation Report as set out in Appendix VI to the Circular. As advised by the Independent Valuer, the abovementioned assumptions are in line with market practice. We have also performed independent research on property valuation reports published in the past twelve months, which we have reviewed 45 property valuation reports published by listed issuers and noted that the abovementioned assumptions are common assumptions adopted in the majority of the property valuation reports, and we have not identified any major factors that cause us to doubt the reasonableness of the key assumptions adopted by the Independent Valuer. We are therefore of the view that the assumptions adopted in the valuation are reasonable. During the course of our discussion with the Independent Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the appraised value of the Property.

Based on our review of the Property Valuation Report and discussion with the Independent Valuer regarding, among others, the scope of work and experiences of the Independent Valuer, the reasons and appropriateness of adopting the direct comparison method for the valuation of the Property, the basis, assumptions and methodology adopted in the Property Valuation Report, and the valuation work and adjustments performed by the Independent Valuer, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the preparation of the Property Valuation Report.

Conclusion of Total Consideration

Taking into account the above, given (i) the Total Consideration was determined based on the Valuation Reports which we consider fair and reasonable as discussed above; (ii) the Total Consideration represents discount to the valuation of Hulett Construction and the Sale Loans; (iii) the Total Consideration was determined based on arm's length negotiation among the parties to the Agreement; and (iv) the potential reasons and benefits as stated in the section headed "Reasons for and benefits of the Acquisition", we are of the view that the Total Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

F. Financial effects of the Acquisition

Upon the Completion, Hulett Construction will be owned as to 100% by Chuan Lim, and accordingly, become an indirect wholly-owned subsidiary of the Company. The financial results of Hulett Construction will be consolidated in the consolidated financial statements of the Group.

Assets and Liabilities

The unaudited consolidated total assets, total liabilities and net assets of the Group as at 30 June 2023 as extracted from the 2023 Interim Report were approximately S$114,153,000, S$23,604,000 and S$90,549,000, respectively. Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix V to the Circular, assuming the Acquisition had completed on 30 June 2023, the unaudited pro forma total assets, total liabilities and net assets of the Enlarged Group would have been approximately S$172,749,000.00, S$82,428,000.00 and S$90,321,000.00 respectively.

Earnings

The audited net profit attributable to the owners of the Company of the Group for FY2022 as extracted from the 2022 Annual Report was approximately S$1,723,000. Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix V to the Circular, assuming the Acquisition had completed on 1 January 2022, the Enlarged Group would have recorded a net profit of approximately $2,658,000.00.

It is noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group would be after the Completion.

RECOMMENDATION

Having taken into consideration the principal factors discussed above, we are of the view that (i) the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and (ii) although the Acquisition is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Grande Capital Limited
Sumwing Shum
Managing Director

Mr. Sumwing Shum is licensed under the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer and sponsor principal of Grande Capital. Mr. Shum has over 9 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION

The financial information of the Group for FY2020, FY2021, FY2022 and FY2023 are disclosed in the following documents which have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.chuanholdingsltd.com):

– Annual Report of the Group for FY2020 at pages 102 to 184:
http://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042101667.pdf

– Annual Report of the Group for FY2021 at pages 110 to 196:
http://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042501483.pdf

– Annual Report of the Group for FY2022 at pages 130 to 212:
http://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042401956.pdf

– Annual Results Announcement of the Group for FY2023 at pages 22 to 42:
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0328/2024032806422.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 29 February 2024, being the most recent practicable date for the purpose of indebtedness statement of the Enlarged Group prior to the printing of this circular, the Enlarged Group had the following outstanding indebtedness:

	S$'000 *(unaudited)*
Indebtedness	
Bank borrowings	
– Secured and guaranteed	15,075
Lease liabilities	
– Secured and guaranteed	8,087
– Unsecured and unguaranteed	2,938
Amount due to controlling Shareholder	
– Unsecured and unguaranteed	4,000
	30,100

As at 29 February 2024, the interest rates of the bank borrowings of the Enlarged Group ranges from 2.00% to 4.70%, whereas the interest rates of the lease liabilities of the Enlarged Group ranges from 1.18% to 2.78%. The amount due to controlling Shareholder is interest-free.

Bank borrowings

As at 29 February 2024, the bank borrowings of the Enlarged Group did not comprise solely of the Bank Loans. The Bank Loans, with a carrying amount of S$13,469,000, were secured through the Mortgages and guaranteed by Mr. Lim. The bank loan rendered to Chuan Lim with a carrying amount of S$1,606,000 was secured and guaranteed by the Company.

Lease liabilities

As at 29 February 2024, S$538,000 of lease liabilities were secured and guaranteed by the Company, and S$7,549,000 of lease liabilities were secured and guaranteed by Chuan Lim.

Mortgage and Charges

As at 29 February 2024, the Property with a carrying value of S$29.5 million was mortgaged to DBS under the Mortgages to secure the Bank Loans, whilst part of the Enlarged Group's banking facilities were secured by pledged deposits amounting to approximately S$1.3 million. Additionally, some of the Enlarged Group's lease liabilities were secured by charge over the Enlarged Group's leased assets of net book value of approximately S$8.5 million.

Contingent Liabilities and Financial Guarantees

As at 29 February 2024, the Enlarged Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$10.2 million. The guarantee in respect of performance bonds issued by banks were secured by pledged deposits.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, as at the close of business on 29 February 2024, the Enlarged Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts, liabilities under acceptances or acceptance credits, loans or other similar indebtedness, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry and taking into account the internal resources, generated funds and presently available banking facilities of the Enlarged Group and the effect of the Acquisition, are of the opinion that the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. TREND OF BUSINESS OF THE GROUP AND FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As a prominent earthworks contractor headquartered in Singapore, the Group has established itself as a leader in the local construction market over the past 20 years, consistently delivering timely, dependable and top-notch services. The Group is known for its unwavering commitment to integrity, exceptional craftsmanship, and strict adherence to safety and regulatory standards.

Singapore's construction industry was severely impacted by COVID-19, beginning in 2020. The Group's business was inevitably affected by the unprecedented public health and safety measures imposed by the government. Despite the challenges, the Group spared no effort to resume its construction activities, with an additional commitment to compliance with strict safety management measures at construction worksites during the worst of the pandemic. The Group has since managed to ramp up its commercial momentum by accelerating work on projects delayed due to the pandemic. By stepping up its efforts to boost productivity and adjust tendering strategies, the Group has delivered projects in a timely manner and successfully completed more projects for the progressive recognition of revenue.

As the impact of the pandemic waned, and with a gradual revival of the industry, the Group recorded revenue of approximately S$88.6 million and S$100.9 million for FY2022 and the 10 months ended 31 October 2023 respectively. The Group's revenue increase was attributable mainly to an increase in projects delivered which translated into higher revenue recognition. Net profit attributable to owners of the Company was approximately S$1.7 million and S$2.8 million for FY2022 and the 10 months ended 31 October 2023 respectively, due mainly to further resumption of construction activity in Singapore subsequent to the conclusion of pandemic-related travel restrictions, resulting more income generation upon project completion. Based on the current operations, the business of the Group in the current financial year is expected to remain stable driven by the steady recovery of construction industry in Singapore as well as its progressive completion and delivery of projects. Meanwhile, the Group will remain vigilant to issues such as high construction materials and labour costs, key challenges among construction firms, and adopt stringent cost control measures to protect its profitability.

The global business environment in 2024 is expected to grapple with challenges stemming from the Russia-Ukraine conflicts and crises in the Middle East region. These factors pose a threat to the global economy, potentially leading to recession and subsequent deglobalisation which could disrupt global supply chains, trigger global inflation and currency exchange rate volatility. Despite such uncertainties, the global economy shows signs of improvement and is expected to continue growing at a steady pace in 2024. The International Monetary Fund forecasts a global growth of 3.1% in 2024, predicting that Asian emerging markets will remain a driving force.

The Monetary Authority of Singapore expects the country's economy to continue improving in 2024 and has forecasted gross domestic product growth of 1-3%. The local construction sector continues to be one of the top contributors to Singapore's economic growth. The Building and Construction Authority of Singapore expects the value of construction contracts to be awarded in 2024 to range from S$32 billion to S$38 billion in nominal terms, with public sector contracts accounting for around 55% of the total. Given the government's tremendous support and funding, with mega-construction and public housing projects in the pipeline, the industry's prospects remain encouraging. Some major projects due to be awarded in 2024 include Singapore's Housing and Development Board's new built-to-order developments, additional Cross Island MRT Line contracts (Phase 2), infrastructure works for the planned Changi Airport Terminal 5, Tuas Port development, major road enhancements and drainage improvement works, bringing opportunities for the Group to grow further. As the pandemic subsides and global tourism recovers, the Group sees abundant opportunities in the commercial property sector, particularly in the refurbishment of attractions and hotels. With the government's constant investments in infrastructure and the urban environment to meet the needs of Singapore's expanding population and thriving economy, prospects for the Group remain encouraging and it will continue to seize opportunities made available by its agile tendering strategies, close ties with existing clients, extensive experience and expertise.

Following the Completion, the Enlarged Group will continue to bolster its position as a leading Singapore earthworks contractor, growing in line with its mission to deliver quality earthworks services with integrity and leading-edge quality workmanship. The accommodation shortage issues alongside soaring dormitory rental rates within the industry have increased the difficulty for market players to look for new housing solutions for its workers. The Acquisition shall enable the Enlarged Group to accommodate additional workers and heavy vehicles which aligns with its strategic development plan to expand production capacity and workforce, enabling the Enlarged Group to better manage its cost, capture more business opportunities in the future arising from the market rebound and undertake additional projects.

The Acquisition is also seen as an expansion the Group's existing business. With the increase in demand for workers dormitory within the industry, the Enlarged Group shall continue to lease the unoccupied portions of the Building to other tenants after the Completion, which is expected to bring in stable recurring income to the Enlarged Group. It sees a stable to moderate growth in line with the growth trend of the demand of workers dormitories in the industry. The stable revenue income generated from the leasing of the Property will be recorded under a new operating segment of the Enlarged Group, which helps to diversify the Enlarged Group's operational risks. The Enlarged Group will also assess its business operations regularly and evaluate the potential utilisation of the Building for its business operations and future expansion, a strategy that is expected to benefit its overall development.

In a move to bolster its presence in Singapore and mitigate its operational risks, the Enlarged Group has also sought to expand into the property redevelopment business. Through collaborating with prominent listed companies, the Enlarged Group has invested in landmark projects in Singapore to diversify its investment portfolio. As at the Latest Practicable Date, one of redevelopment projects was completed and realised the gain ,whilst most of the same were still at the redevelopment stage with two projects being expected to be completed in 2024. It is believed that the Group's investment in the property redevelopment projects will enable it to generate favourable investment return and enhance Shareholders value in the long run. Any interest income or fair value gain/loss due to such property redevelopment projects will be recognised as other income and gains or share of results/loss of associates of the Company, as appropriate. With its ultimate goal of achieving sustainable profitability and creating the greatest long-term value for the Shareholders, the Enlarged Group will continue to seek opportunities to diversify its revenue stream and to expand its operations.

Despite the presence of risks and uncertainties, the Enlarged Group remains cautiously optimistic about its overall outlook. In its business development strategy, which aims to balance the profitability and growth of its business, the Enlarged Group will step up its efforts to explore new development opportunities, leveraging the development momentum of Singapore's construction industry with highly effective management to foster stable growth in its business and create long-term value for its shareholders.

The following is the text of a report received from Ernst & Young LLP, Certified Public Accountants, Singapore, in relation to the financial information of Hulett Construction, which has been prepared for the purpose of inclusion in this circular.

EY

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHUAN HOLDINGS LIMITED

Introduction

We report on the historical financial information of Hulett Construction (S) Pte. Ltd. (the "**Target Company**") set out on pages II-4 to II-25, which comprises the statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 October 2023, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the years then ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the ten months ended 31 October 2023 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-25 forms an integral part of this report, which has been prepared for inclusion in the circular of Chuan Holdings Limited (the "**Company**") dated 22 April 2024 (the "**Circular**") in connection with the proposed acquisition of the 100% equity shares of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The Underlying Financial Statements of the Target Company for the Track Record Period as defined on page II-4, on which the Historical Financial Information is based, were prepared by the director of the Target Company (the "**Target Company Director**"). The Target Company Director is responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board, and for such internal control as the Target Company Director determines is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatements, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 October 2023 and of its financial performance and cash flows for each of the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the ten months ended 31 October 2022 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on Matters Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustment to the Underlying Financial Statements as defined on page II-4 have been made.

Ernst & Young LLP
Certified Public Accountants
Singapore

22 April 2024

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The underlying financial statements of the Target Company for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young LLP in accordance with International Standards on Auditing ("**ISA**") issued by the International Auditing and Assurance Standards Board ("**IAASB**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Singapore Dollar ("**SGD**").

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 S$	Year ended 31 December 2021 S$	Year ended 31 December 2022 S$	Ten months ended 31 October 2022 S$ (Unaudited)	Ten months ended 31 October 2023 S$
Revenue	6	7,456,168	5,623,448	6,120,610	4,994,295	6,450,884
Direct costs		(2,837,649)	(2,642,614)	(2,734,176)	(2,301,602)	(2,310,402)
Gross profit		4,618,519	2,980,834	3,386,434	2,692,693	4,140,482
Other income	7	378,507	84,786	36,002	25,659	38,489
Administrative expenses		(274,250)	(247,248)	(279,322)	(208,448)	(230,431)
Other expenses		(192,622)	(21,207)	(15,742)	(9,172)	(14,913)
Finance costs	8	(579,840)	(509,715)	(464,474)	(383,156)	(530,324)
Impairment (loss)/gain on financial assets		(14,022)	6,120	–	–	–
Profit before tax	9	3,936,292	2,293,570	2,662,898	2,117,576	3,403,303
Income tax expense	10	(964,347)	(698,103)	(784,321)	(604,168)	(819,419)
Profit for the year, representing total comprehensive income for the year		2,971,945	1,595,467	1,878,577	1,513,408	2,583,884

STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December 2020	2021	2022	At 31 October 2023
		S$	S$	S$	S$
ASSETS					
Non-current assets					
Investment property	11	34,165,471	32,594,645	31,023,818	29,714,796
Right-of-use asset	23	2,443,211	2,332,156	2,221,101	2,128,555
Property, plant and equipment	12	26,394	13,324	37,488	29,651
		36,635,076	34,940,125	33,282,407	31,873,002
Current assets					
Trade receivables	13	97,731	133,600	68,086	94,209
Other receivables	14	49,169	50,064	118,882	78,002
Amount due from related parties	15	1,606,675	737,399	30,969	29,603
Cash and cash equivalents	16	417,372	421,323	626,127	305,333
		2,170,947	1,342,386	844,064	507,147
Total assets		38,806,023	36,282,511	34,126,471	32,380,149
EQUITY AND LIABILITIES					
Equity					
Share capital	22	1,000,000	1,000,000	1,000,000	1,000,000
Retained earnings		2,369,265	3,964,732	5,843,309	8,427,193
Equity attributable to owners of the Target Company		3,369,265	4,964,732	6,843,309	9,427,193
Non-current liabilities					
Borrowings	19	24,230,277	21,711,737	18,653,407	14,281,626
		24,230,277	21,711,737	18,653,407	14,281,626
Current liabilities					
Borrowings	19	2,348,066	2,516,436	2,558,329	2,258,113
Amount due to a director	20	4,059,056	4,059,056	4,059,056	4,059,056
Amount due to a related party	21	961,975	961,975	–	–
Trade payables	17	576,681	467,488	92,311	106,415
Other payables	18	2,200,931	958,179	1,141,313	1,428,327
Provision for income tax		1,059,772	642,908	778,746	819,419
		11,206,481	9,606,042	8,629,755	8,671,330
Total liabilities		35,436,758	31,317,779	27,283,162	22,952,956
Total equity and liabilities		38,806,023	36,282,511	34,126,471	32,380,149

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained (losses)/profits	Total
	S$	*S$*	*S$*
At 1 January 2020	1,000,000	(602,680)	397,320
Profit and total comprehensive income for the year	–	2,971,945	2,971,945
At 31 December 2020	1,000,000	2,369,265	3,369,265
At 1 January 2021	1,000,000	2,369,265	3,369,265
Profit and total comprehensive income for the year	–	1,595,467	1,595,467
At 31 December 2021	1,000,000	3,964,732	4,964,732
At 1 January 2022	1,000,000	3,964,732	4,964,732
Profit and total comprehensive income for the year	–	1,878,577	1,878,577
At 31 December 2022	1,000,000	5,843,309	6,843,309
At 1 January 2023	1,000,000	5,843,309	6,843,309
Profit and total comprehensive income for the period	–	2,583,884	2,583,884
At 31 October 2023	1,000,000	8,427,193	9,427,193
At 1 January 2022	1,000,000	3,964,732	4,964,732
Profit and total comprehensive income for the period *(Unaudited)*	–	1,513,408	1,513,408
At 31 October 2022 *(Unaudited)*	1,000,000	5,478,140	6,478,140

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	3,936,292	2,293,570	2,662,898	2,117,576	3,403,303
Adjustments for:					
Depreciation of investment property	1,570,826	1,570,826	1,570,827	1,309,022	1,309,022
Depreciation of property, plant and equipment	28,010	15,107	8,942	3,962	9,246
Depreciation of right-of-use asset	111,055	111,055	111,055	92,546	92,546
Allowance/(reversal) of impairment of trade receivables	14,022	(6,210)	–	–	–
Interest expenses	579,840	509,715	464,474	383,156	530,324
Operating cash flows before changes in working capital	6,240,045	4,494,063	4,818,196	3,906,262	5,344,441
Changes in working capital:					
Trade receivables	(3,006)	(29,659)	65,514	66,004	(26,123)
Other receivables, deposits, and prepayments	1,024	(895)	(68,818)	(101,830)	40,880
Amount due from related parties	(1,573,916)	869,276	706,430	706,154	1,365
Amount due to related parties	(100,000)	–	(961,975)	(961,975)	–
Trade payables	302,216	(109,193)	(375,177)	(364,887)	14,105
Other payables and accruals	1,218,202	(1,242,752)	183,134	59,039	287,014
Cash flows from operations	6,084,565	3,980,840	4,367,304	3,308,767	5,661,682
Income tax paid	(526,435)	(1,114,967)	(648,483)	(648,484)	(778,746)
NET CASH GENERATED FROM OPERATING ACTIVITIES	5,558,130	2,865,873	3,718,821	2,660,283	4,882,936
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment	(11,600)	(2,037)	(33,106)	(1,396)	(1,409)
NET CASH USED IN INVESTING ACTIVITIES	(11,600)	(2,037)	(33,106)	(1,396)	(1,409)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	(579,840)	(509,715)	(464,474)	(383,156)	(530,324)
Proceeds from borrowings	1,090,000	–	–	–	–
Repayment of term loans	(695,556)	(2,285,972)	(2,948,869)	(2,038,208)	(4,612,734)
Repayment to a director	(5,400,000)	–	–	–	–
Payment of principal portion of lease liabilities	(60,996)	(64,198)	(67,568)	(56,307)	(59,263)
NET CASH USED IN FINANCING ACTIVITIES	(5,646,392)	(2,859,885)	(3,480,911)	(2,477,671)	(5,202,321)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(99,862)	3,951	204,804	181,216	(320,794)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	517,234	417,372	421,323	421,323	626,127
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY CASH AND BANK BALANCES	417,372	421,323	626,127	602,539	305,333

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

1. General Information

Hulett Construction (S) Pte. Ltd. (the "**Target Company**") is incorporated and domiciled in Singapore with its registered office and principal place of business located at 20 Senoko Drive, Singapore 758207.

The principal activity of the Target Company is property investment.

2. Basis of Preparation and Presentation

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared based on the International Financial Reporting Standards ("**IFRSs**"). All IFRSs effective for the accounting period commencing 1 January 2023 together with the relevant transitional provisions, have been adopted by the Target Company in the preparation of the Historical Financial Information and in the period covered by the Stub Period Comparative Historical Financial Information. The accounting policies adopted by the Target Company is materially consistent with those of the Company.

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The Historical Financial Information and Stub Period Comparative Historical Financial Information are presented in Singapore Dollar (S$), which is the Target Company's functional currency.

Going Concern

As at 31 October 2023, the Target Company's current liabilities exceeded its current assets by S$8,164,183 (2022: S$7,785,691, 2021: S$8,263,656, 2020: S$9,035,534). This factor indicates the existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern. The ability of the Target Company to continue as a going concern is dependent upon the Target Company's ability to achieve profit from its operations, factoring in that the amount due to a director is repayable when there are sufficient cash flows.

3. Standards Issued but not yet Effective

A number of new standards, amendments to standards and interpretations were issued but not yet effective for annual periods beginning 1 January 2023, and have not been early adopted by the Target Company in the preparation of the Historical Financial Information and Stub Period Comparative Historical Financial Information.

Description	**Effective for annual periods beginning on or after**
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
Amendments to IAS 21: *Lack of exchangeability*	1 January 2025

The Target Company Director expects that the adoption of these new standards, amendments to standards and interpretations will have no material impact on the Historical Financial Information and Stub Period Comparative Historical Financial Information.

4. Material Accounting Policies

4.1 Investment Property

Investment property is property that is either owned by the Target Company or leased under a finance that are held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods and services, or for administrative purposes or in the ordinary course of business. Investment property comprise of completed investment property and property that is being constructed or developed for future use as investment property. Property held under an operating lease is classified as investment property when the definition of an investment property is met.

Investment property is initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation on investment property is calculated using the straight-line method to allocate the depreciable amounts over its estimated useful life of 26 years. Investment property under construction is not depreciated.

4.1 Investment Property (Continued)

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

4.2 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful live. The estimated useful life for the respective asset classes are as follows:

	Useful life
Furniture and fittings	5 years
Office equipment	5 years
Tools and equipment	5 years

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The useful life, residual value and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

4.3 Impairment of Non-financial Assets

The Target Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, (or, where applicable, when an annual impairment testing for an asset is required) the Target Company makes an estimate of the asset's recoverable amount.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash- generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

4.4 Financial Assets

Initial Recognition and Measurement

Financial assets are recognised when, and only when, the Target Company becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Target Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

If the trade receivables do not contain a significant financing component at initial recognition, trade receivables are measured at the amount of consideration to which the Target Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party.

4.4 Financial Assets (Continued)

Subsequent Measurement

Debt Instruments

Subsequent measurement of debt instruments depends on the Target Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, fair value through other comprehensive income ("**FVOCI**") and FVTPL. The Target Company only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (and, where applicable, any cumulative gain or loss that has been recognised in other comprehensive income) is recognised in profit or loss.

4.5 Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are recognised when, and only when, the Target Company becomes a party to the contractual provisions of the financial instrument. The Target Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVTPL, directly attributable transaction costs. The Target Company only has financial liabilities at amortised cost.

4.5 Financial Liabilities (Continued)

Subsequent Measurement

After initial recognition, financial liabilities that are not carried at FVTPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. The Target Company's financial liabilities comprise borrowings, amount due to a director, amount due to related parties, trade payables and other payables and accruals.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

4.6 Impairment of Financial Assets

The Target Company recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

4.6 Impairment of Financial Assets (Continued)

The Target Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.7 Leases

The Target Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As Lessee

The Target Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Company recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use Asset

The Target Company recognises right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Depreciation on right-of-use asset is calculated using the straight-line method to allocate the depreciable amounts over its estimated useful life of 30 years.

If ownership of the leased asset transfers to the Target Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 4.3.

4.7 Leases (Continued)

Lease Liabilities

At the commencement date of the lease, the Target Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Company and payments of penalties for terminating the lease, if the lease term reflects the Target Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Target Company's lease liabilities are included in borrowings (Note 19).

Short-term Leases and Leases of Low-value Assets

The Target Company applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

4.7 Leases (Continued)

As Lessor

Leases in which the Target Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases on the Target Company's investment property is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.8 Revenue Recognition

Revenue is measured based on the consideration to which the Target Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Rental Income

Revenue from rental income on investment property is recognised on a straight-line basis over the term of the lease. Lease incentives, if any is recognised as part of the total lease income.

Contract Revenue

Contract revenue is recognised when the Target Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Contract revenue is recognised over time by reference to the Target Company's progress towards completing the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs.

4.9 Share Capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

4.10 Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and cash on hand and are subject to an insignificant risk of changes in value.

4.12 Provisions and Contingent Liabilities

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4.13 Borrowing Costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.14 Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Target Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Target Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

4.15 Government Grants

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is recognised as income in equal amounts over the expected useful life of the related asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

4.16 Foreign Currency Transactions and Balances

Transactions in foreign currencies are measured in the functional currency of the Target Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting period are recognized in profit or loss.

5. Significant Accounting Judgements and Estimates

The preparation of the Target Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

5.1 Judgements Made in Applying Accounting Policies

The management is of the opinion that there are no significant judgements made in applying accounting estimates and policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Target Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Target Company. Such changes are reflected in the assumptions when they occur.

Impairment of Right-of-use Asset and Investment Property

The Target Company assesses impairment on right-of-use asset and investment property whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. Management believes there is no impairment to be recognised for the Target Company's right-of-use asset and investment property. The carrying amounts of right-of-use asset and investment property are disclosed in Notes 23 and 11 respectively.

6. Revenue

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Disaggregation of revenue					
Type of good or service					
Contract Revenue	1,455,000	–	–	–	–
Service Income	–	–	–	–	1,600
Rental income	6,001,168	5,623,448	6,120,610	4,994,295	6,449,284
	7,456,168	5,623,448	6,120,610	4,994,295	6,450,884
Contract revenue and service income – timing of transfer of good or service					
At a point of time	–	–	–	–	1,600
Over time	1,455,000	–	–	–	–

7. Other Income

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Enterprise Singapore grant	–	13,335	–	–	–
Ex gratia received	–	9,850	–	–	–
Insurance compensation	–	22,983	–	–	–
Jobs support scheme	40,122	23,547	–	–	–
Government cash grant	206,987	–	–	–	–
Special employment credit	1,914	1,524	414	–	–
Property tax rebate	122,360	–	–	–	–
Sundry income	5,546	12,647	35,588	25,659	38,489
Wage credit scheme	1,578	900	–	–	–
	378,507	84,786	36,002	25,659	38,489

8. Finance Costs

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Interest expense on:					
– Bank borrowings	442,953	376,030	334,160	274,561	424,685
– Lease liabilities	136,887	133,685	130,314	108,595	105,639
	579,840	509,715	464,474	383,156	530,324

9. Profit before Income Tax

The Target Company's profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Auditors' remuneration	–	5,000	5,500	4,295	4,583
Employee benefits expense:					
– Salaries, bonuses and other costs	190,599	176,826	179,423	139,819	149,500
– Contributions to Central Provident Fund	30,547	29,317	30,029	23,331	24,965
Depreciation of property, plant and equipment	28,010	15,107	8,942	3,961	9,246
Depreciation of investment property	1,570,826	1,570,826	1,570,827	1,309,022	1,309,022
Depreciation of right-of-use asset	111,055	111,055	111,055	92,546	92,546
Professional fees	30,845	72,746	105,294	97,697	14,560
Allowance/(reversal) of Impairment loss on financial assets	14,022	(6,120)	–	–	–
Property tax	407,867	403,700	403,700	336,417	336,417
Repair and maintenance	497,796	298,706	272,776	227,212	352,865
Utilities	122,174	165,123	248,019	213,691	181,833

10. Income Tax Expense

The major components of income tax expense recognised in profit or loss were:

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Current income tax					
– Current year	877,000	640,000	743,010	604,168	819,419
– Under provision in prior years	87,347	58,103	41,311	–	–
Income tax expense recognised in profit or loss	964,347	698,103	784,321	604,168	819,419

A reconciliation between tax expense and the product of profit before tax multiplied by the applicable corporate tax rate were as follows:

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Profit before tax	3,936,292	2,293,570	2,662,898	2,117,576	3,403,302
Income tax using the statutory tax rate of 17%	669,169	389,907	452,693	359,988	578,561
Tax effects of:					
Non-deductible expenses	278,261	282,634	307,742	261,605	258,283
Non-taxable income	(42,008)	(4,003)	–	–	–
Utilisation of capital allowances	(2,497)	(2,613)	–	–	–
Partial tax exemption	(25,925)	(25,925)	(17,425)	(17,425)	(17,425)
Under provision in respect of prior years	87,347	58,103	41,311	–	–
Income tax expense recognised in profit or loss	964,347	698,103	784,321	604,168	819,419

11. Investment Property

	At 31 December			At 31 October
	2020	**2021**	**2022**	**2023**
	S$	*S$*	*S$*	*S$*
Cost				
Beginning and end of financial year/period	41,757,797	41,757,797	41,757,797	41,757,797
Accumulated depreciation				
Beginning of financial year	6,021,500	7,592,326	9,163,152	10,733,979
Depreciation during the year	1,570,826	1,570,826	1,570,827	1,309,022
End of financial year/period	7,592,326	9,163,152	10,733,979	12,043,001
Carrying amount	34,165,471	32,594,645	31,023,818	29,714,796
Fair value	46,500,000	42,500,000	42,500,000	75,000,000

The fair value of the investment property as at 31 October 2023 was determined based on an independent valuation performed by Valtech Valuation Advisory Limited (31 December 2022: DBS Bank Limited, 31 December 2021 and 31 December 2020: Premas Valuers and Property Consultants Pte Ltd) using the direct comparison method that consider sales of similar properties that have been transacted in open market. The fair value disclosed is categorised as Level 3 valuation. The key unobservable input used in valuing the investment property under the direct comparison approach was the prices per square meter. Significant increases/(decreases) in the unobservable input would result in a significant higher/(lower) fair value measurement. The highest and best use of the investment property of the Target Company does not differ from its current use.

The investment property held by the Target Company is as follows:

Description and Location	**Existing use**	**Tenure**	**Unexpired lease term**
9-Storey single-use general industrial development with temporary ancillary staff canteen and temporary secondary workers dormitory at 20 Senoko Drive, Singapore 758207.	Partly owner occupied and partly tenanted	Leasehold	19.0 years

The investment property is leased to the related and non-related parties under leases.

The investment property is mortgaged to the bank to secure the bank borrowings, as disclosed in Note 19.

11. Investment Property (Continued)

The following amounts are recognised in profit or loss:

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$* (Unaudited)	*S$*
Rental income *(Note 6)*	6,001,168	5,623,448	6,120,610	4,994,295	6,449,284
Direct operating expenses arising from investment property that generated rental income during the year:					
Advertisement	76	38	–	–	–
Depreciation of investment property	1,570,826	1,570,826	1,570,827	1,309,022	1,309,022
Depreciation of right-of-use asset	111,055	111,055	111,055	92,546	92,546
Disposal of refuse	17,253	14,227	18,009	15,007	15,428
Professional fee	22,390	67,277	97,641	97,641	9,000
Property tax	407,867	403,700	403,700	336,417	336,417
Repairs and maintenance	497,796	298,706	272,775	227,212	352,865
Sublet fee	11,412	11,662	12,150	10,066	13,291
Workers charges for Dormitory	76,800	–	–	–	–
Utilities	122,174	165,123	248,019	213,691	181,833
	2,837,649	2,642,614	2,734,176	2,301,602	2,310,402

12. Property, Plant and Equipment

	Furniture and fittings	Office equipment	Tools and equipment	Total
Cost				
At 01.01.2020	72,332	14,210	47,710	134,252
Additions	–	11,600	–	11,600
At 31.12.2020 and 01.01.2021	72,332	25,810	47,710	145,852
Additions	2,037	–	–	2,037
At 31.12.2021 and 01.01.2022	74,369	25,810	47,710	147,889
Additions	–	3,210	29,896	33,106
Written off	(69,832)	(11,310)	(43,760)	(124,902)
At 31.12.2022 and 01.01.2023	4,537	17,710	33,846	56,093
Additions	–	–	1,410	1,410
At 31.10.2023	4,537	17,710	35,256	57,503
Accumulated depreciation				
At 01.01.2020	50,465	8,931	32,052	91,448
Depreciation during the year	14,466	4,002	9,542	28,010
At 31.12.2020 and 01.01.2021	64,931	12,933	41,594	119,458
Depreciation during the year	6,673	3,465	4,969	15,107
At 31.12.2021 and 01.01.2022	71,604	16,398	46,563	134,565
Depreciation during the year	907	3,007	5,028	8,942
Written off	(69,832)	(11,310)	(43,760)	(124,902)
At 31.12.2022 and 01.01.2023	2,679	8,095	7,831	18,605
Depreciation during the period	756	2,952	5,539	9,247
At 31.10.2023	3,435	11,047	13,370	27,852
Carrying amount				
At 31.12.2020	7,401	12,877	6,116	26,394
At 31.12.2021	2,765	9,412	1,147	13,324
At 31.12.2022	1,858	9,615	26,015	37,488
At 31.10.2023	1,102	6,663	21,886	29,651

13. Trade Receivables

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Trade receivables:				
– Third parties	147,346	177,095	111,581	137,704
Less: Allowance for ECLs	(49,615)	(43,495)	(43,495)	(43,495)
	97,731	133,600	68,086	94,209

Trade receivables were non-interest bearing and are generally on 30 days' terms.

ECLs

The movement in allowance for ECLs of trade receivables computed based on lifetime ECL was as follows:

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Movement in allowance accounts:				
Beginning balance of the year	35,593	49,615	43,495	43,495
Allowance/(reversal) of ECLs	14,022	(6,120)	–	–
Ending balance of the year/period	49,615	43,495	43,495	43,495

14. Other Receivables

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Prepayments	6,319	24,964	24,132	11,312
Refundable deposits	42,850	23,810	94,750	66,690
Others	–	1,290	–	–
	49,169	50,064	118,882	78,002

15. Amount Due from Related Parties

The amount due from related parties are trade in nature, unsecured, interest-free and repayable on demand.

16. Cash and Cash Equivalents

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Cash at banks	416,161	420,112	624,927	304,133
Cash on hand	1,211	1,211	1,200	1,200
	417,372	421,323	626,127	305,333

17. Trade Payables

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Trade payables:				
– Non-related parties	576,681	467,488	92,311	106,415

Ageing analysis of trade payables, based on invoice date, is as follows:

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
0-30 days	102,698	65,294	58,848	71,094
31-60 days	165,871	104,842	32,603	19,730
61-90 days	31,498	43,334	218	13,003
>90 days	276,614	254,018	642	2,588
	576,681	467,488	92,311	106,415

18. Other Payables

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Accruals	57,176	51,958	49,329	54,383
GST payable	145,281	56,728	74,314	162,710
Rental deposits	1,998,474	849,493	1,017,670	1,211,234
	2,200,931	958,179	1,141,313	1,428,327

19. Borrowings

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Current:				
– Lease liabilities *(Note 23)*	64,198	67,568	71,116	74,227
– Bank borrowings	2,283,868	2,448,868	2,487,213	2,183,886
	2,348,066	2,516,436	2,558,329	2,258,113
Non-current:				
– Lease liabilities *(Note 23)*	2,482,175	2,414,607	2,343,491	2,281,117
– Bank borrowings	21,748,102	19,297,130	16,309,916	12,000,509
	24,230,277	21,711,737	18,653,407	14,281,626
Total	26,578,343	24,228,173	21,211,736	16,539,739

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Bank borrowings				
– Term loan	20,941,970	18,809,519	16,628,144	13,742,445
– Fixed advance facility	2,000,000	2,000,000	1,500,000	–
– Temporary bridging loan	1,090,000	936,479	668,985	441,949
	24,031,970	21,745,998	18,797,129	14,184,394

Bank Borrowings

The term loan and fixed advance facility for the financial period ended 31 October 2023 bear interest at rate of 1.5% to 7.6% per annum (2022: 1.5% to 5.2% per annum, 2021: 1.25% to 1.88% per annum, 2020: 1.88% to 2.75% per annum) and are secured by:

(i) Legal mortgage of the Target Company's investment property (Note 11);

(ii) Legal assignment in favour of the bank of all the rental proceeds;

(iii) Personal guarantee from a director; and

(iv) Deed of subordination for all monies in relation to all present and future director's/shareholders' loans up to the full retirement of the facilities

19. Borrowings (Continued)

A reconciliation of liabilities arising from financing activities is as follows:

	1 January 2023	Cash flows	Non-cash changes Addition	Accretion of interests	Other	31 October 2023
	S$	S$	S$	S$	S$	S$
Liabilities						
Lease liabilities						
–Current	71,116	(164,902)	–	105,639	62,374	74,227
–Non-current	2,343,491	–	–	–	(62,374)	2,281,117
Bank borrowings						
–Current	2,487,213	(5,037,419)	–	424,685	4,309,407	2,183,886
–Non-current	16,309,916	–	–	–	(4,309,407)	12,000,509
	21,211,736	(5,202,321)	–	530,324	–	16,539,739

	1 January 2022	Cash flows	Non-cash changes Addition	Accretion of interests	Other	31 December 2022
	S$	S$	S$	S$	S$	S$
Liabilities						
Lease liabilities						
–Current	67,568	(197,882)	–	130,314	71,116	71,116
–Non-current	2,414,607	–	–	–	(71,116)	2,343,491
Bank borrowings						
–Current	2,448,868	(3,283,029)	–	334,160	2,987,214	2,487,213
–Non-current	19,297,130	–	–	–	(2,987,214)	16,309,916
	24,228,173	(3,480,911)	–	464,474	–	21,211,736

	1 January 2021	Cash flows	Non-cash changes Addition	Accretion of interests	Other	31 December 2021
	S$	S$	S$	S$	S$	S$
Liabilities						
Lease liabilities						
–Current	64,198	(197,883)	–	133,685	67,568	67,568
–Non-current	2,482,175	–	–	–	(67,568)	2,414,607
Bank borrowings						
–Current	2,283,868	(2,662,002)	–	376,030	2,450,972	2,448,868
–Non-current	21,748,102	–	–	–	(2,450,972)	19,297,130
	26,578,343	(2,859,885)	–	509,715	–	24,228,173

19. Borrowings (Continued)

	1 January 2020	Cash flows	Non-cash changes Addition	Accretion of interests	Other	31 December 2020
	S$	S$	S$	S$	S$	S$
Liabilities						
Amount due to a director	9,459,056	(5,400,000)	–	–	–	4,059,056
Lease liabilities						
–Current	60,996	(197,883)	–	136,889	64,196	64,198
–Non-current	2,546,371	–	–	–	(64,196)	2,482,175
Bank borrowings						
–Current	2,099,958	(1,138,509)	–	442,951	879,468	2,283,868
–Non-current	21,537,570	1,090,000	–	–	(879,468)	21,748,102
	26,244,895	(5,646,392)	–	579,840	–	30,637,399

20. Amount Due to a Director

The amount due to a director is non-trade in nature, unsecured, interest-free and repayable when there are sufficient cash flows.

21. Amount Due to a Related Party

The amount due to a related party is trade in nature, unsecured, interest-free and repayable on demand.

22. Share Capital

	Number of shares	*S$*
Issued and fully paid ordinary shares		
At 1 January and 31 December 2020, 2021, 2022 and 31 October 2023	1,000,000	1,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Target Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

23. Leases

Target Company as a Lessee

The Target Company has a lease contract for land. The Target Company's obligations under the lease are secured by the lessor's title to the leased asset. The Target Company is restricted from assigning and subleasing the leased asset.

a) Carrying amounts of right-of-use asset are as follows:

	Leasehold land
	S$
At 1 January 2020	2,554,266
Depreciation	(111,055)
At 31 December 2020 and 1 January 2021	2,443,211
Depreciation	(111,055)
At 31 December 2021 and 1 January 2022	2,332,156
Depreciation	(111,055)
At 31 December 2022 and 1 January 2023	2,221,101
Depreciation	(92,546)
At 31 October 2023	2,128,555

b) Lease Liabilities

The carrying amounts of lease liabilities (included under borrowings) and the movements during the year are disclosed in Note 19.

23. Leases (Continued)

Target Company as a Lessee (Continued)

c) Amounts Recognised in Profit or Loss

	Year ended 31 December			Ten months ended 31 October	
	2020	**2021**	**2022**	**2022**	**2023**
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Depreciation of right-of-use-assets	111,055	111,055	111,055	92,546	92,546
Interest expense on lease liabilities	136,887	133,685	130,314	108,595	105,639
Total amount recognised in profit or loss	247,942	244,740	241,369	201,141	198,185

d) Total Cash Outflow

The Target Company had total cash outflows for leases of S$164,902 in 2023 (2022: S$197,883, 2021: S$197,883, 2020: S$197,883).

Target Company as a Lessor

The Target Company has entered into operating leases on its investment property (Note 11). These leases are negotiated for terms ranging from one to three years, varying escalation clauses and renewal rights. Rental income from investment property is disclosed in Note 6. The future minimum rental receivable under non-cancellable operating leases contracted for at the reporting period are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2020	**2021**	**2022**	**2022**	**2023**
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Not later than one year	3,022,464	1,917,911	2,201,537	3,270,337	3,616,315
Later than one year but not later than five years	479,400	60,155	518,765	824,369	176,400
	3,501,864	1,978,066	2,720,302	4,094,706	3,792,715

24. Significant Related Party Transaction

In addition to the related party information disclosed elsewhere in the Historical Financial Information, the following transactions with related parties took place at terms agreed between the parties during each of the Track Record Period and the ten months ended 31 October 2022 and 31 October 2023:

	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Rental income charged to related parties	2,116,080	2,264,312	2,191,942	1,906,609	1,932,032
Contract revenue charged to a related party	1,455,000	–	–	–	–
Water and electricity charged to a related party	164,911	171,567	229,225	194,977	173,313

Compensation of key management personnel	Year ended 31 December			Ten months ended 31 October	
	2020	2021	2022	2022	2023
	S$	*S$*	*S$*	*S$*	*S$*
				(Unaudited)	
Director's salaries and bonus	78,000	78,000	79,500	61,500	66,000
Employer's contribution to director's Central Provident Fund	13,260	13,260	13,515	10,455	11,220
	91,260	91,260	93,015	71,955	77,220

25. Financial Instruments by Category

At each of the reporting date, the aggregate carrying amounts of financial assets at amortised cost and financial liabilities at amortised cost were as follows:

	At 31 December			At 31 October
	2020	2021	2022	2023
	S$	*S$*	*S$*	*S$*
Financial assets measured at amortised cost				
Trade receivables *(Note 13)*	97,731	133,600	68,086	94,209
Other receivables *(Note 14)*	42,850	23,810	94,750	66,690
Amount due from related parties *(Note 15)*	1,606,675	737,399	30,969	29,603
Cash and cash equivalents *(Note 16)*	417,372	421,323	626,127	305,333
Total financial assets measured at amortised cost	2,164,628	1,316,132	819,932	495,835
Financial liabilities measured at amortised cost				
Borrowings *(Note 19)*	26,578,343	24,228,173	21,211,736	16,539,739
Amount due to a director *(Note 20)*	4,059,056	4,059,056	4,059,056	4,059,056
Amount due to a related party *(Note 21)*	961,975	961,975	–	–
Trade payables *(Note 17)*	576,681	467,488	92,311	106,415
Other payables *(Note 18)*	2,055,650	901,451	1,066,999	1,265,617
Total financial liabilities measured at amortised cost	34,231,705	30,618,143	26,430,102	21,970,827

26. Financial Risk Management

The Target Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (interest rate risk).

The Target Company Director reviews and agrees policies and procedures for the management of these risks, which are executed by the management team.

The following sections provide details regarding the Target Company's exposure to the above- mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Target Company. The Target Company's exposure to credit risk arises primarily from trade and other receivables and amount due from related parties. For other financial assets (including cash), the Target Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Target Company has adopted a policy of only dealing with creditworthy counterparties. The Target Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Target Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Target Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, or there is significant difficulty of the counterparty.

To minimise credit risk, the Target Company has developed and maintained the Target Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Target Company's own trading records to rate its major customers and other debtors.

26. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

The Target Company considers available reasonable and supportive forward-looking information which includes the following indicators:

– Internal credit rating

– External credit rating

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

– Actual or expected significant changes in the operating results of the debtor

– Significant increases in credit risk on other financial instruments of the same debtor

– Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment. The Target Company determined that its financial assets are credit-impaired when:

– There is significant difficulty of the debtor

– There is a breach of contract, such as a default or past due event

– It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

The Target Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due, financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

26. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

The Target Company's current credit risk grading framework comprises the following categories:

Category	Definition of category	Basis for recognising ECL
I	Counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
II	Amount is more than 30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit -impaired
III	Amount is more than 60 days past due or there is evidence indicating the asset is credit impaired (in default)	Lifetime ECL –credit impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery	An amount is written off.

Trade Receivables (Note 13)

For trade receivables, the Target Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Target Company determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

26. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

Trade Receivables (Note 13) (Continued)

	Trade receivables days, based on invoice date				
	0-30 days	**31-60 days**	**61-90 days**	**>90 days**	**Total**
	S$	*S$*	*S$*	*S$*	*S$*
31 October 2023					
ECL rate	0%	0%	0%	20%	
Gross carrying amount	11,233	19,775	12,577	94,119	137,704
Loss allowance	–	–	–	(43,495)	(43,495)
					94,209
31 December 2022					
ECL rate	0%	0%	0%	20%	
Gross carrying amount	13,163	32,189	15,394	50,835	111,581
Loss allowance	–	–	–	(43,495)	(43,495)
					68,086
31 December 2021					
ECL rate	0%	0%	0%	20%	
Gross carrying amount	106,697	26,518	–	43,880	177,095
Loss allowance	–	–	–	(43,495)	(43,495)
					133,600
31 December 2020					
ECL rate	0%	0%	0%	20%	
Gross carrying amount	50,634	12,786	766	83,160	147,346
Loss allowance	–	–	–	(49,615)	(49,615)
					97,731

Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Target Company's performance to developments affecting a particular industry.

Exposure to Credit Risk

The Target Company has no significant concentration of credit risk. The Target Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

26. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

Other Receivables and Amount Due from Related Parties

The Target Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Target Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

(b) Liquidity Risk

Liquidity risk refers to the risk that the Target Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Target Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Target Company's operations are financed mainly through equity. The Target Company Director is satisfied that funds are available to finance the operations of the Target Company. In the management of liquidity risk, the Target Company monitors and maintains a level of bank balances deemed adequate by the Target Company to finance its operations and mitigate the effects of fluctuations in cash flows.

26. Financial Risk Management (Continued)

(b) Liquidity Risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Target Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations:

	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	S$	*S$*	*S$*	*S$*	*S$*
As at 31 October 2023					
Financial Asset					
Trade receivables	94,209	94,209	94,209	–	–
Refundable deposits	66,690	66,690	66,690	–	–
Amount due from related parties	29,603	29,603	29,603	–	–
Cash and cash equivalents	305,333	305,333	305,333	–	–
	495,835	495,835	495,835	–	–
Financial Liabilities					
Trade payables	106,416	106,416	106,416	–	–
Other payables and accruals	1,265,617	1,265,617	1,265,617	–	–
Amount due to a director	4,059,056	4,059,056	4,059,056	–	–
Borrowings	14,184,394	16,365,492	2,796,648	10,217,070	3,351,774
Lease liabilities	2,355,344	3,792,748	197,883	791,530	2,803,335
	21,970,827	25,589,329	8,425,620	11,008,600	6,155,109
Total net undiscounted financial liabilities	(21,474,992)	(25,093,494)	(7,929,785)	(11,008,600)	(6,155,109)
As at 31 December 2022					
Financial Asset					
Trade receivables	68,086	68,086	68,086	–	–
Refundable deposits	94,750	94,750	94,750	–	–
Amount due from related parties	30,969	30,969	30,969	–	–
Cash and cash equivalents	626,127	626,127	626,127	–	–
	819,932	819,932	819,932	–	–
Financial Liabilities					
Trade payables	92,311	92,311	92,311	–	–
Other payables and accruals	1,066,999	1,066,999	1,066,999	–	–
Amount due to a director	4,059,056	4,059,056	4,059,056	–	–
Borrowings	18,797,129	20,213,067	2,807,422	10,489,610	6,916,035
Lease liabilities	2,414,607	3,957,650	197,883	791,530	2,968,237
	26,430,102	29,389,083	8,223,671	11,281,140	9,884,272
Total net undiscounted financial liabilities	(25,610,170)	(28,569,151)	(7,403,739)	(11,281,140)	(9,884,272)

26. Financial Risk Management (Continued)

(b) Liquidity Risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	S$	*S$*	*S$*	*S$*	*S$*
As at 31 December 2021					
Financial Asset					
Trade receivables	133,600	133,600	133,600	–	–
Refundable deposits	23,810	23,810	23,810	–	–
Amount due from related parties	737,399	737,399	737,399	–	–
Cash and cash equivalents	421,323	421,323	421,323	–	–
	1,316,132	1,316,132	1,316,132	–	–
Financial Liabilities					
Trade payables	467,488	467,488	467,488	–	–
Other payables and accruals	901,451	901,451	901,451	–	–
Amount due to a related party	961,975	961,975	961,975	–	–
Amount due to a director	4,059,056	4,059,056	4,059,056	–	–
Borrowings	21,745,998	23,286,746	2,767,751	10,640,107	9,878,888
Lease liabilities	2,482,175	4,155,533	197,883	791,530	3,166,120
	30,618,143	33,832,249	9,355,604	11,431,637	13,045,008
Total net undiscounted financial liabilities	(29,302,011)	(32,516,117)	(8,039,472)	(11,431,637)	(13,045,008)
As at 31 December 2020					
Financial Asset					
Trade Receivables	97,731	97,731	97,731	–	–
Refundable deposits	42,850	42,850	42,850	–	–
Amount due from related parties	1,606,675	1,606,675	1,606,675	–	–
Cash and cash equivalents	417,372	417,372	417,372	–	–
	2,164,628	2,164,628	2,164,628	–	–
Financial Liabilities					
Trade payables	576,681	576,681	576,681	–	–
Other payables and accruals	2,055,650	2,055,650	2,055,650	–	–
Amount due to a related party	961,975	961,975	961,975	–	–
Amount due to a director	4,059,056	4,059,056	4,059,056	–	–
Borrowings	24,031,970	25,845,729	2,681,815	10,865,043	12,318,871
Lease liabilities	2,546,373	4,353,416	197,883	791,530	3,364,003
	34,231,705	37,852,507	10,533,060	11,656,573	15,682,874
Total net undiscounted financial liabilities	(32,067,077)	(35,687,879)	(8,368,432)	(11,656,573)	(15,682,874)

(c) Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Target Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

26. Financial Risk Management (Continued)

(c) Market Risk (Continued)

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Target Company's financial instruments will fluctuate because of changes in market interest rates. The Target Company's exposure to interest rate risk arises primarily from their cash and cash equivalents and term loans.

The Target Company has no significant interest-bearing assets hence the Target Company's net income is substantially independent of changes in market interest rates in respect of the interest-bearing assets. The Target Company's exposure to cash flow interest rate risk arises mainly from term loans. If the interest rates increase/decrease by 0.05% as at 31 December 2020, 2021, 2022, 31 October 2022 and 2023 with all other variables including tax rate being held constant, the total comprehensive income would have been lower/higher by $12,000, $10,800, $9,300, $9,900 and $7,092.

27. Fair Value of Assets and Liabilities

Assets and Liabilities not Measured at Fair Value.

Cash and cash equivalents, other receivables, other payables and amount due to a director

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

Trade receivables, amount due from related parties, trade payables and amount due to a related party

The carrying amounts of these receivables and payables (including trade balances due from/to related parties) approximate their fair values as they are subject to normal trade credit terms.

Borrowings

The carrying amounts of borrowings approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

28. Capital Management

The primary objective of the Target Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholder value. The capital structure of the Target Company comprises issued share capital and retained earnings.

As at 31 October 2023, the Target Company's current liabilities exceeded its current assets by S$8,164,183 (2022: S$7,785,691, 2021: S$8,263,656, 2020: S$9,035,534). The ability of the Target Company to continue as a going concern is dependent upon the Target Company's ability to achieve profit from its operations and, factoring in that the amount due to a director is repayable when there are sufficient cash flows.

The Target Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes during the period ended 31 October 2023 and during the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

29. Subsequent Financial Statements

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 October 2023.

Set out below are the management discussion and analysis of the Group for FY2020, FY2021, FY2022, as extracted from the relevant sections in the annual reports of the Company for FY2020, FY2021 and FY2022, and for the ten months ended 31 October 2023. Unless otherwise defined, capitalised terms used in this appendix shall have the same meanings as those defined in the abovementioned annual reports of the Company, as the case may be.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Industry Review

In 2020, the Coronavirus Disease 2019 ("**Covid-19**" or the "**pandemic**") has been declared a global public health emergency. The outbreak of the pandemic has had profound impact on the lives of people and brought upon unprecedented challenges to global economy, with business and trade activities coming to a grinding halt due to various lockdown measures across different countries. The International Monetary Fund ("**IMF**") estimated a global contraction of 3.9% in 2020, the biggest peacetime decline since the Great Depression. In Singapore, to stem the community spread of Covid-19, the government implemented "circuit breaker" (the "**CB**") measures from 7 April to 1 June 2020, ordering the closure of most physical workplace premises in the country. With business not being able to operate following the stay-at-home order and the implementation of cordon sanitaire, the country's economy was inevitably impeded as its annual real GDP was estimated to reduce by 2.2% during the CB period. The Ministry of Trade and Industry ("**MTI**") announced that the economy in Singapore shrank by 5.4% in 2020, marking its worst ever recession since independence.

For construction industry, the total construction demand in Singapore fell by 37% to S$21 billion on account of the disrupted project implementation schedules caused by the pandemic. Some of the major infrastructure projects in the public sector required more time to assess the pandemic's impact on resource management, leading to a drop of 33% in public sector construction demand. Meanwhile, the private sector construction demand registered a notable decline of 43% given the contraction in demand for residential and industrial building works. Overall construction output of 2020 dropped by 30% to S$19.7 billion in the wake of the suspension of construction activities during the CB period. This was further aggravated by the need to implement safe management measures at construction worksites under the pandemic, which brought about a slow recovery of construction activities. As a result, contractors in the industry continue to suffer from tight cash flow and decreasing margins.

Since Singapore uplifted the CB measures in June 2020 and embarked on a three-phased approach to resume economic activities, operations within the construction sector began to pick up with stringent safety measures. Meanwhile, the Building and Construction Authority ("**BCA**") rolled out a new S$1.36 billion Construction Support Package (the "**Package**") to support local construction companies, amongst the hardest-hit by Covid-19, to cope with the impact of the pandemic and recommence work safely. Following the phased resumption of construction activities after uplifting the CB measures, contracts awarded recorded a stronger rebound during the fourth quarter, and partially offset the declines in the first three quarters.

During the Reporting Year, the Group was inevitably impacted by the pandemic. In face of the challenging environment, the Group made every possible effort in cost control as well as recovery of business, and adopted a competitive pricing approach to protect its profitability while securing new projects.

Overall Performance

As a leading earthworks contractor in Singapore with over two decades of experience, the Group strives to deliver timely and reliable services with integrity and sound workmanship that fulfill the needs of its customers while adhering to safety and regulatory requirements.

During the Reporting Year, the Group continued to be challenged by the difficult market environment. The economic fallout arisen from Covid-19 plunged Singapore into the worst recession since its independence. Several months of Covid-19 restrictions and workplace closures during the CB period, coupled with various social distancing and public health safety measures implemented by the Singapore government, battered the country's construction sector during the year of 2020. The suspension of most of the Group's construction projects consequently hindered its progressive recognition of its revenue in the first half of the financial year. Yet, the management spared no efforts in ensuring business recovery and continuous development. Following the phased re-opening in Singapore with pandemic restrictive measures tapering off in the second half of the year, the Group gradually resumed its operations so as to catch up on the project schedule lagged behind during the suspension period and managed to narrow down the financial impact. Total revenue during the Reporting Year decreased by approximately 6.8% to approximately S$72.4 million as compared to that of the previous year.

Despite that the Group promptly adopted various cost control measures such as temporary salary reduction scheme and benefitted from the Package from the Singapore government, such financial relief was overshadowed by the consistently high operating costs and increased prolongation costs as a result of the CB and other pandemic control measures in Singapore, which exerted downward pressure to the Group's margin and adversely impacted its profitability. Subsequently, the Group recorded gross loss of approximately 5.6%. Alongside an increase in impairment losses on deposits, receivables and contract assets totaling S$5.5 million in view of the economic downturn in Singapore, the Group's profit for the year turned negative with a net loss of approximately S$8.4 million (31 December 2019: profit of approximately S$1.0 million) during the Reporting Year. Notwithstanding, the Group maintained a healthy and solid financial position with cash and cash equivalents of approximately S$46.2 million (31 December 2019: approximately S$44.8 million).

The Group reaffirmed its unwavering commitment in enhancing its competence and operational efficiency. To minimise the impact of rising diesel cost as well as pursue capacity expansion, the Group purchased environmentally friendly and energy-saving excavation machines and tipper trucks with Euro 6 standards amounted to approximately S$8.8 million during the Year, which are expected to alleviate the impact from diesel price hike on operational costs in near term.

Leveraging its professional expertise and formidable reputation, the Group successfully secured a total of 21 projects through these difficult times of the year. Among which, there were sizeable infrastructure projects such as the design and construction of Singapore's longest Transit Priority Corridor North-South Corridor ("**NSC**") project for earthworks and ancillary services segment, and the upgrading project of Pioneer Terminal Building for the general construction works segment, respectively.

Earthworks and Ancillary Services

Earthworks and ancillary services projects remained the key revenue generator of the Group during the Reporting Year, which accounted for approximately 72.9% of its total revenue.

Owing to the suspension of most construction activities during the CB period and the slow resumption of projects which translated into lower revenue recognition, the Group recorded segmental revenue of approximately S$52.8 million during the Year (31 December 2019: approximately S$67.6 million).

During the Reporting Year, the Group continued to step up its efforts in reallocating more resources on tenders and strategically targeting public infrastructure projects with relatively higher profitability. 17 new earthworks and ancillary services projects with a total contract value of approximately S$59.6 million were successfully secured, including the sizeable infrastructure project of NSC. The Group had a total of 73 ongoing earthworks and ancillary services projects as at 31 December 2020 with an aggregate contract sum of approximately S$327.8 million.

General Construction Works

During the Reporting Year, the Group achieved notable improvement in general construction works segment with an increase of revenue of approximately 96.0% to approximately S$19.6 million (31 December 2019: approximately S$10.0 million), which accounted for approximately 27.1% of the Group's total revenue. The revenue growth in this segment was mainly attributable to the fulfillment of contracts that were secured in 2019, and before and after the CB period in 2020.

As at 31 December 2020, the Group had 8 ongoing general construction works projects with an aggregate contract sum of approximately S$57.0 million as compared to 7 projects as at 31 December 2019. With the efforts of our team in tendering sizeable projects, the Group acquired 4 new general construction works projects, with total contract values of approximately S$11.1 million.

Prospects

The outbreak of Covid-19 is unprecedented in its global reach and impact, posing formidable challenges to the global economy. On a positive note, business activities have largely recovered in a sensibly cautious manner following the aggressive containment efforts across different countries. The IMF estimated the global economy to grow at 5.5% in 2021, hinting high expectation of economic recovery boosted by vaccination and additional policy support in various nations.

In Singapore, the MTI maintained its GDP growth forecast at 4% to 6% for 2021. Given the wave of COVID-19 infections has relaxed to a large extent, many construction projects have gradually resumed operations. The BCA estimated the total construction demand to reach between S$23 billion and S$28 billion in 2021, driven by an anticipated stronger demand for public housing and infrastructure projects.

The Group will continue to catch the momentum of rising demand and seek fresh opportunities particularly in infrastructure projects in public sector in order to fuel future growth. Apart from forging close ties with its existing clients, the management will adhere to the Group's strategic tendering approach by identifying suitable projects and strategically focusing on tendering mega infrastructure projects with better profit margins to safeguard its profitability. The management is pleased that the Group has already secured several contracts under significant infrastructure projects in Singapore including Jurong Region MRT Line, the Cross Island MRT Line Phase 1 and the Deep Tunnel Sewerage System Phase 2. As part of its continued endeavours to enhance competitiveness, the Group has applied for completing the upgrading of its contractor grade from level B1 to A2, with a view to bolstering its reputation and highest level of business integrity in the industry in the long run.

In near term, the Group expects its operations will continue to face a challenging landscape as presented by the shortage of manpower and compliance with the stringent safety requirements at work sites under Covid-19. The Group will continue to pay close attention to the macroeconomic environment and implement contingency plans in a timely manner. Meanwhile, it will continue to ensure smooth progress of its projects and practice tight cost controls through recovery of debts, energy-saving scheme with careful utilisation of the grants and assistance from Singapore government, which helps defray costs incurred from prolongation of projects and compliance with the stringent pandemic safety measures. Another step the Group has taken and will continue to take is the acquisition and introduction of advanced environmentally friendly machines and equipment. The Group believes that its operating cost in diesel consumption will be reduced and achieve operational efficiency, thereby protecting its profitability.

As a veteran of earthworks and construction industry, the Group has overcome a number of hardships over the past two decades since establishment. The Group will be well-equipped to rise to new challenges that may appear, and will remain dedicated to preserving its market leadership while creating greater value for its shareholders.

Financial Review

Results for the Year

Revenue and Segment Results

	2020		2019	
	Revenue	Segment results	Revenue	Segment results
	S$'000	*S$'000*	*S$'000*	*S$'000*
Earthworks and ancillary services	52,772	(4,028)	67,625	6,344
General construction works	19,629	1,029	10,033	(36)
Total	72,401	(2,999)	77,658	6,308

The overall revenue of the Group for the year ended 31 December 2020 amounted to approximately S$72.4 million, representing a decline of approximately S$5.3 million or 6.8% as compared to that in the previous year. The decrease was mainly attributable to the aforementioned CB measures in Singapore effective from April to June 2020, which had shuttered the Group's construction activities, as well as the slow pace of work resumption after the country uplifted the CB.

Earthworks and Ancillary Services

For the year ended 31 December 2020, the earthworks and ancillary services segment continued to be the Group's key revenue generator, contributing approximately 72.9% to its overall revenue. Despite the Group's unwavering efforts in catching up on projects behind schedule, the suspension of most earthworks projects from the CB measures imposed by the Singapore government to combat Covid-19 as well as the slow resumption of work during the post- CB period had caused severe disruption to the Group's project management. Revenue of the segment therefore decreased by approximately 22.0% from approximately S$67.6 million in 2019 to approximately S$52.8 million for the year ended 31 December 2020.

Owing to the decrease in revenue and the increased costs arising from prolongation of projects during the CB lockdown and compliance with more stringent virus safety measures at work sites, segmental loss of approximately S$4.0 million (31 December 2019: segmental profit of approximately S$6.3 million) was subsequently recorded.

As at 31 December 2020, the Group had 73 ongoing earthworks and ancillary services projects (31 December 2019: 91 projects), with an aggregate contract sum of approximately S$327.8 million (31 December 2019: approximately S$341.4 million). In order to catch up on the progress of projects in its order book, the Group held back on tendering for new projects and secured only 17 new earthworks and ancillary services projects with contract values of approximately S$59.6 million during the Reporting Year.

General Construction Works

During the Reporting Year, the Group's general construction works segment witnessed an improved performance as compared to the previous reporting year, with an increase in revenue of approximately 96.0% to approximately S$19.6 million for the year ended 31 December 2020 (31 December 2019: approximately S$10.0 million). The increase was primarily due to fulfilment of contracts that were secured in 2019 as well as before and after the CB. Revenue of this segment contributed approximately 27.1% of the Group's overall revenue.

Unlike another segment, the impact of the pandemic on the Group's general construction works segment was less consequential as the segment saw an increase in revenue. Since the Group engaged external subcontractors for this segment, operating costs were only based on actual subcontractors/works were performed. With increase in revenue, segmental profit increased to approximately S$1.0 million (31 December 2019: segmental loss of approximately S$36,000).

The Group had 8 ongoing general construction works projects as at 31 December 2020 (31 December 2019: 7 projects), with an aggregate contract sum of approximately S$57.0 million. The Group secured 4 new general construction works projects (31 December 2019: 3 new projects) with a total contract value of approximately S$11.1 million during the Reporting Year.

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

Gross profit turned negative and recorded gross loss of approximately S$4.1 million for the year ended 31 December 2020 (31 December 2019: gross profit of approximately S$5.9 million), largely attributable to the decline in revenue, coupled with hefty operational cost and additional costs incurred from prolongation of projects as a result of the implementation of CB measures to control the pandemic. Gross loss margin was approximately 5.6% for the year ended 31 December 2020 (31 December 2019: gross profit margin of approximately 7.7%).

Administrative and Other Operating Expenses

Administrative and other operating expenses for the year ended 31 December 2020 reduced by approximately 9.0% to approximately S$5.7 million from approximately S$6.3 million in the previous year, primarily due to the decrease in staff cost and employee benefit expenses.

Other Income and Gains

For the year ended 31 December 2020, other income and gains rose by approximately S$4.7 million to approximately S$7.2 million, mainly attributable to the bad debts recovered as well as the financial relief from the Singapore government in the form of Construction Restart Booster, foreign worker levy rebate and wage support which helped defray part of the Group's costs during the Reporting Year.

Other Expenses

As at 31 December 2020, other expenses surged from approximately S$287,000 for the year ended 31 December 2019 to approximately S$5.8 million, mainly representing the impairment losses on deposits, receivables and contract assets totaling approximately S$5.8 million made based on the management's latest assessment of risk of default in the Group's financial assets during the Reporting Year.

Finance Costs

Finance costs decreased by approximately 13.3% from approximately S$669,000 for the year ended 31 December 2019 to approximately S$580,000 as at 31 December 2020, principally due to the decrease in interest on lease liabilities.

Income Tax Credit/(Expense)

As at 31 December 2020, income tax expense changed to credit of approximately S$590,000 on the grounds of business loss, while tax expense of approximately S$248,000 was recorded for the year ended 31 December 2019.

(Loss)/Profit for the Year and Net (Loss)/Profit Margin

Based on the combined effect of the above factors, the Group recorded a loss for the year of approximately S$8.4 million (31 December 2019: profit of approximately S$1.0 million). Meanwhile, negative net profit margin was approximately 11.6% for the Reporting Year (31 December 2019: positive net profit margin of approximately 1.3%).

(Loss)/Earnings per Share

For the year ended 31 December 2020, the basic loss per share was S$0.81 cent, with the calculation based on the loss for the Year of approximately S$8.4 million and the weighted average number of 1,036,456,000 ordinary shares in issue during the Year.

For the year ended 31 December 2020, basic loss per share is the same as diluted loss per share. There are no dilutive effects on the impact of the exercise of the share options as they are anti-dilutive.

For the year ended 31 December 2019, the basic earnings per share was S$0.10 cent, with the calculation based on the profit for the year of approximately S$998,000 and the weighted average number of 1,036,456,000 ordinary shares in issue during the Year.

Diluted earnings per share for the year ended 31 December 2019 was the same as the basic earnings per share because the Group had no potential dilutive ordinary shares outstanding as at year ended 2019.

Liquidity, Financial Resources And Gearing Ratio

Liquidity

During the Reporting Year, the financial position of the Group remained healthy, with working capital mainly financed by its internally generated funds, net proceeds from the global offering of the shares of the Company in 2016 (the "**Global Offering**"), cash inflows from operating activities and bank borrowings. As at 31 December 2020, the Group had cash and cash equivalents of approximately S$46.2 million (31 December 2019: approximately S$44.8 million) and unutilised banking facilities of approximately S$24.2 million (31 December 2019: approximately S$29.3 million).

Cash Flows Analysis

The table below summaries the Group's cash flows for the years ended 31 December 2020 and 2019:

	2020	**2019**
	S$'000	*S$'000*
Net cash generated from operating activities	4,071	17,057
Net cash generated from/(used in) investing activities	2,875	(1,529)
Net cash used in financing activities	(3,425)	(9,242)

Operating Activities

As at 31 December 2020, the Group generated net cash inflow from operating activities of approximately S$4.1 million (31 December 2019: net cash inflow from operating activities of approximately S$17.1 million).

The approximate S$1.7 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 of approximately S$2.5 million; (ii) the increase in trade receivables of approximately S$456,000; (iii) the decrease in deposits, prepayments and other receivables of approximately S$789,000; (iv) the increase in contract liabilities of approximately S$1.2 million; (v) the increase in trade payables of approximately S$602,000; and (vi) the decrease in other payables, accruals and deposits received of approximately S$860,000.

Investing Activities

For the year ended 31 December 2020, the net cash generated from investing activities was approximately S$2.9 million (31 December 2019: net cash outflow in investing activities of approximately S$1.5 million), mainly attributable to (i) the decrease in time deposits with maturity over three months of approximately S$2.0 million; (ii) the proceeds from disposal of property, plant and equipment amounting to approximately S$35,000; (iii) the purchase of property, plant and equipment of approximately S$660,000; (iv) the proceeds from disposals of right-of-use assets of approximately S$1.2 million; (v) the purchase of right-of-use assets amounting to approximately S$347,000; and (vi) the interest and dividend received of approximately S$614,000.

Financing Activities

For the year ended 31 December 2020, the net cash used in financing activities was approximately S$3.4 million (31 December 2019: net cash outflow in financing activities of approximately S$9.2 million), which was principally attributable to (i) the interest portion of the lease liabilities amounted to approximately S$519,000; (ii) the repayment of principal portion of the lease liabilities of approximately S$7.8 million; (iii) the increase in proceeds from bank borrowings of approximately S$5.0 million; (iv) the increase in pledged deposits of approximately S$33,000; and (v) the interests paid of approximately S$61,000.

Use of Proceeds

The net proceeds from the Global Offering was approximately S$26.5 million (after deducting underwriting fees, commissions and listing expenses) (the "**Net Proceeds**"), out of which approximately S$24.2 million was utilised as at 31 December 2020.

Intended applications	Planned use of the Net Proceeds	Amount utilised up to 31 December 2019	Amount utilised during the year ended 31 December 2020	Amount utilised up to 31 December 2020	Utilised Balance up to 31 December 2020	Expected timeline of full utilisation of the remaining unutilised
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*(Note 2)*
1. Purchase of excavation machines and tipper trucks *(Note 1)*	17,736	7,725	8,752	16,477	1,259	On or before 31 December 2022
2. Purchase of softwares	2,085	715	334	1,049	1,036	On or before 31 December 2022
3. Secure earth filling projects *(Note 1)*	–	–	–	–	–	
4. Expand workforce	4,414	4,414	–	4,414	–	
5. Working capital	2,247	2,247	–	2,247	–	
Total	26,482	15,101	9,086	24,187	2,295	

Notes:

1. As disclosed in the prospectus of the Company dated 25 May 2016 (the "**Prospectus**") 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**") would be reassigned to the purchase of additional excavation machines and tipper trucks. After taking into the then business scale and projects of the Company, the number of tipper trucks, excavators acquired by the Group since the listing of shares of the Company 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.

2. The expected timeline for utilising the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

As at 31 December 2020, the Group did not fully utilise the planned Net Proceeds to purchase excavation machines and tipper trucks as the Group has been offered favourable interest rate to finance the purchases by banks and decided to purchase excavation machines and tipper trucks by hire purchase instead of cash purchase since June 2016. The hire purchase only required 10% of cash payment, which was financed by the Net Proceeds. As a result, there was a delay in fully utilising the Net Proceeds assigned to purchase excavation machines and tipper truck. It is expected the unutilised amount will be fully utilised on or before 31 December 2022.

As for the unutilised planned Net Proceeds to purchase softwares, the Group had purchased softwares from a vendor which charged the Group at a lower price than originally quoted, resulting in a huge saving to the Company. As a result, there was a delay in fully utilising the Net Proceeds assigned to purchase softwares. It is expected the unutilised amount will be fully utilised on or before 31 December 2022.

The Net Proceeds were used in accordance with the intended purposes as previously disclosed and there was no material change in the use of proceeds. The unutilised amount is expected to be used in accordance with the intended purposes as disclosed.

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

Borrowings and Gearing Ratio

As at 31 December 2020, the Group had an aggregate of current and non-current bank borrowings and lease liabilities of approximately S$18.9 million, a slight decrease from approximately S$20.0 million as at 31 December 2019. The bank borrowings of the Group are made in Singapore Dollars, with a fixed interest rate of 2% (31 December 2019: Nil) per annum.

As at 31 December 2020, the Group's gearing ratio was approximately 0.22 times (31 December 2019: approximately 0.21 times). Gearing ratio was calculated by dividing total borrowings (bank borrowings and finance lease obligations) by total equity as at the end of the respective year.

Cash and Cash Equivalents

As at 31 December 2020, the Group had cash and cash equivalents of approximately S$46.2 million (31 December 2019: approximately S$44.8 million). The Group had cash and cash balances of approximately S$49.6 million but the amount was reduced by pledge for the guarantee arrangement and issuance of performance bonds; along with the banking facilities including letter of credit, overdraft and banking guarantee of approximately $21.5 million.

Foreign Exchange Exposure

As the Group mainly operated in Singapore, most transactions arising from its businesses were generally settled in Singapore Dollars which was the functional currency of the Group. Aside from a portion of the cash and cash equivalents generated from the Global Offering was denominated in Hong Kong Dollars and a small portion denominated in United States Dollars, the Group was not exposed to any significant foreign currency risk nor had employed any financial instrument for hedging.

Charges on Group's Assets

As at 31 December 2020, the Group's banking facilities were secured by the pledge of the Group's deposits of approximately S$3.4 million (31 December 2019: approximately S$3.4 million), while the Group's lease liabilities were secured by the charge over the leased assets of net book value of approximately S$14.7 million (31 December 2019: approximately S$22.1 million).

Contingent Liabilities

As at 31 December 2020, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$2.6 million (31 December 2019: approximately S$2.8 million).

Capital Expenditure and Capital Commitments

For the year ended 31 December 2020, the Group invested approximately S$2.3 million in the purchase of property, plant and equipment and right-of-use assets, which was mainly funded by finance lease liabilities and proceeds from the Global Offering.

As at 31 December 2020, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$3.0 million (31 December 2019: approximately S$2.6 million).

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

The proposed acquisition agreement dated 11 December 2017 (the "**Acquisition Agreement**") on the purchase of the entire issued share capital of Cosmic Achiever Holdings Limited at a consideration of RMB380,000,000 (the "**Acquisition**") lapsed on 31 December 2018, as certain conditions were not fulfilled.

The first refundable deposit of RMB60,000,000 (the "**First Deposit**") would be returned to the Group by the vendor. During the Reporting Year, HK$20,000,000 (approximately RMB17,100,000) was returned as partial repayment of the First Deposit under the Acquisition Agreement.

On 16 March 2020, the amount of HK$20,000,000 (approximately RMB17,100,000) was returned from the vendor as further repayment of the First Deposit under the Acquisition Agreement. During the Reporting Year, the Group received a total of HK$40,000,000 as repayment of the First Deposit and a sum of HK$30,000,000 of the First Deposit remains outstanding from the vendor.

The amount of S$6,607,000 which was originally designated to be the partial settlement of the second refundable deposit was reallocated for the purpose of acquiring excavation machines and tipper trucks.

Major Connected Transactions

Continuing Connected Transactions

During the Reporting Year, eight continuing connected transactions were carried out by the Company pursuant to Chapter 14A of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Details of the major connected transactions are set out in the section headed "Connected Transactions" mentioned in the "Report of the Directors" on pages 64 to 68 of this annual report.

Off-balance Sheet Transactions

As of 31 December 2020, the Group did not enter into any material off-balance sheet transactions.

Employee and Remuneration Policy

As at 31 December 2020, the Group had 489 (2019: 550) employees including foreign workers.

Employees of the Group were remunerated according to their job duties. 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.

Total staff costs including Directors' emoluments amounted to approximately S$17.0 million for the year ended 31 December 2020 (2019: approximately S$19.7 million).

Quantitative And Qualitative Disclosure About Market Risk

Interest Rate Risk

The Group's exposure to changes in interest rates was mainly attributable to bank deposits, pledged deposits, bank borrowings and finance lease obligations. The cash flow interest rate risk was mainly concentrated on fluctuations associated with bank borrowings with floating rate, which represent prime rate plus margin per annum and variable rate bank balances. Finance lease obligations and bank borrowings issued at fixed rates exposed the Group to fair value interest-rate risk. For the year ended 31 December 2020, the effective interest rate on fixed-rate borrowings was approximately 2.1% to 5.3% per annum.

Foreign Currency Risk

Transactions of the Group were mainly denominated in Singapore Dollars which was the functional currency of the principal subsidiary. The Group was mainly exposed to the foreign currency risk of Hong Kong Dollars and United States Dollars. The Group currently did not have a foreign currency hedging policy. However, the management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure if deemed necessary.

Credit Risk

As at 31 December 2020, 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, 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 contracts, evaluations were considered on the customer's past history of making payments when due and current ability to pay, and we took into account information specific to the customer as well as pertaining to the economic environment in which the customer operated. 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 monitored and 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 relied on the proceeds from the Global Offering, internally generated funding and borrowings as significant sources of liquidity. The Group 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 of the Company passed on 10 May 2016. The purpose of the Share Option Scheme is to enable the Company to grant options to employees and eligible participants, as incentives or rewards for their contribution to the Group.

According to the announcement of the Company on 28 October 2020, 79,224,000 share options to subscribe for a total of 79,224,000 ordinary shares of HK$0.01 each of the Company, representing approximately 7.6% of the issued shares of the Company, were granted in accordance with the terms and conditions of the Share Options Scheme adopted by the Company on 10 May 2016 to certain eligible directors of the Company and the employees of the Group (the "**Grantees**"), subject to the acceptance of the Grantees.

Details of the Share Option Scheme are disclosed in the "Report of the Directors" on pages 58 to 59 and Note 34 to the Consolidated Financial Statement of this annual report.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Industry Review

In 2021, the pandemic continued to affect markets worldwide, with a surge in the number of variant cases hampering economic recovery. Although the global economy was still plagued by uncertainty, economic activity rebounded strongly as the pandemic stabilised during the first half of the Year. With the rollout of a vaccination programme and high rates of vaccine uptake, coupled with the implementation of effective pandemic controls to curb the spread of the virus, Singapore's economy picked up rapidly in the middle of the Year. The country is now on track for a resumption of normal business activity.

According to the MTI, Singapore's economy delivered better-than-expected growth of 7.6% in 2021, rebounding from a 4.1% contraction in 2020, driven mainly by manufacturing, finance, insurance and wholesale trade. The construction sector also staged an encouraging recovery, with 20.1% growth during the Year, a sharp reversal of the 38.4% contraction in the previous year, thanks to a revival of construction activities in both public and private sectors.

Labour shortages persisted as a headwind in 2021 amid occasional border restrictions, leading to a rapid slowdown of growth in the construction sector to just 2% in the fourth quarter, following 66.3% growth during the previous quarter. This difficulty has, however, been mitigated as Singapore government has recently opened the country's borders to welcome fully-vaccinated workers.

Although the market had stabilised amid a progressive easing of domestic pandemic control measures and border restrictions, the operating environment remained challenging during the Reporting Year, with much market uncertainty. Tender pricing became volatile, rising between 10% and 15% – higher than the previous forecast of 6% to 10% – due mainly to labour shortages, increases in the cost of key construction materials, limited availability of contracting resources, and costs related to the implementation of pandemic management measures.

To support the construction industry and boost market sentiment, the Singapore government extended relief initiatives to help construction companies mitigate the impact of COVID-19 until the end of 2021. Measures included relief from legal and enforcement action related to building and supply contracts, cost-sharing related to additional non- manpower costs borne by contracting parties due to COVID-19-linked delays, and permission to adjust contract sums amid increased foreign manpower costs. The relief measures, provided for under the COVID-19 (Temporary Measures) Act, ensured that no single segment of the industry bore a disproportionate share of the burdens imposed by COVID-19.

Despite the disruptions caused by the pandemic during the Reporting Year, the Group continued to implement effective strategies in a prudent manner to restore its profitability and successfully won several mega-projects to sustain business momentum.

Overall Performance

As a leading Singapore earthworks contractor for more than two decades, the Group has continued to grow in line with its mission to deliver quality services in a timely and reliable fashion, with integrity and leading-edge quality workmanship, while adhering to all appropriate safety and regulatory requirements.

Although the pandemic has hindered economic recovery, the Group can look back at its achievements over the Year with considerable satisfaction. Thanks to the resumption of construction activity, the Group managed to turn its business around in 2021, with total revenue growing approximately 18.0%. This surge in revenue helped to cover fixed operating costs such as machinery and manpower, and drove profitability.

The relatively stable pandemic situation in 2021 allowed the Group to accelerate activities on a number of projects that had been halted or fallen behind schedule. With more income realised upon project completions, the Group's total revenue jumped to approximately S$85.4 million, up from approximately S$72.4 million in the previous year. The Group's gross profit stood at approximately S$4.3 million, following a gross loss of approximately S$4.1 million for the financial year ended 31 December 2020. Its gross profit margin was approximately 5.1%, after a negative gross margin of 5.6% for the financial year ended 31 December 2020. The Group reported a profit for the Year of approximately S$1.5 million, reversing a loss of approximately S$8.4 million for the financial year ended 31 December 2020, thanks to the recovery in the construction sector, the resumption of activity, and financial assistance from Singapore government.

Despite this rebound, the Group's profitability remained under pressure by operating costs such as higher labour overheads and material costs amid supply chain disruptions and border restrictions. Additional costs such as accommodation fees paid for isolation centre accommodation and COVID-19 testing fees for incoming foreign labours accumulated, which, alongside higher diesel prices, impacted the Group's gross margin. Financial assistance from Singapore government, however, helped to ease the Group's financial burden during the Year.

To adapt to the challenging operating environment, the Group adopted a prudent approach to tendering for new projects, strategically focusing on mega-sized projects with higher contract values and margins, and collaborating with market-leading companies in joint tenders, setting the bar for higher margins in future tenders. In terms of cost control, the Group fine-tuned its strategy by pricing higher labour and material costs into its tender bids. The Group also stepped up its efforts to enhance productivity by offering incentives to project teams with superior cost control.

Although demand for private residential projects remained sluggish in 2021, the Group optimised its approach to secure and complete more projects in segments such as public residential, infrastructure, commercial and industrial. Leveraging its professional expertise and formidable reputation, the Group maintained its business agility and competitiveness, and won 44 new projects cumulatively worth more than approximately S$115.5 million during the Year. Among these were sizeable infrastructure projects, including the design and construction of the earthworks and ancillary services segment of the Jurong Region Line Transport Hub, the Singapore's longest Transit Priority Corridor project, the North-South Corridor, and the Singapore longest underground Cross Island Line.

In July 2021, the Group won an upgrade to A2-grade contractor status for civil engineering and general building in the BCA Contractors Registry System, enabling it to tender for public sector construction projects with individual contract values of up to S$95 million.

In a move to diversify business risk, the Group started to invest in property redevelopment projects. By setting up joint ventures in May 2021 and collaborating with leading listed companies in Singapore, the Group was able to invest in landmark projects in the city's central business district. Property redevelopment projects have already generated interest income. With its extensive experience in the industry, the Group will continue to seize property redevelopment project opportunities to meet rising demand in the industrial and commercial property markets.

Earthworks and Ancillary Services

The earthworks and ancillary services segment remained the Group's primary revenue source during the Reporting Year, accounting for approximately 83.6% of total revenue. During the Year, revenue from this segment amounted to approximately S$71.4 million, up from approximately S$52.8 million for the financial year ended 31 December 2020, thanks to an increased number of project completions following the progressive resumption of the Group's operations. The earthworks and ancillary services segment improved significantly, a welcome development reflected in increased revenue and profits.

During the Reporting Year, the Group was engaged in 89 ongoing earthworks and ancillary services projects. The Group secured 39 new projects with a total contract value of approximately S$114.5 million during the Reporting Year, and it has secured seven new projects since 1 January 2022. The Group persevered with its strategic tendering approach to win sizeable public infrastructure projects with higher margins and values.

General Construction Works

During the Reporting Year, stiff competition persisted in the general construction works segment, prompting the Group to take a relatively conservative approach to project bids. Amid highly competitive tendering processes, the Group decided to conserve its resources to focus strategically on more profitable projects in the earthworks and ancillary services segment. The Group did not secure high contract value project for general construction works during the Reporting Year, leading to a relative decline of approximately 28.8% to approximately S$14.0 million in revenue derived from this segment.

During the Reporting Year, the Group was engaged in eight ongoing general construction works projects, same number as the previous year. The Group secured five new general construction works projects in 2021 for a total contract value of approximately S$1.0 million.

Prospect

As the world enters the third year of the pandemic, the economic recovery thus far has been encouraging, albeit challenging. The global economy has picked up gradually during the Year, but a resurgence of COVID-19 infections due to the emergence of the pandemic's Omicron variant has required a re-imposition of lockdowns, prolonging economic difficulties in affected countries and territories. Aligning with some developed Western economies, Singapore is moving forward to live alongside COVID-19, adapting to a "new normal" as its population now has much stronger protection against the virus than at any other point during the pandemic, thanks to high vaccine uptake and immunity levels, and public understanding of how to manage COVID-19 related risks.

The outlook for Singapore's external demand is expected to deteriorate slightly, given the tightening of restrictions in many economies, according to MTI, which will inevitably dampen market sentiment and expose the gradual recovery to potential downside risks. The country's GDP growth is forecasted to slow to 3%-5% in 2022.

Despite recurring COVID-19 outbreaks and potential virus mutations, construction demand for 2022 is expected to return almost to pre-COVID-19 levels. The BCA estimates that contracts worth between S$27 billion and S$32 billion will likely be awarded this year, around the same level recorded in 2019, of which 60% will be funded by the public sector as Singapore government continues to spend on infrastructure projects. Support from Singapore government and public infrastructure spending are expected to contribute to the revival of the construction industry in the medium term.

To cater for the expected strength of this demand, the Group will remain nimble and resilient to seize opportunities made available by its extensive experience and expertise. The Group expects to benefit from a strong pipeline of both private and public infrastructure projects, particularly the MRT Cross Island Line projects. With a robust vaccination rate, Singapore has recently eased restrictions and opened its borders to welcome fully-vaccinated workers, which will help alleviate manpower shortages in the construction industry. The Group will allocate more resources and step up its efforts to hire high-quality labour in order to get delayed projects back on schedule and generate more income.

The Group's upgrade to A2-grade contractor status in July 2021 enables it to bid for large-scale and higher-margin projects in public and private sectors. The upgrade recognises the Group's strong capabilities, proven track record, experienced personnel and financial strength. The Group will continue to leverage its strong fundamentals and business resilience to pursue its strategic tendering approach, focusing on large infrastructure projects with increased profitability. Amid a recovery in the construction market, the Group secured seven earthworks and ancillary services projects, including the construction of sewerage at Tuas South, in the first quarter of 2022.

Alongside its focus on core business, the Group will also strive to explore investment opportunities in the industrial and commercial property markets to diversify risk, an approach exemplified by its recent investment in a joint-venture property redevelopment project. The Group will target projects with strong potential in prime locations, and will look forward to partnering with leading Singapore developers. The Group expects to generate favourable returns in the long run on the back of stable recurring rental income.

The Group remains cautiously bullish in its outlook for business development and the construction industry in general. Its impressive rebound in 2021 signalled a solid, ongoing resurgence of business and was a testimony to the success of its unwavering efforts, strong resilience and strategic optimisation to restore profitability despite economic uncertainty. Singapore's decision to co-exist with COVID-19 will boost the construction market amid challenging and uncertain economic conditions, disruptions to supply chains elsewhere and geopolitical issues leading to volatile energy prices.

To sustain profitability and diversify its income streams, the Group will concentrate on expansion and exploring business opportunities to consolidate its market position. Leveraging its extensive experience and professional credentials in the construction industry, the Group is confident that it will succeed in further enhancing its overall technical and service capabilities, and it remains dedicated to strengthening its market leadership, maximising returns for the Shareholders.

Financial Review

Results for the Year

Revenue and Gross Profit/(Loss)

	2021			2020		
	Revenue recognised *S$'000*	**Gross profit** *S$'000*	**Gross profit margin**	**Revenue recognised** *S$'000*	**Gross (loss)/ profit** *S$'000*	**Gross (loss)/ profit margin**
Earthworks and ancillary services	71,438	3,975	5.6%	52,772	(5,042)	(9.5)%
General construction works	13,978	362	2.6%	19,629	968	4.9%
Total	85,416	4,337	5.1%	72,401	(4,074)	(5.6)%

The total revenue of the Group for the year ended 31 December 2021 amounted to approximately S$85.4 million, representing an increase of approximately S$13.0 million or 18.0% as compared to the year ended 31 December 2020. The increase was mainly attributable to gradual resumption of business operation following further relaxation of COVID-19 pandemic restrictions by Singapore government, as well as the recognition of revenue subsequent to the increased number of projects completed during the Reporting Year. Gross profit amounted to approximately S$4.3 million (31 December 2020: gross loss of approximately S$4.1 million), with gross profit margin of approximately 5.1% (31 December 2020: gross loss margin of approximately 5.6%). Thanks to the increased revenue, as well as the financial aids from Singapore government which helped alleviate the Group's financial burden, the Group reported a business turnaround with profit for the Year of approximately S$1.5 million (31 December 2020: loss for the year of approximately S$8.4 million).

Earthworks and Ancillary Services

Earthworks and ancillary services remained the key revenue contributor of the Group during the Year, accounting for approximately 83.6% of its total revenue. Riding on the Group's ceaseless efforts in completing projects from both public and private sectors after the phased resumption of construction activities, segmental revenue increased significantly by approximately 35.4% year-on-year to approximately S$71.4 million (31 December 2020: approximately S$52.8 million). Although the operating costs increased following the resumption of operations, the increase in revenue recognition drove the segmental gross profit to approximately S$4.0 million (31 December 2020: gross loss of approximately S$5.0 million). Subsequently, segmental profit turned positive to approximately S$4.5 million for the Year.

During the Reporting Year, the Group continued to step up its efforts in reallocating more resources on tenders of public infrastructure projects with relatively higher profit margin. 39 new earthworks and ancillary services projects with a total contract value of approximately S$114.5 million were successfully secured. The Group had a total of 89 ongoing earthworks and ancillary services projects during the Reporting Year with an aggregate contract sum of approximately S$418.2 million.

General Construction Works

During the Reporting Year, the total revenue of general construction works segment decreased by 28.8% to approximately S$14.0 million as compared to the year ended 31 December 2020. In face of intensified competition, the Group did not manage to secure more new general construction works projects than the previous year, which resulted in a decrease in segmental revenue and profit. The segmental gross profit subsequently decreased to approximately S$362,000 (31 December 2020: approximately S$968,000). Segmental profit amounted to approximately S$216,000 for the Year.

During the Reporting Year, the Group had eight ongoing general construction works projects with an aggregate contract sum of approximately S$54.3 million. Five new general construction works projects with a total contract value of approximately S$1.0 million were secured.

Other Income and Gains

Other income and gains amounted to approximately S$3.8 million for the year ended 31 December 2021, representing a decrease of approximately S$3.4 million as compared to the year ended 31 December 2020. Such decline was mainly attributable to the decrease in financial relief from Singapore government during the Year.

Administrative and Other Operating Expenses

During the Reporting Year, administrative and other operating expenses slightly increased by approximately 1.6% to approximately S$5.8 million (31 December 2020: S$5.7 million), primarily due to the increase in staff costs as well as employee benefit expenses which was in line with the improved performance of the Group.

Other Expenses

Other expenses were approximately S$6,000 for the year ended 31 December 2021 (31 December 2021: approximately S$5.8 million), owing to lower impairment losses on receivables and contract assets recognised for the financial year ended 31 December 2021 due to bad debt recovered as well as lower risk of default in the Group's financial assets.

Finance Costs

For the year ended 31 December 2021, finance costs decreased by approximately 24.3% to approximately S$439,000 from approximately S$580,000 in the previous year, principally due to the decrease in interest on lease liabilities.

Share of Results of Associates

The Group's share of results of associates amounted to S$10,000 during the Reporting Year (31 December 2020: Nil), primarily due to the interest income generated from the redevelopment project.

Income Tax (Expense)/Credit

For the year ended 31 December 2021, income tax expense amounted to S$347,000, while tax credit of approximately S$590,000 was recorded for the year ended 31 December 2020.

Profit/(Loss) for the Year and Net Profit/(Loss) Margin

Combining the aforementioned factors, the Group achieved a business turnaround for the year ended 31 December 2021. Profit for the Year amounted to approximately S$1.5 million, while loss of approximately S$8.4 million was recorded for the year ended 31 December 2020. Net profit margin was approximately 1.8% for the year ended 31 December 2021 (31 December 2020: negative net margin of approximately 11.6%).

Earnings/(Loss) per Share

For the year ended 31 December 2021, the basic earnings per share was S$0.14 cent, with the calculation based on profit for the Year of approximately S$1.5 million and the weighted average number of 1,036,456,000 ordinary shares in issue during the Year.

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

For the year ended 31 December 2020, the basic loss per share was S$0.81 cent, with the calculation based on the loss for the year ended 31 December 2020 of approximately S$8.4 million and the weighted average number of 1,036,456,000 ordinary shares in issue.

Diluted loss per share for the year ended 31 December 2020 was the same as the basic loss per share. There was no dilutive effect on the impact of the exercise of the share options as they were anti-dilutive.

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 generally funds, net proceeds from global offering of the shares of the Company in 2016 (the "**Global Offering**") and bank borrowings. As at 31 December 2021, the Group had cash and cash equivalents of approximately S$31.5 million (31 December 2020: approximately S$46.2 million). The year-on-year decline was mainly attributable to the acquisition of property, plant and equipment, the investment in associates for redevelopment and construction of private properties, settlement to amount payables, lease liabilities as well as borrowing repayments.

In managing liquidity risk, the Group closely 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 2021 and 2020:

	2021	**2020**
	S$'000	*S$'000*
Net cash flows generated from operating activities	5,624	4,071
Net cash flows (used in)/generated from investing activities	(15,067)	2,875
Net cash flows used in financing activities	(5,893)	(3,425)

Operating Activities

For the year ended 31 December 2021, the Group generated net cash inflow from operating activities of approximately S$5.6 million (31 December 2020: approximately S$4.1 million). The approximate S$5.0 million difference between the operating profit before working capital changes and net cash generated from operating activities was mainly attributable to (i) the decrease in contract assets amounted to approximately S$4.8 million; (ii) the increase in trade receivables amounted to approximately S$6.1 million; (iii) the decrease in deposits, prepayments and other receivables of approximately S$715,000; (iv) the decrease in contract liabilities of approximately S$1.5 million; (v) the decrease in trade payables of approximately S$4.2 million; and (vi) the increase in other payables, accruals and deposits received of approximately S$1.4 million.

Investing Activities

For the year ended 31 December 2021, the net cash used in investing activities was approximately S$15.1 million (31 December 2020: net cash inflow from investing activities of approximately S$2.9 million), mainly attributable to (i) investment in associates of approximately S$7.6 million; (ii) purchase of financial assets at amortised costs of approximately S$5.3 million; (iii) purchase of property, plant and equipment of approximately S$4.1 million; and (iv) proceeds from redemption of financial assets at amortised costs of approximately S$1.5 million.

Financing Activities

For the year ended 31 December 2021, the net cash used in financing activities was approximately S$5.9 million (31 December 2020: approximately S$3.4 million), which was principally attributable to (i) the interest portion of the lease liabilities amounted to approximately S$343,000; (ii) the repayment of principal portion of the lease liabilities of approximately S$6.9 million; (iii) the repayment of borrowings of approximately S$704,000; (iv) the decrease in pledged deposits secured against banking facilities of approximately S$2.1 million; and (v) the interest paid of approximately S$96,000.

Use of Proceeds

The net proceeds from the Global Offering were approximately S$26.5 million (after deducting underwriting fees, commissions and listing expenses) (the "**Net Proceeds**"), out of which approximately S$25.6 million was utilised as at 31 December 2021.

Intended applications	Planned use of Net Proceeds	Amount utilised up to 31 December 2020	Amount utilised during the year ended 31 December 2021	Amount utilised up to 31 December 2021	Unutilised balance up to 31 December 2021	Expected timeline of full utilisation of the remaining unutilised amount
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*(Note 2)*
1. Purchase of excavation machines and tipper trucks *(Note 1)*	17,736	16,477	1,259	17,736	–	
2. Purchase of software	2,085	1,049	174	1,223	862	On or before 31 December 2022
3. Secure earth filling projects *(Note 1)*	–	–	–	–	–	
4. Expand workforce	4,414	4,414	–	4,414	–	
5. Working capital	2,247	2,247	–	2,247	–	
Total	26,482	24,187	1,433	25,620	862	–

Notes:

1. As disclosed in the prospectus of the Company dated 25 May 2016 (the "**Prospectus**") 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**") would be reassigned to the purchase of additional excavation machines and tipper trucks. After taking into the business scale and projects of the Company, the number of tipper trucks and excavators acquired by the Group since the listing of shares of the Company 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.

2. The expected timeline for utilising the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

As at 31 December 2021, the Group did not fully utilise the Net Proceeds to purchase softwares. The Group had purchased softwares from a vendor which charged the Group at a price lower than originally quoted, resulting in a huge saving to the Group. It is expected that the unutilised amount will be fully utilised on or before 31 December 2022.

The Net Proceeds were used in accordance with the intended purposes as previously disclosed and there was no material change in the use of the Net Proceeds. The unutilised amount is expected to be used in accordance with the intended purposes as disclosed.

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

Borrowing and Gearing Ratio

As at 31 December 2021, the Group had an aggregate of current and non-current bank borrowings and lease liabilities of approximately S$11.4 million, a decrease from approximately S$18.9 million as at 31 December 2020. The bank borrowings of the Group are made in Singapore Dollars, with a fixed interest rate of 2% (31 December 2020: 2%) per annum. As at 31 December 2021, the Group's gearing ratio was approximately 0.13 times (31 December 2020: approximately 1.22 times). Gearing ratio was calculated by dividing total borrowings (bank borrowings and lease liabilities) by total equity as at the end of the respective year.

Cash and Cash Equivalents

As at 31 December 2021, the Group had cash and cash equivalents of approximately S$31.5 million (31 December 2020: approximately S$46.2 million). The Group had cash and cash balances of approximately S$32.8 million but the amount was reduced by pledge for the guarantee arrangement and issuance of performance bonds; along with the banking facilities including letter of credit, overdraft and banking guarantee of approximately S$17.5 million.

Foreign Exchange Exposure

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

Charges on Group's Assets

As at 31 December 2021, the Group's banking facilities were secured by the pledge of the Group's deposits of approximately S$1.3 million (31 December 2020: approximately S$3.4 million), while the Group's lease liabilities were secured by the charge over the leased assets of net book value of approximately S$8.5 million (31 December 2020: approximately S$14.7 million).

Contingent Liabilities

As at 31 December 2021, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business in the amount of approximately S$3.6 million as compared to approximately S$2.6 million for the year ended 31 December 2020. 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 2021, the Group invested approximately S$4.7 million in the purchase of property, plant and equipment, which was mainly funded by finance lease liabilities and working capital.

As at 31 December 2021, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$1.9 million (31 December 2020: approximately S$3.0 million).

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

I. Major Transaction in relation to the Formation of Joint Venture

On 7 May 2021, each of Longlands Holdings Limited ("**Longlands**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability which is a wholly-owned subsidiary of the Company, Mr. Tng Kay Lim ("**Mr. Tng**"), an independent third party, and Mr. Yang Tse Pin ("**Mr. Yang**"), an independent third party, entered into a shareholders' agreement (the "**Shareholders' Agreement**") with Chuan Investments Pte. Ltd. (the "**JV Company**") for the establishment, operation and management of the JV Company, whose main purpose is to further invest in a project ("**Project Joint Venture**") of which two joint venture companies were established by the JV Company, CEL Development Pte. Ltd., ("**CEL**") and SingHaiyi Investments Pte. Ltd., ("**SHIPL**") for the acquisition and redevelopment of Maxwell House ("**Maxwell House**"), a 13-storey residential and commercial mixed-use building comprising 145 strata units located at 20 Maxwell Road, Singapore 069113 with a land area of 3,883.3 square metres, and the JV Company would own 30% of interests.

The JV Company was incorporated in Singapore with limited liability on 4 May 2021, which is an investment holding company to hold shares of the company(ies) that will engage in the business of investment holding, property investment and/or redevelopment in Singapore. The JV Company is owned as to one-third each by Longlands, Mr. Tng and Mr. Yang respectively.

Under Project Joint Venture, the residential units in Maxwell House shall be owned and redeveloped by Maxwell Residential Pte. Ltd., a company incorporated in Singapore with limited liability and is owned as to 30%, 40% and 30% by the JV Company, CEL and SHIPL, for sale and the commercial units in Maxwell House shall be owned and redeveloped by Maxwell Commercial Pte. Ltd. ("**Maxwell Commercial**"), a company incorporated in Singapore with limited liability and is owned as to 30%, 40% and 30% by the JV Company, CEL and SHIPL, for sale and/or long term investment holding and leasing, as determined by Maxwell Commercial in its absolute discretion.

Pursuant to the Shareholders' Agreement, among other things, each of Longlands, Mr. Tng and Mr. Yang agreed to provide a capital commitment in a sum of not more than S$17,000,000 based on their pro-rata interest in the JV Company, which should comprise a combination of paid-up share capital and provision of shareholders' loans to the JV Company. Immediately after the execution of the Shareholders' Agreement, the JV Company increased its initial paid-up capital to S$300,000 of which each of Longlands, Mr. Tng and Mr. Yang contributed S$99,999 each in cash for the subscription of 99,999 ordinary shares in the JV Company, making them each holding 100,000 ordinary shares in the JV Company.

On 6 May 2021, the JV Company, CEL and SHIPL together submitted a joint tender to acquire Maxwell House at a tender price of S$276.8 million and were successfully awarded the tender on 7 May 2021.

The redevelopment of Maxwell House commenced in the first quarter of 2022 and is expected to complete within a period of 48 months after commencement (i.e. in the first quarter of 2026).

The Board believes that its participation in the JV Company has offered the Group with the opportunity to invest in iconic site in the central business district in Singapore, as a further step to diversify its investment to generate a stable, strong and recurring cash flow of rental income in the long run. Through working with prominent listed companies in Singapore with established property development track record in Singapore such as Chip Eng Seng Corporation Ltd. and Sing Haiyi Group Ltd. on the redevelopment of Maxwell House, the Group believes that the redevelopment works would enhance the image and attractiveness of Maxwell House, which would allow it to deliver an enhanced retail experience and new leisure facilities together with residential units.

For further details, please refer to the announcement of the Company dated 7 May 2021 and the circular of the Company dated 25 June 2021.

II. Disclosable Transactions in Investment Agreements in relation to the Proposed Redevelopment of Properties

On 14 May 2021, 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, entered into (i) an investment agreement (the "**JVA East Coast Investment Agreement**") with JVA East Coast Pte. Ltd. ("**JVA East Coast**"), a company incorporated in Singapore with limited liability which is wholly-owned by an independent third party, namely JVA Venture Pte. Ltd. ("**JVA Venture**"), a company incorporated in Singapore with limited liability which is owned as to 51% by Mr. Hu Junhui, 40% by Mr. Xu Guangming and 9% by Mr. Ong Chin Seng; and (ii) an investment agreement (the "**JVA NTK Investment Agreement**", together with the JVA East Coast Investment Agreement, the "**JVA Investment Agreements**") with JVA NTK Pte. Ltd. ("**JVA NTK**"), a company incorporated in Singapore with limited liability which is wholly-owned by JVA Venture respectively. Details of the JVA Investment Agreements are as follows:

(a) JVA East Coast Investment Agreement

The JVA East Coast Investment Agreement relates to a project to redevelop and construct a piece of land at 10 Grove Crescent, Singapore 279152, which was acquired by JVA East Coast on 5 March 2021 at S$14.6 million, into four units of terrace landed houses and their subsequent sale ("**JVA East Coast Project**").

Pursuant to the JVA East Coast Investment Agreement, Chuan Lim agreed to invest a sum of S$800,000 in JVA East Coast Project, representing 10% of the total investment budget of JVA East Coast Project, amount of which is expected to be S$8.0 million, which is based on a feasibility report mutually agreed and adopted by Chuan Lim and JVA East Coast.

The expected investment period of JVA East Coast Project shall be three years commencing from 1 June 2021 to 31 May 2024.

(b) JVA NTK Investment Agreement

The JVA NTK Investment Agreement relates to a project to redevelop and construct a piece of land at 42 Watten Estate Road, Singapore 287519, which was acquired by JVA NTK on 16 February 2021 at approximately S$15.4 million, into two units of detached landed houses and their subsequent sale ("**JVA NTK Project**").

Pursuant to the JVA NTK Investment Agreement, Chuan Lim agreed to invest a sum of S$1.6 million in JVA NTK Project, representing 20% of the total investment budget of JVA NTK Project, amount of which is expected to be S$8.0 million, which is based on a feasibility report mutually agreed and adopted by Chuan Lim and JVA NTK.

The expected investment period of JVA NTK Project shall be three years commencing from 1 May 2021 to 30 April 2024.

The investment return from JVA East Coast Project and JVA NTK Project shall be the higher of (i) 10% and 20% of the total profit before tax of JVA East Coast Project and JVA NTK Project respectively; or (ii) a minimum annual investment return of 3% of the Chuan Lim's actual cash contribution under the JVA East Coast Investment Agreement and the JVA NTK Investment Agreement respectively.

The Board considers that both properties have attractive development potentials, and the entering into of the JVA Investment Agreements is consistent with the Group's recent strategy to diversify its investments, including investing in property redevelopment projects in Singapore with experienced property developers. Further, the investment in both JVA East Coast Project and JVA NTK Project by Chuan Lim will offer the Group an opportunity to utilise its cash on hand to yield favourable return at the end of the investment periods and enhance value of the Shareholders in the long run.

For further details, please refer to the announcement of the Company dated 14 May 2021.

On 3 June 2021, Chuan Lim entered into two investment agreements both dated 3 June 2021 (respectively, the "**Investment Agreement A**" and the "**Investment Agreement B**", and collectively, the "**Investment Agreements**") with Mr. Yang, an independent third party. Details of the Investment Agreements are as follows:

(a) Investment Agreement A

The Investment Agreement A relates to a project to redevelop and construct a piece of land at 14 Chee Hoon Avenue, Singapore 299749 into one unit of detached house with one basement, two storeys and an attic ("**Property A**") and the subsequent sale ("**Project A**").

Pursuant to the Investment Agreement A, at the invitation of Mr. Yang, Chuan Lim agreed to invest a sum of S$2,625,000 (towards Mr. Yang's portion of investment interest in Project A) through Mr. Yang, pursuant to which Mr. Yang would invest such sum for and on behalf of and for the benefits of Chuan Lim in Project A, representing 30% of the total investment budget of Project A.

The total investment budget for Project A is estimated to be approximately S$8.7 million, of which Mr. Yang (for himself and on behalf of Chuan Lim) would contribute in aggregate a sum of approximately S$7.0 million in cash, representing approximately 80% of the total investment budget for Project A (being in accordance with the proportion of Mr. Yang's shareholding in D' Green Private Limited, a company incorporated in Singapore with limited liability which is owned as to 80% by Mr. Yang and 20% by an individual, which is an independent third party, and nominated by Mr. Yang to hold Property A).

(b) Investment Agreement B

The Investment Agreement B relates to a project to redevelop and construct a piece of land at 4A Swettenham Road, Singapore 248081 into one unit of detached house with one basement, two storeys and an attic ("**Property B**") and the subsequent sale ("**Project B**").

Pursuant to the Investment Agreement B, at the invitation of Mr. Yang, Chuan Lim agreed to invest a sum of S$1,371,520 (towards Mr. Yang's portion of investment interest in Project B) through Mr. Yang, pursuant to which Mr. Yang would invest such sum for and on behalf of and for the benefits of Chuan Lim in Project B, representing 15% of the total investment budget of Project B.

The total investment budget for Project B is estimated to be approximately S$9.1 million, of which Mr. Yang (for himself and on behalf of Chuan Lim) will contribute in aggregate a sum of approximately S$3.2 million in cash, representing approximately 35% of the total investment budget for Project B (being in accordance with the proportion of Mr. Yang's proposed shareholding in ECO SWM Pte. Ltd., a company incorporated in Singapore with limited liability which is owned as to 35% by Mr. Yang and the remaining 65% by three individuals, which are independent third parties, and nominated by Mr. Yang to hold Property B).

The expected investment period of both Project A and Project B shall be three years commencing from 1 September 2021 to 31 August 2024. The investment return from Project A and Project B shall be the higher of (i) 30% and 15% of the total profit before tax of Project A and Project B respectively; or (ii) a minimum annual investment return of 3% of the Group's actual cash contribution under the Investment Agreement A and the Investment Agreement B respectively.

The Board considers that both properties have attractive development potentials, the entering into of the Investment Agreements is consistent with the Group's recent strategy to diversify its investments, and provide a good opportunity to the Group riding on Mr. Yang's experience in property development and building constructions. The investment in both Project A and Project B by Chuan Lim will offer the Group an opportunity to utilise its cash to yield favourable return at the end of the investment periods and enhance Shareholders' value in the long run.

For further details, please refer to the announcements of the Company dated 3 June 2021 and 21 June 2021 respectively.

Except as disclosed above, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures and discloseable transactions during the Reporting Year.

Connected Transactions

During the Reporting Year, eight 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 transactions are set out in the section headed "Related Party Transactions and Connected Transactions" in the "Report of the Directors" on pages 64 to 73 of this annual report.

Off-balance Sheet Transactions

As of 31 December 2021, the Group did not enter into any material off-balance sheet transactions.

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 mainly 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 is responsible for monitoring foreign currency exposure and will consider hedging significant foreign currency exposure if deemed necessary.

Credit Risk

As at 31 December 2021, 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, 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 contracts, 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 monitored and 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 relied on the proceeds from the Global Offering, internally generated funding and borrowings as significant sources of liquidity. The Group 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 purpose of the Share Option Scheme is to enable the Company to grant options to employees and eligible participants, as incentives or rewards for their contribution to the Group.

According to the announcement of the Company on 29 October 2021, 10,364,000 share options to subscribe for a total of 10,364,000 ordinary shares (the "**Shares**") of HK$0.01 each of the Company, 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, a non-executive Director and the chairman of the Board, subject to his acceptance.

Details of the Share Option Scheme are disclosed in the "Report of the Directors" on pages 58 to 61 of this annual report and Note 32 to the audited consolidated financial statements (the "**Consolidated Financial Statements**") of the Group for the financial year ended 31 December 2021.

Employee and Remuneration Policy

As at 31 December 2021, the Group had 517 (31 December 2020: 489) employees including foreign workers.

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.

Total staff costs including the Directors' emoluments amounted to approximate S$21.4 million for the year ended 31 December 2021 (31 December 2020: approximately S$17.0 million).

Litigation against The Group

Reference is made to the announcement of the Company dated 12 August 2021 in relation to a litigation (the "**Litigation**") in the High Court of the Hong Kong Special Administrative Region (the "**Court**") initiated by Chau Kwok Ming as plaintiff (the "**Plaintiff**") against the Company as defendant for a claim based on the agreements ("**Agreements**") between the Plaintiff and Mr. Lo Tak Wing Benson, who was alleged to have been acting for and on behalf of the Company. The Plaintiff claimed against the Company for the restitution of an alleged loan in the total principal sum of HK$20,000,000 as well as interest and costs.

On 10 February 2022, the Group received a copy of a notice of discontinuance filed by the Plaintiff with the Court, whereby the Plaintiff wholly discontinued the Litigation. The Litigation has no material impact on the business operation and the financial position of the Company.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.

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 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.

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 BCA's 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.

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.

Prospects

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 Group's management (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 from global offering (the "**Global Offering**") of the Shares in 2016 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 (the "**Shareholders**") of the Company.

Financial Review

Results for the Year

Revenue and Gross Profit

	2022			2021		
	Revenue recognized	**Gross profit**	**Profit margin**	**Revenue recognized**	**Gross profit**	**Profit margin**
	S$'000	*S$'000*		*S$'000*	*S$'000*	
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 Shares 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 the Global Offering 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)* *S$'000*	Amount utilised up to 31 December 2021 *S$'000*	Change in use of the unutilised balance of the Net Proceeds on 1 November 2022 *S$'000*	Amount utilised during the Year *S$'000*	Amount utilised up to 31 December 2022 *S$'000*	Unutilised balance up to 31 December 2022 *S$'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 (the "**Prospectus**") 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 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. The bank borrowings of the Group are made in Singapore Dollars, with a fixed interest rate of 2% (31 December 2021: 2%) per annum. 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 annual report, 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 are set out in the section headed "RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS" in the "Report of the Directors" on pages 68 to 72 of this annual report.

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 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 (the "**Chairman of the Board**") and a non-executive Director.

Details of the Share Option Scheme are disclosed in the "Report of the Directors" on pages 62 to 65 of this annual report and Note 32 to the audited consolidated financial statements (the "**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.

FOR THE TEN MONTHS ENDED 31 OCTOBER 2023

Industry Review

In 2023, the global economic recovery remained slow, with divergent growth prospects across regions, posing a challenge to a return to pre-pandemic output trends. Despite some signs of resilience, the impact of policy tightening aimed at reducing inflation has slowed economic activity.

In Singapore, gross domestic product ("**GDP**") growth averaged 0.4% year-on-year amid an adverse environment for manufacturing output and exports. In the third quarter, the country's GDP growth showed a modest improvement, with a year-on-year increase of 0.7%, up from 0.5% in the previous quarter. Among the goods-producing industries, the construction sector was a bright spot, bolstered by a resurgence in commercial and non-residential construction activity.

In the third quarter of 2023, Singapore's government initiated several mega-projects, including the 600 MW Keppel Sakra Cogeneration Plant, the GSK Tuas vaccines facility expansion, the DSV Pearl warehouse facility, the Changi airframe maintenance, repair and overhaul facility, and The Landmark condominium complex. Thanks to the government's continued efforts to promote infrastructure projects, the increased adoption of environmental-friendly and sustainable building designs, and the rapid pace of urbanisation, the construction industry is steadily recovering, entering a post-pandemic new normal. Construction output was up by 6.0% year-on-year in the third quarter of 2023 after strong growth of 7.9% in the second quarter and a 7.7% expansion in the first quarter.

Pressure on supply chains continued throughout 2023 due to global geopolitical volatility and the lingering impact of the pandemic, resulting in a notable increase in the costs of raw materials and commodities, accompanied by extended lead times. Infrastructure development involving residential and commercial expansion, alongside government initiatives, is set to play an instrumental role in driving the industry's momentum in the medium to long term, although the ongoing challenges of labour shortages and elevated material prices remain key concerns amid this promising outlook.

The Group has maintained a prudent and pragmatic approach to navigate the economic landscape, demonstrating resilience and adaptability to ensure its sustained success within the industry.

Business Review

Leveraging the Group's solid brand recognition and extensive expertise in Singapore's construction industry, the Group consistently employed proactive tendering strategies to optimise its operational efficiency and seize the opportunities presented by the gradual resumption of construction activity. During the 10 months ended 31 October 2023 (the "**Reporting Period**"), the Group captured the opportunities arising from resumed construction activity and the ramping up of previously halted projects, leading to more income generation upon project completion. Its revenue for the Reporting Period amounted to approximately S$100.9 million.

Despite revenue growth, operating costs remained persistently high during the Reporting Period, driven mainly by increased labour and materials costs. To mitigate these cost pressures, the Group implemented more stringent cost control measures, including the introduction of environmental-friendly machinery, the incorporation of off-site construction processes and the refinement of project monitoring systems to enhance workforce arrangements. By implementing these measures, the Group achieved a gross profit of approximately S$8.0 million. Thanks to its disciplined cost management and effective tendering approach, aimed at protecting profitability, the Group's net profit attributable to owners of the Company for the Reporting Period reached approximately S$2.8 million.

To effectively address labour shortages, the Group introduced a range of incentives to motivate and incentivise its existing workforce, encouraging workers to optimise their productivity. In addition, to remain at the forefront of technological advances in the industry and uphold its commitment to environmental sustainability, the Group made significant investments in innovative machinery, which has helped it to enhance productivity and reduce its labour requirements.

Amid the optimistic outlook for Singapore's construction industry, the Group embarked on an expansion into the property redevelopment segment, with the objective of strengthening its market position in the country and mitigating operational risks. By forging partnerships with high-quality companies, the Group made strategic investments in several landmark projects in Singapore, resulting in positive outcomes during the Reporting Period. The Group remains dedicated to seizing joint-venture opportunities in property redevelopment, aligning with increasing demand in both the industrial and commercial property markets.

Earthworks and Ancillary Services

The Group's provision of earthworks and ancillary services includes 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 bridges, sewerage, drainage, pipe laying, and cable trench works.

During the Reporting Period, the earthworks and ancillary services segment remained the Group's major source of revenue, accounting for approximately 68.2% of its total revenue, or approximately S$68.8 million. The Group was engaged in a total of 15 ongoing earthworks and ancillary services projects as of 31 October 2023, including infrastructure projects initiated by Singapore's Land Transport Authority ("**LTA**") and Housing and Development Board.

General Construction Works

During the Reporting Period, the Group's provision of general construction works included addition and alteration works, and the construction of new buildings. Following the easing of the pandemic, delayed general construction projects gradually resumed. The Group continued to allocate more resources to this segment, in particular to strategic tendering, driving its revenue to approximately S$32.1 million during the Reporting Period. The Group was engaged in 4 ongoing general construction works projects as of 31 October 2023.

Prospects

Based on the latest projections by Singapore's Building and Construction Authority ("**BCA**"), the total construction demand for 2024 will range from S$32 billion to S$38 billion. Building upon this positive momentum in the construction sector, the Group is poised to seize market opportunities by maintaining its business agility and enhancing its competitiveness on an ongoing basis. To broaden its revenue stream, the Group will implement decisive and strategic measures to pursue viable opportunities and tenders for public projects that offer higher margins and contract values.

Continuous efforts by Singapore's government to advance infrastructure construction, alongside a strong resurgence in tourism, have produced a promising outlook for the country's construction sector. In the fourth quarter of 2023, LTA awarded construction contracts for two interchange stations on the Cross Island Line. Construction demand in Singapore is expected to receive a further boost in 2024 with the commencement of extension projects at two integrated resorts: Resorts World Sentosa and Marina Bay Sands. The Group's recent triumphs in securing projects from the LTA and Resorts World Sentosa Festive Hotel demonstrate the effectiveness of its commitment to tendering and its strategic approach to capturing expanding opportunities. The Group will closely monitor market dynamics and adopt a pragmatic approach in formulating its strategies and setting its business direction in order to sustain its continued success.

As an A2-grade contractor for civil engineering and general building registered in the BCA's Contractors Registry System, the Group has enjoyed a favourable position when it comes to securing major infrastructure projects. Leveraging its professionalism, expertise and formidable reputation in the industry, the Group will foster robust relationships with its existing clients by delivering enhanced customer service and proactively seek strategic partnerships with high-quality enterprises that possess complementary expertise and capabilities. These strategies will facilitate the Group's efforts to bid jointly for public infrastructure projects, significantly enhancing its prospects of securing public contracts.

As a leader in project differentiation and sustainability, the Group will further strengthen its commitment to the philosophy of "Think Green; Go Green" throughout its business operations, aiming to make a greater contribution to the sustainability of Singapore's environment. The Group will actively seek out appropriate opportunities in green public eco-infrastructure and private industrial projects, seeking to expand its business presence in these areas. Concurrently, the Group remains committed to retaining top talent within its workforce. In pursuit of this objective, it offers competitive remuneration and a comprehensive benefits package to ensure the retention of the most skilled and capable members of its team.

The Group's strategic entry into the property market, aimed at mitigating operational risks through investments in redevelopment projects, has yielded positive results in recent years. Looking ahead, the Group will diligently monitor market developments and proactively seize potential collaborative opportunities by forming partnerships with high-quality listed companies and enterprises.

In Singapore's dynamic and thriving construction industry, the Group remains agile and adaptable, and is well-equipped to navigate ever-changing circumstances with the steadfast aim of generating long-term returns for its shareholders.

Financial Review

Revenue and Gross Profit

	For ten months ended 31 October 2023		
	Revenue recognised	**Gross profit**	**Gross profit margin**
	S$'000	*S$'000*	
Earthworks and ancillary services	68,837	3,559	5.2%
General construction works	32,085	4,408	13.7%
Total	100,922	7,967	7.9%

Total revenue of the Group for the 10 months ended 31 October 2023 amounted to approximately S$100.9 million. The Group capitalised on the opportunities arising from the continued resumption of construction activity in Singapore, as well as its business strategies of proactive tendering and maximising operational efficiency, positive results were yielded as reflected in the financial performance for the Reporting Period. With more revenue recognised from the increase in the number of completed projects that had been halted earlier or fallen behind schedule, coupled with the implementation of disciplined financial management practices and its efforts in alleviating operating costs, gross profit of the Group reached approximately S$8.0 million with gross profit margin of approximately 7.9%.

Earthworks and Ancillary Services

During the Reporting Period, the earthworks and ancillary services segment remained the major revenue contributor for the Group, accounting for approximately 68.2% of its total revenue. Leveraging the Group's strategic tendering approach to secure higher value projects with an increase in the number of completed projects during the Reporting Period, segmental revenue amounted to approximately S$68.8 million. The revival of local construction industry drove up the demand for skilled labour and materials. The increase in revenue was accompanied by the increase in hefty operating costs of the projects secured in prior years, segmental gross profit amounted to approximately S$3.6 million.

General Construction Works

Thanks to the unwavering efforts of the Group's team members in actively pursuing new tendering projects and expediting project delivery, the Group achieved revenue of approximately S$32.1 million in general construction works segment for the 10 months ended 31 October 2023. The conclusion of the pandemic brought forth a multitude of emerging opportunities in the segment, consequently establishing favourable conditions for the Group. Segmental gross profit was S$4.4 million benefitting from the increased revenue and lower operating costs during the Reporting Period.

Other Income and Gains

Other income and gains amounted to approximately S$2.1 million for the 10 months ended 31 October 2023.

Administrative and Other Operating Expenses

For the 10 months ended 31 October 2023, the Group recorded administrative and other operating expenses amounting to approximately S$5.7 million, which was mainly generated from labour overheads.

Other Expenses

The Group recorded other expenses of approximately S$118,000 for the 10 months ended 31 October 2023, mainly due to provision for expected credit loss on trade receivables and contract assets during the Reporting Period.

Finance Costs

For the 10 months ended 31 October 2023, finance costs amounted to approximately S$176,000, which were principally generated from the interest on lease liabilities and on borrowings wholly payable within five years.

Share of Results of Associates

Share of results of associates of the Group for the 10 months ended 31 October 2023 turned negative to approximately S$650,000, primarily due to the recognition of fair value loss of the Group's investment in property redevelopment project.

Income Tax Expense

Income tax expenses for the 10 months ended 31 October 2023 amounted to approximately S$539,000.

Net Profit for the Period and Net Profit Margin

Combining the aforementioned factors, net profit for the period amounted to approximately S$2.8 million. Net profit margin was approximately 2.8% for the 10 months ended 31 October 2023.

Liquidity, Financial Resources and Gearing Ratio

Liquidity

The financial position of the Group maintained a strong and stable financial position during the Reporting Period with working capital primarily supported by internally generated funds and bank borrowings. As at 31 October 2023, cash and cash equivalents of the Group was approximately S$21.9 million (31 December 2022: approximately S$23.4 million). The decline in cash and cash equivalents was mainly contributed to the pre-planned fund injections to associates and expenses related to property redevelopment.

In order to mitigate liquidity risk, the Group diligently monitored its cash and cash equivalents, ensuring an adequate level of funds was maintained to support operations and manage unexpected fluctuations in cash flow.

Borrowings and Gearing Ratio

As at 31 October 2023, the Group had an aggregate of current and non-current bank borrowings and lease liabilities of approximately S$7.9 million, an increase from approximately S$7.2 million as at 31 December 2022. The bank borrowings of the Group are made in Singapore Dollars, with a fixed interest rate of 2% (31 December 2022: 2%) per annum. As at 31 October 2023, the Group's gearing ratio was approximately 0.09 times (31 December 2022: approximately 0.08 times). Gearing ratio was calculated by dividing total borrowings (bank borrowings and lease liabilities) by total equity as at the end of the respective period.

Foreign Exchange Exposure

The Group's operational activities are primarily conducted in Singapore, with the majority of transactions settled in Singapore Dollars. A small portion of the Group's cash and cash equivalents is denominated in United States Dollars. As the Group engages in limited foreign currency transactions beyond the functional currency of its respective entities, it faces minimal foreign exchange risk. To mitigate any potential risk exposure, the Group would conduct regular reviews in a timely manner.

Charges on Group's Assets

As at 31 October 2023, the Group's banking facilities were secured by the pledge of the Group's deposits of approximately S$1.3 million (31 December 2022: 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$10.5 million (31 December 2022: approximately S$5.1 million).

Contingent Liabilities

As at 31 October 2023, 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$7.2 million as compared to approximately S$4.0 million for the year ended 31 December 2022. The guarantees in respect of performance bonds issued by banks were secured by pledged deposits.

Capital Expenditures and Capital Commitments

For the 10 months ended 31 October 2023, the Group invested approximately S$10.5 million in the purchase of property, plant and equipment and right-of-use assets, which were mainly funded by finance lease liabilities and working capital.

As at 31 October 2023, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$2.8 million (31 December 2022: approximately S$1.4 million).

Employee and Emolument Policy

As at 31 October 2023, the Group had 575 (31 December 2022: 534) employees including foreign workers. The Group's total remuneration including Directors' emoluments for the 10 months ended 31 October 2023 amounted to approximately S$20.5 million (31 December 2022: S$22.4 million).

The Group's employees were remunerated according to their job responsibilities and prevailing market trends. Additionally, all employees were eligible for a 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 implemented a share option scheme to acknowledge and incentivise the valuable contributions made by its employees for the benefit of the overall operations and future growth of the Group.

*Set out below are the management discussion and analysis of Hulett Construction for FY2020, FY2021, FY2022 and the ten months ended 31 October 2023 (collectively, the "**Reporting Periods**") based on the financial information of Hulett Construction set out in Appendix II to this circular.*

BUSINESS OVERVIEW

Hulett Construction, a company incorporated in Singapore with limited liability, is primarily engaged in investment holding business.

Hulett Construction's primary asset is the Property, an expansive industrial complex situated at 20 Senoko Drive, Singapore 758207. The Property encompasses a substantial land area of approximately 92,987 sq. ft. and is registered under Private Lots Nos. A2163000 and A2163001, also referred to as Government Survey Lot No. 1808L Mukim 13. This complex includes a 9-storey single-user general industrial factory development, comprising various facilities such as a warehouse, workshop, production space, ancillary office, temporary secondary workers dormitory, parking lots for heavy vehicles, temporary ancillary staff canteen and other utilities. The total gross floor area of the building is 232,467 sq. ft..

During the Reporting Periods, parts of the Property were leased for industrial and dormitory uses, while the remaining parts were occupied by owner. The key corporate clients of the property investment come from various industries including construction industry, with many being long-term clients who typically renew their leases upon expiry.

FINANCIAL OVERVIEW

Revenue

Revenue increased by approximately 30.2%, from approximately S$5.7 million for FY2019 ("**FY2019**") to approximately S$7.5 million for FY2020.

Revenue decreased by approximately 24.6% from approximately S$7.5 million for FY2020 to approximately S$5.6 million for FY2021. This was primarily due to the termination of construction work business. Despite a challenging market environment in the foreign worker dormitory segment, Hulett Construction adopted prudent business strategies and managed to maintain a relatively stable business operation. The rental income slightly decreased by approximately 6.3% from approximately S$6.0 million for FY2020 to approximately S$5.6 million for FY2021.

During FY2022, Hulett Construction experienced a notable increase in revenue, reaching approximately S$6.1 million, marking a significant growth of 8.8% compared to approximately S$5.6 million in the previous year. The surge in revenue was attributed to the growing demand and limited supply of foreign workers dormitories in Singapore. This allowed Hulett Construction to raise the rental prices of the Property, resulting in a promising increase in rental income.

Revenue experienced a substantial increase of approximately 29.2%, rising from around S$5.0 million for the ten months ended 31 October 2022, to approximately S$6.5 million for the ten months ended 31 October 2023. The impressive growth can be attributed to various factors, including the widening gap between the supply and demand of foreign workers dormitories in Singapore. Leveraging this favorable market condition, Hulett Construction successfully increased the rental prices of its properties, resulting in a more promising and lucrative stream of rental income.

Direct Costs

Hulett Construction focused on cost control efforts and continued to implement effective cost-management strategies, resulting in relatively stable direct costs over the years.

Direct costs increased by approximately 8.4%, from approximately S$2.6 million for FY2019 to approximately S$2.8 million for FY2020.

Direct costs decreased by approximately 6.9% from approximately S$2.8 million for FY2020 to approximately S$2.6 million for FY2021.

Direct costs showed a modest increase of approximately 3.5%, rising from approximately S$2.6 million for FY2021 to approximately S$2.7 million for FY2022.

Direct costs stood at approximately S$2.3 million during the ten months ended 31 October 2023, similar to that recorded during the ten months ended 31 October 2022.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 48.6%, from approximately S$3.1 million for FY2019 to approximately S$4.6 million for FY2020. Gross profit margin increased from approximately 54.3% for FY2019 to approximately 61.9% for FY2020.

Gross profit decreased by approximately 35.5% from approximately S$4.6 million for FY2020 to approximately S$3.0 million for FY2021. Gross profit margin also reduced from approximately 61.9% for FY2020 to approximately 53.0% for FY2021.

Gross profit substantially increased by approximately 13.6%, reaching approximately S$3.4 million for FY2022, compared to approximately S$3.0 million in the previous year. The growth was primarily driven by the increase in rental income. Gross profit margin also witnessed a slight improvement, rising from approximately 53.0% for FY2021 to approximately 55.3% for FY2022.

During the ten months period ended 31 October 2023, Hulett Construction experienced a significant increase in gross profit, which rose by approximately 53.8% from around S$2.7 million recorded in the same period of the previous year to approximately S$4.1 million. The notable growth can be attributed primarily to the increase in rental income and the successful introduction of the equipment provision business. Furthermore, Hulett Construction achieved an improved gross profit margin of approximately 64.2% for the ten months ended 31 October 2023, compared to a gross profit margin of approximately 53.9% in the corresponding period of the previous year. The improvement demonstrates Hulett Construction's effective cost management and enhanced operational efficiency, resulting in a higher percentage of revenue being translated into gross profit.

Other Income

Other income surged by approximately 2,244.7%, from approximately S$16,000 for FY2019 to approximately S$379,000 for FY2020. The significant increase was mainly due to the government cash grant, jobs support scheme, special employment credit, sundry income, property tax rebate and wage credit scheme obtained in FY2020.

Other income decreased by approximately 77.6%, from approximately S$379,000 for FY2020 to approximately S$85,000 for FY2021. The decline was mainly due to the absence of government cash grants and property tax rebates in FY2021.

Other income saw a decline of approximately 57.5%, from approximately S$85,000 for FY2021 to approximately S$36,000 for FY2022. The reduction was mainly due to the absence of certain financial benefits, such as the Enterprise Singapore Grant, ex gratia received, insurance compensation and jobs support scheme. Additionally, there was a notable decrease in special employment credit in FY2022.

During the ten months period ended 31 October 2023, Hulett Construction observed a substantial increase in other income, which surged by approximately 50.0% from around S$26,000 recorded in the same period of the previous year to approximately S$38,000. The significant boost in other income was primarily driven by government grant for implementation of productivity solutions.

Administrative Expenses

Administrative expenses decreased by approximately 25.3%, from approximately S$367,000 for FY2019 to approximately S$274,000 for FY2020. The decrease was mainly attributable to the one-off building upkeep cost in FY2019.

Administrative expenses decreased by approximately 9.8%, from approximately S$274,000 for FY2020 to approximately S$247,000 for FY2021. The decrease was mainly attributable to the reduction in staff salaries, staff bonuses, professional fees and meal fee.

Administrative expenses increased by approximately 13.0%, from approximately S$247,000 for FY2021 to approximately S$279,000 for FY2022. The increase was mainly attributed to the introduction of software-office expenses.

Administrative expenses of approximately S$230,000 were recorded for the ten months ended 31 October 2023.

Other Expenses

Other expenses increased by approximately 486.9%, from approximately S$33,000 for FY2019 to approximately S$193,000 for FY2020. The increase was mainly attributable to one-off grant expenses totaling S$158,000 in FY2020, which were incurred as a result of granting one month rental relief to qualified tenants.

Other expenses decreased by approximately 89.0%, from approximately S$193,000 for FY2020 to approximately S$21,000 for FY2021. The decrease was mainly attributable to the absence of one-off grant expenses in FY2021.

Other expenses decreased by approximately 25.8%, from approximately S$21,000 for FY2021 to approximately S$16,000 for FY2022. The decline was mainly attributable to the decreased depreciation of plant and equipment in FY2022.

Other expenses of approximately S$15,000 were recorded for the ten months ended 31 October 2023.

Finance Costs

Finance costs decreased by approximately 28.2%, from approximately S$808,000 for FY2019 to approximately S$580,000 for FY2020. The decrease was mainly due to lower interest expenses on bank borrowings, from approximately S$668,000 for FY2019 to approximately S$443,000 for FY2020.

Finance costs decreased by approximately 12.1%, from approximately S$580,000 for FY2020 to approximately S$510,000 for FY2021. The decrease was mainly due to lower interest expenses on bank borrowings, from approximately S$443,000 for FY2020 to approximately S$376,000 for FY2021.

Finance costs decreased by approximately 8.9%, from approximately S$510,000 for FY2021 to approximately S$464,000 for FY2022. The decrease was primarily driven by lower interest expenses on bank borrowings, which decreased from approximately S$376,000 for FY2021 to approximately S$334,000 for FY2022.

Finance costs of approximately S$530,000 were recorded for the ten months ended 31 October 2023.

Impairment Gain/Loss on Financial Assets

Impairment loss on financial assets decreased by approximately 39.7%, from approximately S$23,000 for FY2019 to approximately S$14,000 for FY2020. During FY2020, in hopes of assisting tenants to overcome cash flow difficulties, Hulett Construction introduced "Rental Relief Framework", which granted qualified tenants one-month rental waiver.

Hulett Construction recorded an impairment gain on financial assets of approximately S$6,000 for FY2021, which represented a reversal of impairment loss for FY2020.

Hulett Construction did not record any impairment gain or loss on financial assets for FY2022 and for the ten months ended 31 October 2023.

Profit before Tax

Profit before tax increased by approximately 108.0% from approximately S$1.9 million for FY2019 to approximately S$3.9 million for FY2020. The increase was primarily driven by higher revenue and gross profit, and lower administrative expenses.

Profit before tax decreased by approximately 41.7% from approximately S$3.9 million for FY2020 to approximately S$2.3 million for FY2021. The decrease was primarily due to lower revenue and gross profit.

Profit before tax demonstrated an increase of approximately 16.1%, reaching approximately S$2.7 million for FY2022, compared to approximately S$2.3 million in the previous year. The growth was primarily driven by increased revenue and gross profit.

Hulett Construction achieved a commendable profit before tax of approximately S$3.4 million during the ten months ended 31 October 2023.

Income Tax Expense

Income tax expense experienced a significant increase of approximately 63.9%, rising from around S$588,000 for FY2019 to approximately S$964,000 for FY2020.

Income tax expense experienced a decrease of approximately 27.6%, dropping from around S$964,000 for FY2020 to approximately S$698,000 for FY2021.

Income tax expense recorded an increase of approximately 12.3%, rising from around S$698,000 for FY2021 to approximately S$784,000 for FY2022.

Income tax expense of approximately S$819,000 was recorded for the ten months ended 31 October 2023.

Profit for the Year/Period, representing Total Comprehensive Income for the Year/Period

Hulett Construction witnessed a substantial growth of approximately 127.9% in its total comprehensive income for the year, escalating from approximately S$1.3 million for FY2019 to approximately S$3.0 million for FY2020.

Hulett Construction recorded a decline of approximately 46.3% in its total comprehensive income for the year, from approximately S$3.0 million for FY2020 to approximately S$1.6 million for FY2021.

Hulett Construction witnessed an increase of approximately 17.7% in its total comprehensive income for the year, reaching approximately S$1.9 million for FY2022, compared to approximately S$1.6 million for FY2021.

Profit for the period of approximately S$2.6 million was recorded for the ten months ended 31 October 2023.

Liquidity, Financial Resources and Capital Structure

During the Reporting Periods, Hulett Construction's bank borrowings comprised of term loan, fixed advance facility and temporary bridging loan, totaling approximately S$24.0 million, S$21.7 million, S$18.8 million and S$14.2 million as of 31 December 2020, 31 December 2021, 31 December 2022 and 31 October 2023 respectively. In addition, the net cash generated from operating activities during the respective Reporting Periods amounted to approximately S$5.6 million, S$2.9 million, S$3.7 million and S$4.9 million respectively.

As of 31 December 2020, 31 December 2021, 31 December 2022 and 31 October 2023, Hulett Construction's total assets stood at approximately S$38.8 million, S$36.3 million, S$34.1 million and S$32.4 million respectively, while its total liabilities were approximately S$35.4 million, S$31.3 million, S$27.3 million and S$23.0 million respectively.

Cash and Cash Equivalents

As of 31 December 2020, 31 December 2021, 31 December 2022 and 31 October 2023, Hulett Construction held the respective amounts of approximately S$417,000, S$421,000, S$626,000 and S$305,000 in cash and cash equivalents.

Borrowings and Gearing Ratio

Borrowings of Hulett Construction as of 31 December 2020, 31 December 2021, 31 December 2022 and 31 October 2023 amounted to approximately S$26.6 million, S$24.2 million, S$21.2 million and S$16.5 million respectively, consisting of lease liabilities and bank borrowings. The bank borrowings, including the term loan and fixed advance facility, bore interest rates ranging from 1.88% to 2.75% per annum for FY2020, 1.25% to 1.88% per annum for FY2021, 1.5% to 5.2% per annum for FY2022 and 1.5% to 7.6% per annum for the ten months ended 31 October 2023 respectively.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 31 October 2023, Hulett Construction's gearing ratio, which is calculated at borrowings divided by total equity, was approximately 7.89 times, 4.88 times, 3.10 times and 1.75 times respectively.

Foreign Currency Risk

During the Reporting Periods, Hulett Construction faced foreign exchange risk primarily due to cash flows from transactions denominated in foreign currencies. Although Hulett Construction currently lacks a formal policy for hedging against currency risk, it closely monitors its exposure and will consider hedging significant foreign currency risks when necessary.

Charge on Assets

As of 31 December 2020, 31 December 2021, 31 December 2022 and 31 October 2023, Hulett Construction's banking facilities were secured by the charge over the investment property.

Contingent Liabilities

As of 31 December 2020, 31 December 2021, 31 December 2022 and 31 October 2023, Hulett Construction did not have any material contingent liabilities.

MATERIAL ACQUISITION OR DISPOSAL

During the Reporting Periods, Hulett Construction did not engage in any material acquisition or disposal of subsidiaries, joint ventures or associates.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

During the Reporting Periods, Hulett Construction did not have any plans for material investment or capital assets.

EMPLOYMENT AND REMUNERATION POLICY

During each of the Reporting Periods, Hulett Construction employed an average monthly number of 4 employees, incurring a total staff cost of approximately S$221,000, S$206,000, S$209,000 and S$174,000 respectively. Hulett Construction has implemented remuneration and bonus policies aligned with market practices, providing compensation and benefits to its employees based on individual employees' responsibilities and performance.

In compliance with Singapore's laws and regulations, Hulett Construction made contributions to the Central Provident Fund scheme during the Reporting Periods.

EVENTS AFTER THE REPORTING PERIODS

No significant event of Hulett Construction occurred after the Reporting Periods and up to the date of this circular.

The following is the text of a report received from Ernst & Young LLP, Certified Public Accountants, Singapore, in relation to the unaudited pro forma financial information of the Enlarged Group, which has been prepared for the purpose of inclusion in this circular.

(A) BASIS OF PREPARATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information of the Enlarged Group (the **"Unaudited Pro Forma Information"**) has been prepared by the Directors in accordance with rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants, for illustrative purpose only, to provide information about how the Acquisition might have affected the financial performance, financial position and cash flows of the Group as if the proposed Acquisition had been completed on (i) 1 January 2022 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group; and (ii) 30 June 2023 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared, in accordance with the accounting policies of the Group under International Financial Reporting Standards, based on the unaudited consolidated statement of financial position of the Group as at 30 June 2023 extracted from the published unaudited interim report of the Group for the six months ended 30 June 2023 which have been published on the website of the Stock Exchange and the website of the Company, and the audited statement of financial position of Hulett Construction (S) Pte. Ltd. (the "**Target Company**") as at 31 October 2023 as extracted from the accountants' report as set out in Appendix II to this circular as if the Acquisition had been completed on 30 June 2023.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group is prepared, in accordance with the accounting policies of the Group under International Financial Reporting Standards, based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 extracted from the published annual report of the Group for the year ended 31 December 2022 which have been published on the website of the Stock Exchange and the website of the Company, and the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of the Target Company for the year ended 31 December 2022 as extracted from the accountants' report as set out in Appendix II to this circular as if the Acquisition had been completed on 1 January 2022.

The Unaudited Pro Forma Information is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments of the completion of the Acquisition that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Information has been prepared for illustrative purpose only and is based on certain assumptions, estimates, uncertainties and other currently available information. Accordingly, and because of its hypothetical nature, the Unaudited Pro Forma Information may not give a true picture of (i) the consolidated statement of financial position of the Enlarged Group as at 30 June 2023 had the Acquisition been completed as of 30 June 2023; and (ii) the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2022 had the Acquisition been completed as at 1 January 2022; or at any future dates.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

			Pro forma adjustments			
	The Group as at 30 June 2023	The Target Company as at 31 October 2023	Transaction costs related to the Acquisition	Consideration for the Acquisition	Reclassification of IP to PPE	The Enlarged Group as at 30 June 2023
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(note 1)	*(note 2)*	*(note 6)*	*(note 4, 5)*	*(note 7)*	
NON-CURRENT ASSETS						
Investment properties	1,280	29,715			(29,715)	1,280
Property, plant and equipment	13,770	29		33,213	29,715	76,727
Right-of-use asset	–	2,129				2,129
Investment in associate	16,973	–				16,973
Other assets	365	–				365
Deposits, prepayments and other receivables	339	–				339
Financial assets at FVTPL	8,942	–				8,942
Financial assets at FVOCI	545	–				545
Financial assets at amortised cost	250	–				250
Deferred tax assets	138	–				138
	42,602	31,873				107,688
CURRENT ASSETS						
Contract assets	33,075	–				33,075
Trade receivables	14,847	94				14,941
Deposits, prepayments and other receivables	2,538	78				2,616
Amount due from intra group companies	–	30				30
Pledged deposits	1,281	–				1,281
Cash and cash equivalents	19,810	305	(17)	(6,980)		13,118
	71,551	507				65,061
CURRENT LIABILITIES						
Contract liabilities	2,959	–				2,959
Trade payables	6,599	106				6,705
Other payables, accruals and deposits received	7,046	1,428	211			8,685
Amount due to a director	–	4,059		(4,059)		–
Bank borrowings	1,182	2,184		4,167		7,533
Lease liabilities	2,225	74				2,299
Income tax payables	691	819				1,510
	20,702	8,670				29,691
NET CURRENT ASSETS/(LIABILITIES)	50,849	(8,163)				35,370
TOTAL ASSETS LESS CURRENT LIABILITIES	93,451	23,710				143,058
NON-CURRENT LIABILITIES						
Deposits received – non-current	6	–				6
Bank borrowings – non-current	1,264	12,001		27,553		40,818
Lease liabilities – non-current	1,627	2,281				3,908
Promissory note	–	–		8,000		8,000
Deferred tax liabilities	5	–				5
	2,902	14,282				52,737

	The Group as at 30 June 2023	The Target Company as at 31 October 2023	Pro forma adjustments: Transaction costs related to the Acquisition	Pro forma adjustments: Consideration for the Acquisition	Pro forma adjustments: Reclassification of IP to PPE	The Enlarged Group as at 30 June 2023
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(note 1)	*(note 2)*	*(note 6)*	*(note 4, 5)*	*(note 7)*	
NET ASSETS	90,549	9,428				90,321
CAPITAL AND RESERVES						
Share capital	1,767	1,000		(1,000)		1,767
Share premium	27,250	–				27,250
Merger/Contribution surplus	5,166	–				5,166
Investment revaluation reserve	(159)	–				(159)
Share option reserve	642	–				642
Retained earnings brought forward	54,144	5,843		(5,843)		54,144
Profit for the period	1,739	2,585	(228)	(2,585)		1,511
Reserves	55,883	8,428				55,655
TOTAL EQUITY	90,549	9,428				90,321

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of The Enlarged Group

	The Group for the year ended 31 December 2022	The Target Company for the year ended 31 December 2022	Transaction costs related to the Acquisition	Recognition of depreciation at the Group level	Intercompany elimination on rental	Reclassification of incurred depreciation	Finance costs recognised upon the Acquisition	The Enlarged Group for the year ended 31 December 2022
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(note 1)	*(note 2)*	*(note 6)*	*(note 5)*	*(note 8)*	*(note 7)*	*(note 4)*	
Revenue	88,605	6,121			(2,421)			92,305
Cost of sales	(82,407)	(2,734)			2,325	1,570		(81,246)
Gross profit	6,198	3,387						11,059
Other income and gains	2,598	36						2,634
Administrative expenses	(6,423)	(279)	(228)	(133)	97	(1,570)		(8,536)
Other expense	(309)	(16)						(325)
Finance costs	(213)	(464)					(585)	(1,262)
Share of result of associate	585	–						585
Profit before income tax	2,436	2,664						4,155
Income tax expense	(713)	(784)						(1,497)
Net profit attributable to owners of the company	1,723	1,880						2,658
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Gain in revaluation of available-for-sale financial assets	470	–						470
Other comprehensive income for the year	470	–						470
Total comprehensive income for the year attributable to owners of the company	2,193	1,880						3,128

Unaudited Pro Forma Consolidated Statement of Cash Flows of The Enlarged Group

	The Group for the year ended 31 December 2022	The Target Company for the year ended 31 December 2022	Consideration for the Acquisition	Transaction costs related to the Acquisition	Recognition of depreciation at the Group Level	Finance costs recognised upon the Acquisition	The Enlarged Group for the year ended 31 December 2022
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(note 1)	*(note 2)*	*(note 3,4)*	*(note 6)*	*(note 7)*	*(note 4)*	
OPERATING ACTIVITIES							
Profit before income tax	2,436	2,664		(228)	(133)	(585)	4,154
Adjustments for:							
Interest income	(57)	–					(57)
Interest expense	213	464				585	1,262
Dividend income from financial assets at FVOCI	(46)	–					(46)
Depreciation of property, plant and equipment	7,342	9		133			7,484
Depreciation of right-of-use asset	–	111					111
Depreciation of investment property	12	1,571					1,583
Gain on disposals of property, plant and equipment	(202)	–					(202)
Write-off of lease liabilities	(68)	–					(68)
Provision for ECL on contract assets	289	–					289
Reversal of ECL on trade receivables	(293)	–					(293)
Provision for ECL on other assets	4	–					4
Fair value gain from financial assets at FVTPL	(247)	–					(247)
Gain on disposals of FVTPL	(96)	–					(96)
Share of results of associates	(585)	–					(585)
Equity-settled share option expense	83	–					83
Operating cash flows before movements in working capital	8,785	4,819					13,376
Increase in contract assets	(4,213)	–					(4,213)
Increase in trade receivables	(2,823)	66					(2,757)
Increase in deposits, prepayments and other receivables	(527)	(69)					(596)
Decrease in amount due from related parties	–	706					706
Increase in amount due to related parties	–	(962)					(962)
Decrease in contract liabilities	(527)	–					(527)
Amount due to a director	–	–	(4,059)				(4,059)
Decrease in trade payables	(212)	(375)					(587)
Increase in other payables, accruals and deposits received	659	183		228			1,070
CASH GENERATED FROM OPERATIONS	1,142	4,368					1,451
Income tax paid, net	–	(648)					(648)
NET CASH FROM OPERATING ACTIVITIES	1,142	3,720					803

	The Group for the year ended 31 December 2022	The Target Company for the year ended 31 December 2022	Consideration for the Acquisition	Transaction costs related to the Acquisition	Recognition of depreciation at the Group Level	Finance costs recognised upon the Acquisition	The Enlarged Group for the year ended 31 December 2022
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(note 1)	*(note 2)*	*(note 3,4)*	*(note 6)*	*(note 7)*	*(note 4)*	
INVESTING ACTIVITIES							
Proceeds from disposals of property, plant and equipment	460	–					460
Purchase of property, plant and equipment	(1,662)	(34)					(1,696)
Purchase of financial assets at FVTPL	(1,337)	–					(1,337)
Proceeds from redemption of financial assets at amortised costs	910	–					910
Investment in associates	(1,752)	–					(1,752)
Interest received	41	–					41
Acquisition of assets through acquisition of subsidiary	–	–	(42,641)				(42,641)
Dividend received	46	–					46
NET CASH USED IN INVESTING ACTIVITIES	(3,294)	(34)					(45,969)
FINANCING ACTIVITIES							
Interest portion of the lease liabilities	(139)	–					(139)
Principal portion of the lease liabilities	(4,476)	(68)					(4,544)
Acquisition/(repayment) of borrowings	(1,227)	(2,949)	31,720				27,544
Issuance of promissory note	–	–	8,000				8,000
Increase in pledged deposits secured against banking facilities	(5)	–					(5)
Interest paid	(74)	(464)				(585)	(1,123)
NET CASH USED IN FINANCING ACTIVITIES	(5,921)	(3,481)					29,733
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,073)	205					(15,433)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	31,514	421					31,935
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	23,441	626					16,502

Notes to Unaudited Pro Forma Information:

(1) The amounts were extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2023 as set out in the Company's published unaudited interim report for the six months ended 30 June 2023 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 as set out in the published annual report of the Group for the year ended 31 December 2022.

(2) The amounts were extracted from the audited statement of financial position of the Target Company as at 31 October 2023 and the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of the Target Company for the year ended 31 December 2022 included in the accountants' report of the Target Company as set out in the Appendix II to this circular.

(3) The acquisition is to be accounted as an acquisition of assets and liabilities as the operation of the Target Company proposed to be acquired does not constitute a business for the accounting purposes. The Target Company solely engages in property investment in Singapore at the date of Acquisition.

(4) Pursuant to the Agreement, the consideration of S$46,700,000 is for the acquisition of 100% of the entire issued share capital of the Target Company amounting to $42,700,000 and the acquisition of the Sale Loans amounting to S$4,000,000. The Total Consideration of S$46,700,000 is to be satisfied as to:

(i) S$38,700,000 in cash; and

(ii) the balance of S$8,000,000 by issuance of the Promissory Note at Completion.

The principal amount of the Promissory Note is S$8,000,000, with 8% interest per annum and to be matured on the fourth anniversary from the issue date.

The Cash Consideration will be funded (i) as to S$6,980,000 by internal resources of the Group; and (ii) as to S$31,720,000 by banking facilities available to the Enlarged Group.

The Directors considered that the Group could obtain banking facilities by mortgage of the Property.

For the purpose of the Unaudited Pro Forma Information, the interest rates on bank loans acquired for the purpose of the Acquisition is assumed to be at a weighted average interest rate of 5%.

(5) For the purpose of the Unaudited Pro Forma Information, in the opinion of the Directors, in accordance with the accounting policy of the Group, the excess of the fair value of the net total consideration paid over the net assets and liabilities acquired of S$33,213,000 is allocated to the property, plant and equipment on the basis that the fair values of other identifiable assets and liabilities of the Target Company equal to their respective carrying amounts.

The excess of fair value allocated to property, plant and equipment upon consolidation is then depreciated over the remaining useful life of the property.

(6) It represents the estimated legal and professional fees and other direct expenses in relation to the Acquisition of approximately S$228,000.

(7) The policy of the Target Company holds its property as an investment property, as it is held for the purpose of earning rental income. However, at the Enlarged Group level, the investment property is held as a property, plant and equipment as a portion of the property is owner-occupied. Similarly, for the depreciation that is recorded at cost of sales at the Target Company level, is reclassified to administrative expense upon consolidation at Enlarged Group level.

(8) On 14 December 2021, the Target Company and Chuan Lim entered into the Master Lease Agreement in relation to the provision of rental services by the Target Company for a term of 2 years commencing from 1 January 2022 to 31 December 2023.

(9) Other than the above adjustments, no other adjustment had been made to the Unaudited Pro Forma Information to reflect any trading results or other transactions that the Enlarged Group and the Target Company entered subsequent to 31 December 2022. The above adjustments are not expected to have a continuing effect on the unaudited pro forma financial information of the Enlarged Group.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

EY

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Chuan Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chuan Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2023, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022 and related notes as set out on pages V-1 to V-8 of Appendix V of the Company's circular dated 22 April 2024 (the "**Circular**"), in connection with the proposed acquisition of 100% of the equity interest of Hulett Construction (S) Pte. Ltd. (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page V-1 of Appendix V of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 June 2023 as if the Proposed Acquisition had taken place at 30 June 2023; and the Group's financial performance and cash flows for the year ended 31 December 2022 as if the Proposed Acquisition had taken place at 1 January 2022. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's interim condensed consolidated financial statements for the six months ended 30 June 2023, on which no audit or review report has been published, while information about the Group's financial performance and cash flows has been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 31 December 2022, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "International Code of Ethics for Professional Accountants (including International Independence Standards)" issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Management 1 "Quality Management for Firms that Performs Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the International Auditing and Assurance Standards Board ("**IAASB**") which requires our firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by rule 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the IAASB. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with rule 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 1 January 2022 and 30 June 2023, would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Ernst & Young LLP
Certified Public Accountants
Singapore

22 April 2024

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Valtech Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 30 November 2023 of the Property.

Valtech Valuation Advisory Limited
Room 2106, 21/F, Futura Plaza
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22 April 2024

The Board of Directors
Chuan Holdings Limited
2102-03, 21/F, 299 QRC
287-299 Queen's Road Central, Hong Kong

Dear Sir/Madam,

Valuation Services in relation to Market Value of the Industrial Complex located at 20 Senoko Drive, Singapore 758207

1. INSTRUCTIONS

In accordance with the instructions of Chuan Holdings Limited (the "**Company**") to value the captioned property interest (the "**Property**") held by Hulett Construction (S) Pte. Ltd. located in Singapore, we confirm that we have conducted site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 November 2023 (the "**Valuation Date**").

This letter, which forms part of our valuation report, explains the basis and methodology of valuation, clarifying assumptions and limiting conditions of this valuation.

2. BASIS OF VALUATION

The valuation is our opinion of the market value ("**Market Value**") which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

Market Value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

3. VALUATION METHODOLOGY

We have considered various valuation methodologies, including direct comparison method, profits method and cost method. Profit method is not considered appropriate as plenty of assumptions are involved in formulating the financial projection of the Property, and the assumptions might not be able to reflect the uncertainties in the future performance of the Property and improper assumptions will impose significant impact on the fair value. Cost method, which establishes value based on the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation, will generally only be considered if there lacks market comparables. Taking into account (i) there are readily identifiable market comparables; (ii) the availability of reliable, verifiable and relevant recent market information; and (iii) the direct comparison method is universally considered as the most accepted valuation methodology for valuing most forms of property, the direct comparison method is considered to be the most appropriate valuation methodology for valuation for the Property. Direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

Valuation Standards

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the International Valuation Standards 2022.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the Property would be sold in the open market in its existing state, with the benefit of vacant possession, without the benefit of deferred term contract, leaseback, joint venture, management agreement or any similar arrangements which could affect the value of the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

All dimensions, measurements and areas are approximations. No on-site measurement has been conducted. Appropriate adjustments are made in comparing the relevant costs. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and have no reason to suspect that any material information has been withheld.

We have also assumed that the Property have been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, all required licenses, permit, certificates, and authorisations have been obtained.

5. TITLE INVESTIGATION

We have caused title searches to be made at the Integrated Land Information Service (INLIS) of Singapore. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents and leases have been used for reference only.

6. LIMITING CONDITIONS

We have conducted on-site inspections to the Property on 31 August 2023 by Jimmy Wong, *CPA, CFA, FRM*, with over 10 year experience in valuation and related consulting. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximations.

Should it be discovered that contamination, subsidence or other latent defects exists in the Property or on adjoining or neighboring land or that the Property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have relied to a considerable extent on the information provided by the Company and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We do not accept a liability for any interpretation which we have placed on such information, nor have we verified the correctness of any information supplied to us concerning the Property.

We hereby confirm that Valtech Valuation Advisory Limited and the undersigned have no pecuniary or other interest that could conflict with the property valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

7. REMARKS

We have valued the property interest in Singapore Dollar (SGD).

We enclose herewith the "Valuation Particulars".

Yours faithfully,
For and on behalf of
Valtech Valuation Advisory Limited

Peggy Y. Y. Lai
MHKIS, MRICS, RPS(GP), BSC
Senior Associate Director

Ms. Peggy Y.Y. Lai is a Registered Professional Surveyor (GP) with over 18 years' experience in valuation of properties in HKSAR, Macau SAR, United Kingdom, Canada, mainland China and the Asia Pacific Region. Ms. Lai is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors.

Encl.

VALUATION PARTICULARS

Property Interests to be Acquired by the Group for owner-occupation

Property	**Description and tenure**	**Particulars of occupancy**	**Market Value in existing state as at 30 November 2023 SGD**
An industrial complex located at 20 Senoko Drive, Singapore 758207	The Property comprises a nine-storey industrial building with ancillaries and facilities erected on a site with site area of approximately 8,638.7 sq. m. (92,987 sq.ft.) completed at around 2016. The Property has a total gross floor area of approximately 21,596.75 sq.m. (232,467.42 sq.ft.) with breakdown area as below:	Portions of the Property are leased for industrial and dormitory uses for various terms with the latest one expiring on 30 April 2025 with total monthly rental of around SGD640,000 while the remaining portion is owner-occupied.	**75,000,000** (Singapore Dollars SEVENTY-FIVE MILLION)

Usage	**GFA (m^2)**
Industrial	11,026.24
Dormitory	7,980.62
Ancillary	2,462.80
Commercial	127.09
Total	**21,596.75**

The property rights are held under leasehold estate for a term of 30 years commencing on 16 September 2012.

Notes:

i. Based on the title search obtained from Singapore Land Authority, the proprietor of the Property is Hulett Construction(s) Pte. Ltd. registered on 3 May 2013.

   a The land area is 8,638.7 sq.m.

   b The Property is subject to Mortgage IF/588895M in favour of DBS Bank Ltd. lodged on 12 June 2019. For further details on the loans secured by the Mortgage, please refer to pages 20 and 21 of the circular of the Company dated 22 April 2024.

ii. The Property is within an area zoned for "Business 2" use with a gross plot ratio of 2.5 under the Master Plan (2019). Based on Master Plan Written Statement 2019, Business 2 zone is used or intended to be used for clean industry, light industry, general industry, warehouse, public utilities and telecommunication uses and other public installations. Special industries such as manufacture of industrial machinery, shipbuilding and repairing, may be allowed in selected areas subject to evaluation by the competent authority. The quantum of permitted ancillary uses shall not exceed 40% of the total floor area. The types of uses that may be allowed are subject to the evaluation of the competent authority and other relevant authorities.

iii. Pursuant to a Land Title (Instrument No. ID/419387V), the Property has been granted with 30 years of term of lease commencing from 16 September 2012.

iv. In undertaking our valuation of the Property, we have collected market comparables of buildings, which are considered relevant to the Property in terms of property type, location and time, on an exhaustive basis. The unit rate of these comparables per gross floor area are in a range between SGD484 to SGD576 per sq.m.. Due adjustments to the unit rates of these comparables have been made to reflect factors including but not limited to time, location, size, amenities and land tenure in our assessment.

Details of selected land comparables are listed below:

	Property	**Comparable A**	**Comparable B**	**Comparable C**
Address	20 Senoko Drive	JTC B2 Factory	Woodlands Terrace Food Factory	Woodlands 4 storey B2 Factory with Dormitory
Gross Floor Area (“**GFA**”) (sq.ft.)	232,467.42	28,000.00	15,068.00	17,000.00
Land Expired Date	remaining 19 years	remaining 33 years	remaining 31 years	remaining 31 years
Date of Offering	–	2023Q4	2023Q4	2023Q4
Offering Price (SGD)	–	14,000,000	7,288,888	9,800,000
Unit Rate on GFA (SGD/sq.ft.)	–	500	484	576
Total Adjustments	–	-41.00%	-31.00%	-41.00%
Adjusted Unit Rate (SGD/sq.ft)	–	295	334	340

Source: CommercialGuru

All comparables are situated in close proximity to the Property, with offering dates closely aligned to the Valuation Date. No adjustments for locality and time have been applied.

Comparable B lack dormitories in contrast to the Property. Amenities are deemed inferior, leading to an upward adjustment in the unit rate.

The Property has a relatively shorter land tenure compared to comparables, necessitating a downward adjustment.

The Property boasts a larger gross floor area than comparables. Quantum adjustments have been made, with larger size incurring downward adjustments.

After the aforementioned adjustments, the adjusted unit rates for comparables range from SGD295 to SGD340 per sq.ft. on the basis of total GFA. Assigning equal weights to the three adjusted unit rates results in a weighted average of SGD323 per sq.ft. Multiplying the weighted average of adjusted unit rate (SGD323) by the total GFA of the Property (232,467.42 sq.ft.) yields the market value of approximately SGD75,000,000.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Valtech Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 30 November 2023 of Hulett Construction.

Valtech
Valuation Advisory

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22 April 2024

The Board of Directors
Chuan Holdings Limited
2102-03, 21/F, 299 QRC
287-299 Queen's Road Central, Hong Kong

Dear Sir/Madam,

Valuation Services in relation to Market Value of Hulett Construction (S) Pte. Ltd.

In accordance with the instructions from Chuan Holdings Limited (the "**Company**"), we have been engaged by the Company to assist to determine the following subject of valuation (the "**Subject of Valuation**") as at 30 November 2023 (the "**Valuation Date**").

- Valuation of Hulett Construction (S) Pte. Ltd. ("**Hulett Construction**") as at the Valuation Date for transaction reference purpose.

Our analyses are substantially based on the information provided to us by the existing management of the Company (the "**Management**"). It is our understanding that our analyses, and the subsequent appraised estimation of Market Value (as defined in the section Standard and Basis of Value), will be used by the Management solely for their purpose of transaction reference. Our analyses were conducted for the above stated purpose. As such, this report should not be used by the Company for any other purpose other than those that are expressly stated herein without our expressed prior written consent.

Our work was subject to section Statement of Limiting Conditions as described till the end of this report. The basis of value follows the definition of Market Value as stipulated in the International Valuation Standard ("**IVS**") published by the International Valuation Standards Council, premised on the Subject of Valuation being a "Highest and Best Use" basis.

The approaches and methodologies used in our work did not comprise an examination to ascertain whether Hulett Construction's presented financial information were constructed in accordance with generally accepted accounting principles. The objective of the aforesaid examination is of course to determine whether existing current financial statements or other financial information, historical or prospective, which are provided to us by the Management, are being expressed as a fair presentation of Hulett Construction's financial condition. As such, we express no opinion and accept no responsibility on the accuracy and/or completeness of the historical and projected financial information of Hulett Construction, and of the marketing materials or other data provided to us by the Management.

Our conclusion on Market Value do not constitute nor shall they be construed to be an investment advice or an offer to invest. Prior to making any decisions on any investments, a prospective investor should independently consult with their own investment, accounting, legal and tax advisers to critically evaluate the risks, consequences, and suitability of such investment.

SCOPE AND PURPOSE OF ENGAGEMENT

We were engaged by the Management to assist to determine the Market Value of the Subject of Valuation as at the Valuation Date. It is our understanding that our analysis will be used by the Management solely for their transaction reference purpose.

It is understood that the valuation result may be referenced or inserted in full in the public document of the Company.

STANDARD AND BASIS OF VALUE

This valuation was prepared on the basis of Market Value. In accordance with IVS, Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion The IVS details the general guideline on the basis and valuation approaches used in valuation.

PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject, i.e., a business, in a manner which would generate the greatest return to the owner, taking account what is physically tangible, financially feasible, and legally permissible. Premise of value includes the following scenarios:

- **Highest and Best Use:** is the use that would produce the highest and best use for an asset, and it must be financially feasible, legally allowed and result in the highest value;

- **Current Use/Existing Use:** is the current way an asset, liability, or group of assets and/or liabilities is used, maybe yet not necessarily the highest and best use;

- **Orderly Liquidation:** describes the value of a group of assets that could be realised in a liquidation sale, given a reasonable period of time to find a purchaser(s), with the seller being compelled to sell on an as-is, where-is basis; and

- **Forced Sale:** is in circumstances where a seller is under compulsion to sell and that, as a consequence, a proper marketing period is not possible and buyers may not be able to undertake adequate due diligence.

After having reviewed all background and financial information and taken into consideration all relevant facts, valuation of Market Value of the Subject of Valuation should be prepared on a "Highest and Best Use" basis.

LEVEL OF VALUE

Current valuation theories suggest that there are at least four basics "levels" of value applicable to a business or business interest. The four most common levels of value are as follows:

- **Controlling Interest:** Value of the controlling interest of a business, always evaluate an enterprise as a whole;

- **Non-controlling Interest:** Value of the non-controlling interest of a business;

- **As if Freely Tradable Interest:** Value of a business that or business interest that enjoys the benefit of market liquidity; and

- **Non-marketable Interest:** Value of a business or business interest that lacks market liquidity.

After having reviewed all background and financial information and take into consideration all relevant and objective facts, we reasonably believe Subject of Valuation should be valued and reported in this valuation as a Controlling Interest and Non-marketable Interest.

SOURCES OF INFORMATION

Our analysis and conclusion of opinion on value were based on continued discussions with, and having obtained pertinent key documents and records provided by the Management, and conducted certain procedures including but not limited to:

- Obtained audited financial reports of Hulett Construction for the year ended 31 December 2020, 31 December 2021 and 31 December 2022;

- Obtained management account of Hulett Construction for the period ended 30 November 2023;
- Obtained the lease liabilities schedule of Hulett Construction as at 30 November 2023;
- Obtained floor plan of the property at 20 Senoko Drive, Singapore 758207 held by Hulett Construction (the "**Property**");
- Obtained the list of tenancy schedule of the Property as at 1 December 2023;
- Obtained sample lease agreements of the lessee of the Property;
- Obtained land title search of the Property;
- Obtained property tax bill of the Property for the year 2023; and
- Obtained land lease agreement of the land on which the Property situated.

We have also relied upon publicly available information from sources in capital markets, including industry reports, news and various databases of publicly traded companies.

ECONOMIC OVERVIEW

To substantiate the economic background of the country where the Subject of Valuation is located at, we have reviewed the economic condition of Singapore where the Subject of Valuation will derive its future income from.

Overview

Singapore's economy is characterised by excellent finances and a high degree of openness, with the country being highly dependent on international trade. In 2019, mainly due to the trade war between the US and China and to a cyclical global downturn in the electronics sector, Singapore's gross domestic product ("**GDP**") grew 1.3% in 2019, the worst slowdown in 10 years at the time. During the COVID-19 pandemic, the country registered a negative GDP growth of -5.4% in 2020 before a strong rebound at +7.6% in 2021 and a slow down at 3% in 2022. The latest International Monetary Fund ("**IMF**") forecast is expecting a 2.3% rate in 2023 and 2.6% in 2024, subject to the post-pandemic global economic recovery. Growth factors include Singapore business-friendly regulatory system and 184.8% of GDP in exports and domestic demand.

The country's government balance dived to -7.9% of GDP due to the impact of the COVID-19 pandemic on public spending, before a come back to -2.3% in 2021 and -0.5% in 2022. It is expected to remain at -0.5% in 2023 and to come back in positive territory at +0.6% in 2024 (IMF, October 2022). Singapore's gross debt remained high at 159.9% and 141.1% of GDP in 2021 and 2022 respectively, and is projected to remain at 140% in 2023 and 139.9% in 2024. Inflation was negative in 2020 (-0.2%) before reaching 2.3% in 2021 and 5.5% in 2022. The IMF is forecasting inflation of 3% in 2023 and 2% in 2024. The Monetary Authority of Singapore is expected to maintain its policy in 2023. Economic challenges include slower exports due to Chinese economic slowdown, the U.S.-China trade war, decreasing global demand for electronics (19.7% of exports), a lagging construction sector, and a tight monetary policy, according to Coface.

Although per capita wealth in Singapore is amongst the highest in the region, unemployment has appeared due to structural economic changes (outsourcing of low-skilled work) and the COVID-19 crisis. Singapore's annual average unemployment rate reached 2.7% in 2021 and 2.1% in 2022, and is expected to remain at 2.1% in 2023 and 2024 (IMF, October 2022). Singapore ranked the best country in the world in human capital development in 2021 (World Bank, 2022). Social challenges include rising income inequality and social discontent caused by overpopulation, high competition for employment and housing, lack of skilled labour, an ageing population, and distrust towards immigration.

In 2023, the country's most immediate challenge will be to navigate the volatile international context, facing steep challenges against a backdrop of the persistent health and economic overhang of a global pandemic and a war in Europe, a cost-of-living crisis caused by persistent and broadening inflation pressures, and the slowdown in China.

Real GDP Annual Growth Rate and Inflation Forecast of Singapore

	2022A	2023F	2024F	2025F	2026F
Real GDP Annual Growth Rate (%)	3.6	1.0	2.1	2.5	2.5
Inflation (%)	n/a	5.5	3.5	2.5	2.0

Source: World Economic Outlook Database (October 2022), IMF

INDUSTRY SECTORS

Singapore's economy is based on electronics, petrochemicals, trade, finance, and business services. The agricultural sector is almost non-existent except for cultivation of orchids, vegetables and fish for aquariums. Its contribution to GDP (close to 0%) and employment (close to 0%) is negligible (World Bank, 2023), although the country intends to increase food resilience by developing a new aquaculture centre. The sector is registering regular growth rates since 2019. Singapore does not have mineral resources.

Singapore's economy is highly industrialised. The industrial sector represented 24.9% of GDP and employed over 15% of the active population in 2022 (World Bank, 2023). Electronics and petrochemicals dominate the industry, which also includes biomedical sciences, logistics, and transport engineering (GuideMe Singapore).

The services sector contributed over 70% of GDP and employed over 84.1% of the active population in 2022 (World Bank, 2023). It is dominated by trade, business services, transportation, communications and financial services. As a regional commercial hub, the Port of Singapore is one of the most important in the world. It ranks second in total volume of container transshipment traffic after Hong Kong. The growth in transport and storage services, health and social services sectors did not compensate the decline in the recreation and personal services, and the education services.

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023, the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation is forecast to rise from 4.7% in 2021 to 8.8% in 2022 but to decline to 6.5% in 2023 and to 4.1% by 2024 (IMF, April 2023). The impact of the 2022 world events appears to have affected both sides of most sectors and markets in this country for the third year in a row – demand disruptions having run up against supply problems – making the short-term outlook uncertain for agriculture, industry and service sectors.

Breakdown of Economic Activity By Sector in Singapore

	Agriculture	Industry	Services
Employment By Sector (% of Total Employment)	0.3	14.4	85.3
Value Added (% of GDP)	0.0	24.2	70.9
Value Added (Annual % Change)	-7.7	2.9	4.6

Source: World Bank (2023)

FOREIGN TRADE

Singapore's trade represented 338% of its GDP in 2022 (World Bank, 2023). The country ranks the 15th importers and the 15th exporters of the world (WTO, 2023). Main exports include electronic integrated circuits and micro assemblies, electrical machinery and equipment, mineral fuels followed by chemicals, optical and medical equipment, transportation, business services, travel and financial services. Imports, on the other hand, were led by integrated circuits, refined petroleum, electrical machinery and equipment, turbo-jets and turbo-propellers, business services, transportation, travel, royalties and license fees. The IMF is forecasting a increase of 4.3% in the volume of exports of goods and services of the country in 2023, after an increase of 6.5% in 2022, and an increase of 5.2% of its imports, after an increase of 8.4% in 2022.

Main export destinations include China (16% of all exports in 2022), Hong Kong (14%), the United States (9.1%), Malaysia (9.7%) and Indonesia (6.6%), while most imports arrived from China (15%), Malaysia (15%), the United States (11%), Japan (6.1%) and Indonesia (4.3%). The greatest risk to Singapore trade was the U.S. exit from the Trans-Pacific Partnership in January 2017; however, a formal signing ceremony excluding the U.S. was held in March 2018. Trade and exports also fell between 2019 and 2021 due to global trade tension, weakening demand for electronics and the COVID-19 pandemic. On 15 November 2020 Singapore has signed the Regional Comprehensive Economic Partnership ("**RCEP**") with 14 other Indo-Pacific countries. This free trade agreement is the largest trade deal in history, covering 30 per cent of the global economy. It includes the Association of Southeast Asian Nations (ASEAN: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and ASEAN's free trade agreement partners (Australia, China, India, Japan, New Zealand and Republic of Korea). The RCEP covers goods, services, investment, economic and technical cooperation. It also creates new rules for electronic commerce, intellectual property, government procurement, competition, and small and medium sized enterprises.

According to WTO data in 2021, exports of goods amounted to USD 457.35 billion and imports reached USD 406.22 billion. With regard to services, Singapore exported USD 229.55 billion USD worth of services and imported USD 223.35 billion. The strategy adopted by the country is to promote exports while minimising barriers to imports. Singapore has signed the Asian Free Trade Area agreements (AFTA in the ASEAN context), the Trans-Pacific Partnership (TPP) and several bilateral agreements. All customs duties between Singapore and the E.U. are expected to disappear once the European Union-Singapore Free Trade Agreement is ratified by both countries.

Foreign Trade Forecasts of Singapore

	2023F	2024F	2025F	2026F	2027F
Volume of exports of goods and services (Annual % Change)	5.6	9.8	4.5	3.9	3.7
Volume of imports of goods and services (Annual % Change)	6.7	11.3	5.2	4.5	4.3

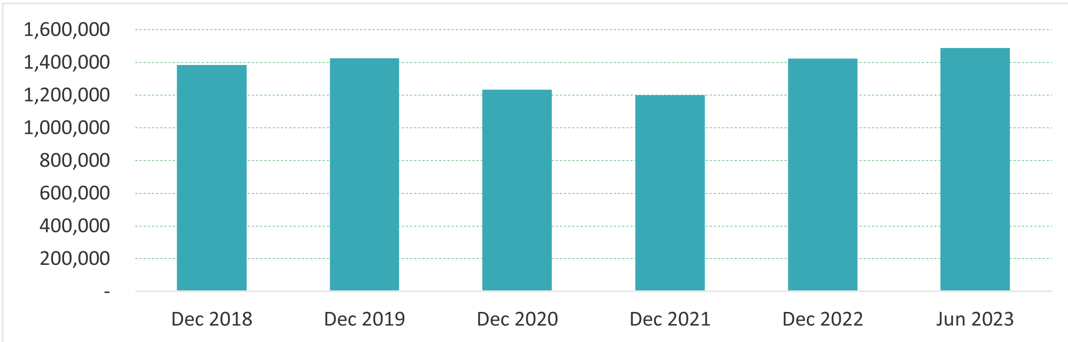
Source: World Economic Outlook Database (October 2022), IMF

INDUSTRY OVERVIEW

Industrial complex development refers to the development of industrial complexes, which are areas where multiple industries are located in close proximity to each other. Singapore's industrial complex development industry is a key contributor to the country's economy, accounting for 22% of Singapore's GDP in 2021. The industry is supported by the Economic Development Board, which aims to uplift companies in Singapore and create new jobs through research and development, deep tech innovation, extensive digitalisation, and environmental sustainability. In Singapore, the development of industrial complexes and workers' dormitories are regulated by the Urban Redevelopment Authority ("**URA**"). The URA has specific guidelines for the construction of workers' dormitories within industrial or warehouse developments.

The dormitory construction and operations industry in Singapore has experienced significant growth and transformation over the past decade, driven by the country's robust economic development, increased globalisation, and a burgeoning demand for labour in various sectors. This industry plays a pivotal role in providing accommodations for the workforce, particularly for the influx of foreign workers who contribute to the diverse and dynamic labour market of Singapore. As the country continues to be a regional hub for industries such as construction, manufacturing, and services, there is an escalating need for affordable and efficient housing solutions for the workforce. Dormitories, catering specifically to the needs of foreign workers, have become indispensable in meeting this demand.

Foreign workforce numbers of Singapore between 2018 and 2023



Source: Ministry of Manpower, Singapore

The industry operates within a comprehensive regulatory framework set by the Singaporean government. Regulations governing dormitory construction and operations are designed to ensure the well-being, safety, and living standards of the residents. The Ministry of Manpower ("**MOM**") and other relevant authorities have implemented stringent guidelines to govern the construction, maintenance, and management of dormitories.

In October 2023, MOM announced that they will be transitioning around 1,000 existing Purpose-Built Dormitories ("**PBDs**") and Factory Converted Dormitories to improved interim standards under the Dormitory Transition Scheme ("**DTS**") by 2030. The DTS will strengthen public health resilience in migrant workers dormitories against future disease outbreaks by improving their ability to reduce the spread of infectious diseases. The dormitories under the DTS will subsequently move to the New Dormitory Standards ("**NDS**") by 2040. The DTS is part of MOM's multi-year efforts to uplift migrant workers housing resilience and improve living conditions for dormitory residents. These include the NDS announced in September 2021 and the expansion of the regulatory coverage of the Foreign Employee Dormitories Act from 1 April 2023 to cover about 1,500 dormitories with seven or more beds. MOM will also drive innovation in health resilience and livability through two upcoming PBDs that are built and owned by MOM, and operated by a corporate entity in partnership with the private sector.

In conclusion, the dormitory construction and operations industry in Singapore is a critical component of the nation's economic landscape. Its growth is intrinsically tied to Singapore's status as a global business hub, attracting a diverse workforce. With a commitment to regulatory compliance, innovation, and adaptability, the industry is poised for continued success in meeting the evolving accommodation needs of Singapore's dynamic workforce.

COMPANY OVERVIEW

Chuan Holdings Limited

Chuan Holdings Limited is a listed company in Stock Exchange of Hong Kong (1420.HK). The Company is a Singapore-based investment holding company. Its segments include earthworks and ancillary services, and general construction works. The earthworks and ancillary services include land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation, earth disposal, earth filling and shore protection. The general construction works include alteration and addition works, which are 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.

Hulett Construction (S) Pte. Ltd.

Hulett Construction (S) Pte. Ltd. is a company incorporated in Singapore with limited liability, which is owned as to 65% by Mr Lim Kui Teng ("**Mr. Lim**") and 35% by Ms Yee Say Lee. Its principal business activity is investment holding. Its principal asset is the Property as at the Valuation Date.

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. The Property comprises a nine-storey industrial building with ancillaries and facilities erected on a site with site area of approximately 8,638.7 sq.m. completed at around 2016. The Property has a total gross floor area of approximately 21,596.75 sq.m.. The Property is held under the lease entered into between JTC Corporation and Hulett Construction with a tenure of 30 years commencing on 16 September 2012.

VALUATION METHODOLOGY OVERVIEW

The valuation of any asset can be broadly classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the analysis of that asset.

Cost Approach

This is a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

Market Approach

This is a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have previously been sold.

Value is established based on the principle of comparison. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should be approximate to one another.

Income Approach

This is a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

Selected Valuation Approach

Methodology	Application	Reason
Cost Approach	Accepted	The principal asset of Hulett Construction would be the Property and its value could be readily determined with reference to the valuation of the Property, recreation of Hulett Construction with substantially the same utility is abled.
Market Approach	Rejected	(1) Hulett Construction has not recently been sold in a transaction appropriate for consideration under the basis of value, e.g. recent round of equity financing or recent transfer of shares in Hulett Construction between existing or new shareholder(s) (if any), the transaction price of which would have served as a direct reference of market value; and (2) there is no publicly available information regarding the possible recent observable transactions in substantially similar businesses to Hulett Construction which is a property holding company.
Income Approach	Rejected	Reasonable projections of the amount and timing of future income are not available for the Subject of Valuation; and the financial projections require inputs of different assumptions which might inherit uncertainty.

GENERAL ASSUMPTIONS

A number of general assumptions were established to sufficiently support our conclusion of valuation. The general assumptions adopted in this valuation are:

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions in countries/regions where Hulett Construction currently operates in and in new markets that Hulett Construction may potentially expand into as proposed by Management;
- There are no deviations, the aggregate of which when viewed together, may be construed to be a material adverse change in industry demand and/or market conditions;

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the fluctuation of interest rates or currency exchange rates in any country which would be deemed to have a negative impact or the ability to hinder the existing and/or potentially future operations of Hulett Construction;

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the current laws of taxation in those countries in which Hulett Construction operates in or Hulett Construction may potentially operate in;

- All relevant legal approvals, business certificates, trade and import permits, bank credit approval have been procured, in place and in good standing prior to commencement of operations by Hulett Construction under the normal course of business;

- Revenue projections and future business potential generated from Hulett Construction are expected to largely conform to those as forecasted by the Management;

- Hulett Construction will be able to retain existing and competent management, key personnel and technical staff to support all facets of the ongoing business and future operations; and

- Trademarks, patents, technology, copyrights and other valuable technical and management knowhow will not be infringed in countries/regions where Hulett Construction is or will be carrying on business.

VALUATION OF HULETT CONSTRUCTION

Pursuant to IVS, there are 3 conventional valuations methods under the cost approach, namely replacement cost method, reproduction cost method and summation method. Each of the valuation methods would have its appropriate application. In this valuation, Hulett Construction is an investment holding company having the Property as its principal asset, we considered the summation method which calculates the value of an asset by the addition of the separate values of its component parts would be the most appropriate one.

We adopted summation method in valuation of Hulett Construction. The summation method is also referred to as the underlying asset method, it is typically used for investment companies or entities for which value is primarily a factor of the values of their holdings. The key steps in summation method are valuing each of the component assets that are part of the subject asset using the appropriate valuation approaches and methods and adding the value of the component assets together to reach the value of the subject asset.

Based on the property valuation prepared by us in a separate valuation report ("**Property Valuation Report**") (refer to Appendix VI), the market value of the Property has been determined. We have further looked into remaining assets and liabilities of Hulett Construction for fair value adjustments. In view of the nature of liquidity of current assets and liabilities, we considered they reflected the fair value and were relatively insignificant to the Property value. We further studied the lease liabilities schedule by checking the incremental borrowing rate, since there has been no change to prime rate published by the Monetary Authority of Singapore since lease inception, we made no adjustment to the lease liabilities. We have also enquired the Management and confirmed that borrowing from Mr Lim is payable on demand and carries no interest, we made no fair value adjustment accordingly. Moreover, we have also obtained loan agreements of non-current liabilities including bridging loan and term loan of DBS Bank Ltd, and we considered the carrying amount should reflect its fair value with respect to the terms and conditions of the loans.

To illustrate the market value of Hulett Construction, excess items including cash and marketable securities, debt, net working capital and non-operating assets and liabilities are required to adjust. Details of determination of market value of Hulett Construction as at the Valuation Date were as follows:

As at 30 November 2023	*Note*	**SGD**
CURRENT ASSETS		
Trade receivables		104,358
Other receivables		75,931
Amount due from related parties		27,688
Cash and cash equivalents		587,865
TOTAL CURRENT ASSETS		795,842
NON-CURRENT ASSETS		
Investment property (incl. ROU-Land)	*1*	75,000,000
Property, plant and equipment		28,758
TOTAL NON-CURRENT ASSETS		75,028,758
CURRENT LIABILITIES		
Borrowings		(2,266,500)
Amount due to a director		(4,000,000)
Trade payables		(178,372)
Other payables		(1,388,606)
Provision for income tax		(906,714)
TOTAL CURRENT LIABILITIES		(8,738,192)
NON-CURRENT LIABILITIES		
Borrowings		(14,089,821)

As at 30 November 2023	*Note*	**SGD**
TOTAL NON-CURRENT LIABILITIES		(14,089,821)
Implied equity value before valuation adjustments		52,996,587
Less: Discount for Lack of Control ("DLOC")	*2*	–
Implied equity value after DLOC		**52,996,587**
Less: Discount for Lack of Marketability ("DLOM")	*3*	(1,351,413)
Implied equity value after DLOM		51,645,174
Market Value of Hulett Construction (rounded)		**51,650,000**

* *Calculation of certain figures are not equal due to rounding*

Note:

1. The investment property including right-of-use asset (land) is adjusted to market value with reference to Property Valuation Report, please refer to corresponding valuation working.

2. DLOC is a valuation adjustment applied to reflect downward adjustment with regard to ability to make decisions and changes resulting from lack of control over the subject asset. In this valuation, the Subject of Valuation is 100% equity interest in Hulett Construction, thus no DLOC was applied.

3. The principal asset held by Hulett Construction is the Property and it has been valued to market value, thus minimal DLOM is applied to reflect the non-listing condition of equity interest. Please refer to below section for details.

DISCOUNT FOR LACK OF MARKETABILITY

DLOM reflects the concept that when comparing otherwise identical assets, a readily marketable asset would have a higher value than an asset with a long marketing period or restrictions on the ability to sell the asset. For example, publicly-traded securities can be bought and sold nearly instantaneously while shares in a private company may require a significant amount of time to identify potential buyers and complete a transaction. Many bases of value allow the consideration of restrictions on marketability that are inherent in the subject asset but prohibit consideration of marketability restrictions that are specific to a particular owner. DLOM may be quantified using any reasonable method, but are typically calculated using option pricing models, studies that compare the value of publicly-traded shares and restricted shares in the same company, or studies that compare the value of shares in a company before and after an initial public offering.

To estimate the DLOM applicable to Hulett Construction, which can be characterised as an asset holding company, we adopt the observed DLOM from close-end funds. A closed-end fund, like a public company, issues a set number of shares in an initial public offering and trades on an exchange. Its share price is primarily determined by the total value of the assets it holds, and also determined by investor demand and perception on marketability. Thus, closed-end funds can trade at a discount or premium from their net asset values.

In this valuation, we made reference to Pluris DLOM Database, a database studying DLOM from actual transactions in restricted stock private placements. The real estate investment trusts (SIC code 6798) are establishments primarily engaged in closed-end investments in real estate or related mortgage assets operating. We apply filter of real estate investment trusts in Pluris DLOM Database, and we arrive at median DLOM of 2.55% with reference to common stock discounts of list of filtered transactions.

DLOM	2.55%

STATEMENT OF LIMITING CONDITIONS

This valuation report relies upon the following contingent and limiting conditions:

1. We assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable.

2. The business interest and subject business assets have been valued free and clear of any liens or encumbrances unless stated otherwise. No hidden or apparent conditions regarding the subject business assets or their ownership are assumed to exist.

3. All information provided by the client and others is thought to be accurate. However, we offer no assurance as to its accuracy.

4. Unless stated otherwise in this report, we have assumed compliance with the applicable local laws and regulations.

5. Absent a statement to the contrary, we have assumed that no hazardous conditions or materials exist which could affect the Subject of Valuation or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same.

6. This report may not fully disclose all the information sources, discussions and business valuation methodologies used to reach the conclusion of value. Supporting information concerning this report is on file with our company.

7. The valuation analysis and conclusion of value presented in this report are for the purpose of this engagement only and are not to be used for any other reason, any other context or by any other person except the client to whom this report is addressed.

8. The opinion of value expressed in this report does not obligate us attend court proceedings with regard to the subject business assets, Property or business interests, unless such arrangements have been made previously.

9. Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by us.

10. This report is valid only for the date specified herein.

CONCLUSION OF VALUE

In conclusion, based on the analyses as fully described in this valuation report and the valuing methodologies which we have employed, we are of the opinion that the market value of Hulett Construction (S) Pte. Ltd. as at 30 November 2023 is as follows.

Subject of Valuation	**Valuation Result**
Market value of Hulett Construction (S) Pte. Ltd.	SGD 51,650,000*

* *Based on the result of the Property Valuation Report, the Property was valued at SGD 75,000,000.*

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor any prospective interests in the subject under valuation. Moreover, we have neither personal interests nor any bias with respect to any of the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
VALTECH VALUATION ADVISORY LIMITED

Jimmy Wong
CPA, CFA, FRM, MFin
Director

INVOLVED STAFF BIOGRAPHY

Jimmy Wong, *CPA, CFA, FRM, MFin (Investment Management)*

Mr. Wong has been working as a professional consultant on valuation, transfer pricing and tax services. Before joining the statutory valuation field, he had worked as a senior consultant in one of the Big 4 accounting firms since 2010. His consulting experience includes providing extensive valuation and consulting services for private equity investment funds, listed and private firms and state-owned entities for financial reporting, IFRS 9 portfolio valuations, initial public offering, transactions, strategic restructuring, fund raising, litigation and tax compliance purposes.

He has participated in a number of cases of multi-national conglomerates to formulate and model the impacts of their operating activities and tax strategies in the Asia-pacific region. His industry exposure primarily covers the technology and social media, clean energy, financial services, consumer and industrial, utility and infrastructure, forestry and agriculture, and mining sectors. Mr. Wong was inducted as a Lifetime member of the Beta Gamma Sigma Honour Society.

Keith Lui, *CFA, FRM*

Mr. Lui is a bachelor of science in quantitative finance and risk management science in university and has been working in the professional valuation field since 2013. Mr. Lui has been joining in business valuation industries for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions and financing since graduation. The scope of services includes business valuation, intangible asset valuation and financial instruments valuation.

He has participated in many representative projects, such as valuation of metal mining and processing in the PRC, oil and gas extraction in the United States and Canada, logistic hub in Singapore, container port in Brazil and household cleaning products in the United Kingdoms.

Bobby Zhu

Mr. Zhu has valuation experiences in various industries including but not limited to clean energy, manufacturing, utility and infrastructure, mining, etc. Prior to joining Valtech Valuation, he worked in another valuation firm where he participated in many business valuation projects to support clients for the purpose of financial reporting, mergers and acquisitions. He has also gained experiences in performing valuation of projects for State-owned Assets Supervision and Administration Commission of the State Council filing in the PRC. Earlier to that, he worked as Corporate Financial analyst in Sony and Dell and Corporate Auditor in Natuzzi China. Mr. Zhu earned his Financial Management Degree from Shanghai University of Finance and Economics.

GENERAL SERVICE CONDITIONS

The service(s) we provide will conform to the professional appraisal standard. The proposed service fee is not contingent in any way upon our conclusions of value or result. All the data provided to us are assumed to be accurate without independent verification. As an independent contractor, we have and will reserve the right to use subcontractors. Furthermore, we have the right to retain all files, working papers or documents developed by us during the engagement for as long as we wish, which will also be our property.

The report we prepare is prohibited for any other use but only for the specific purpose stated herein. No reliance may be made by any third party on the report or part thereof without our prior written consent. The report along with this General Services Conditions could be shown be the third parties who need to review the information contained herein.

No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent. You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including all fees of lawyers, including ours and the parties successfully suing us, to which we may become subject in connection with this engagement except in respect of our own negligence. Your obligation for indemnification and reimbursement shall extend to any of our management and employees, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless the nature of the claim, such liability will be limited to the amount of fees we received for this engagement.

We will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. Meanwhile, we reserve the right to include your company/firm name in our client list.

The conditions stated in this section can only be modified by written documents executed by both parties.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate Long Positions in the Shares and Underlying Shares

Name of the Director	Number of Shares			Number of underlying Shares held under equity derivatives *(Note 3)*	Total	Approximate percentage of the total number of issued Shares as at the Latest Practicable Date
	Personal interest (held as beneficial owner)	Corporate interest (interest of controlled corporation)	Sub-total			
Mr. Lim	21,380,000	529,125,000 *(Note 1)*	550,505,0000	–	550,505,000	43.54%
Mr. Phang	228,019,200 *(Note 2)*	–	228,019,200	10,364,000	238,383,200	18.85%
Mr. Bijay Joseph	–	–	–	8,000,000	8,000,000	0.63%

Notes:

1. These Shares were held by Brewster Global, entire issued share capital of which is directly held by Mr. Lim.

2. These Shares were allotted and issued by the Company to Mr. Phang, of which (i) 207,291,200 Shares were allotted and issued due to the completion of the Subscription on 23 January 2024 pursuant to the terms and conditions of the subscription agreement dated 17 November 2023; and (ii) 20,728,000 Shares were allotted and issued pursuant to Mr. Phang's exercise of share options granted to him on 28 October 2020 and 1 November 2022 respectively under the share option scheme adopted by the Company on 10 May 2016.

3. These interests represented the interests of these Directors in the underlying Shares in respect of the share options granted to them as beneficial owners under the share option scheme adopted by the Company on 10 May 2016.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, so far as it is known to the Directors and the chief executives of the Company, the interests and short positions of the persons, other than the Directors and the chief executives of the Company, and corporations in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Aggregate Long Positions in the Shares

Name of the substantial Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of the total number of issued Shares as at the Latest Practicable Date
Brewster Global	Beneficial owner	529,125,000 *(Note 1)*	41.85%
Ms. Yee	Interest of spouse *(Note 2)*	550,505,000	43.54%

Notes:

1. The entire issued share capital of Brewster Global is directly held by Mr. Lim. Accordingly, Mr. Lim is deemed to be interested in the Shares held by Brewster Global under the SFO. Mr. Lim is a controlling Shareholder and an executive Director.

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

Save as disclosed above, as at the Latest Practicable Date, so far as it is known to the Directors and the chief executives of the Company, no person, other than the Directors and the chief executives of the Company, or corporation had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

3. DIRECTORS' POSITIONS HELD IN COMPANIES HAVING DISCLOSEABLE INTERESTS

Mr. Lim is the sole director of Brewster Global.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business apart from the Group's business which competed or was likely to compete, either directly or indirectly, with the Group's business.

6. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND ARRANGEMENTS

On 30 December 2023, Hulett Construction (as landlord) and Chuan Lim (as tenant) entered into the New Master Lease Agreement, pursuant to which Hulett Construction shall lease the Premises to Chuan Lim for a term of 3 months commencing from 1 January 2024 to 31 March 2024 (which is subsequently extended to 31 May 2024 pursuant to the Lease Extension Agreement) and 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.

Hulett Construction is owned as to 65% by Mr. Lim and 35% by Ms. Yee.

Saved as disclosed above, as at the Latest Practicable Date:

(a) none of the Directors had any interest, direct or indirect, in any asset which had been, since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(b) none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular and which was significant in relation to the business of the Enlarged Group.

7. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the names and qualifications of the experts who have given their reports, opinions and advices which are included in this circular:

Name	Qualification
Ernst & Young LLP	Certified Public Accountants Recognised Public Interest Entity Auditor
Grande Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO
Valtech Valuation Advisory Limited	Independent Valuer

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its report and/or letter of advice and the references to its name in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of the experts above had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the experts above had any interest, direct or indirect, in any asset which had been, since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claim of material importance, and so far as the Directors were aware of, no litigation or claims of material importance was pending or threatened against any member of the Enlarged Group.

10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the issue of this circular and were or might be material:

(a) the subscription agreement dated 17 November 2023 entered into between the Company and Mr. Phang in respect of the Subscription, details of which are disclosed in the announcements of the Company dated 17 November 2023. 4 January 2024 and 23 January 2024 respectively and the circular of the Company dated 15 December 2023; and

(b) the Agreement, details of which are contained in this circular.

11. MISCELLANEOUS

(a) The registered office of the Company in the Cayman Islands is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The headquarter and the principal place of business of the Company in Singapore is situated at 20 Senoko Drive, Singapore 758207.

(c) The principal place of business of the Company in Hong Kong is situated at Rooms 2102-03, 21/F, 299QRC, 287-299 Queen's Road Central, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(e) Mr. Ho Kai Tak, the company secretary of the Company, is a practicing solicitor in Hong Kong.

(f) In the case of inconsistency, the English text of this circular shall prevail over its Chinese text.

12. ACQUISITION

Save as disclosed in this circular, subsequent to 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, none of the members of the Enlarged Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published accounts of the Group.

Save as disclosed in this circular, the aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Acquisition.

13. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.chuanholdingsltd.com) for a period of 14 days from the date of this circular:

1. the Agreement;

2. the letter from the Independent Financial Adviser prepared by Grande Capital, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;

3. the accountants' report of Hulett Construction prepared by Ernst & Young LLP, the text of which is set out in Appendix II to this circular;

4. the report of the unaudited pro forma financial information of the Enlarged Group prepared by Ernst & Young LLP, the text of which is set out in Appendix V to this circular;

5. the valuation report of the Property prepared by Valtech Valuation Advisory Limited, the text of which is set out in Appendix VI to this circular;

6. the valuation report of Hulett Construction prepared by Valtech Valuation Advisory Limited, the text of which is set out in Appendix VII to this circular; and

7. the written consents referred to in the section headed "Experts' Qualifications and Consents" of this appendix.

Chuan Holdings Limited
川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Chuan Holdings Limited (the "**Company**") will be held at 20 Senoko Drive, Singapore 758207 on Tuesday, 7 May 2024 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company.

Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 22 April 2024.

ORDINARY RESOLUTION

"**THAT:**

(a) the Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more Directors be and is/are hereby authorised to, for and on behalf of the Company and/or Chuan Lim, do all such acts and things, sign and execute all such agreements, instruments, documents and deeds and make all such arrangements as he/they may in his/their absolute discretion consider necessary, desirable or expedient for the purpose of giving effect to and in connection with the Agreement and the transactions contemplated thereunder, and to make and agree to such variations, amendments or waivers of matters relating thereto, as are, in the opinion of the Directors, in the interests of the Company and the Shareholders as a whole."

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

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Rooms 2102-03, 21/F, 299QRC
287-299 Queen's Road Central
Hong Kong

Hong Kong, 22 April 2024

* *For identification purposes only*

Notes:

1. A Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of him/her/it. A proxy need not be a Shareholder. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the EGM. If a Shareholder appoints more than one proxy, he/she/it must specify the number of Shares each proxy is appointed to represent.

2. To be valid, a form of proxy duly completed and signed in accordance with the instructions printed thereon, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or authority must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 10:00 a.m. on Sunday, 5 May 2024) or any adjournment thereof (as the case may be).

3. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 2 May 2024 to Tuesday, 7 May 2024, both days inclusive, during which period no transfer of the Shares will be registered. The record date for determining the entitlements of the Shareholders to attend and vote at the EGM is Tuesday, 7 May 2024. In order to be eligible to attend and vote at the EGM, all duly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 30 April 2024.

4. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM if such Shareholder so wishes.

5. Where there are joint registered holders of a Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

6. As at the date of the Notice, 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.

7. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in the Notice put to vote at the EGM shall be taken by poll.