

**REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
ENLARGED GROUP**



**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

*Public Accountants and Chartered Accountants
Singapore*

22 April 2024

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 Enlarged Group as at 30 June 2023 S\$'000
	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	
	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
	<u>42,602</u>	<u>31,873</u>				<u>107,688</u>
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
	<u>71,551</u>	<u>507</u>				<u>65,061</u>
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
	<u>20,702</u>	<u>8,670</u>				<u>29,691</u>
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
	<u>2,902</u>	<u>14,282</u>				<u>52,737</u>

	The Group as at 30 June 2023 S\$'000 (note 1)	The Target Company as at 31 October 2023 S\$'000 (note 2)	Transaction costs related to the Acquisition S\$'000 (note 6)	Pro forma adjustments		The Enlarged Group as at 30 June 2023 S\$'000
				Consideration for the Acquisition S\$'000 (note 4, 5)	Reclassification of IP to PPE S\$'000 (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 S\$'000 (note 1)	The Target Company for the year ended 31 December 2022 S\$'000 (note 2)	Transaction costs related to the Acquisition S\$'000 (note 6)	Recognition of depreciation at the Group level S\$'000 (note 5)	Intercompany elimination on rental S\$'000 (note 8)	Reclassification of incurred depreciation S\$'000 (note 7)	Finance costs recognised upon the Acquisition S\$'000 (note 4)	The Enlarged Group for the year ended 31 December 2022 S\$'000
Revenue	88,605	6,121			(2,421)			92,305
Cost of sales	<u>(82,407)</u>	<u>(2,734)</u>			2,325	1,570		<u>(81,246)</u>
Gross profit	<u>6,198</u>	<u>3,387</u>						<u>11,059</u>
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	<u>585</u>	<u>-</u>						<u>585</u>
Profit before income tax	2,436	2,664						4,155
Income tax expense	<u>(713)</u>	<u>(784)</u>						<u>(1,497)</u>
Net profit attributable to owners of the company	1,723	1,880						2,658
Other comprehensive income								
<i>Items that may be reclassified subsequently to profit or loss:</i>								
Gain in revaluation of available-for-sale financial assets	<u>470</u>	<u>-</u>						<u>470</u>
Other comprehensive income for the year	<u>470</u>	<u>-</u>						<u>470</u>
Total comprehensive income for the year attributable to owners of the company	<u><u>2,193</u></u>	<u><u>1,880</u></u>						<u><u>3,128</u></u>

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

	The Group for the year ended 31 December 2022 S\$'000 (note 1)	The Target Company for the year ended 31 December 2022 S\$'000 (note 2)	Consideration for the Acquisition S\$'000 (note 3,4)	Transaction costs related to the Acquisition S\$'000 (note 6)	Recognition of depreciation at the Group Level S\$'000 (note 7)	Finance costs recognised upon the Acquisition S\$'000 (note 4)	The Enlarged Group for the year ended 31 December 2022 S\$'000
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
	<u>8,785</u>	<u>4,819</u>					<u>13,376</u>
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
	<u>1,142</u>	<u>4,368</u>					<u>1,451</u>
CASH GENERATED FROM OPERATIONS	1,142	4,368					1,451
Income tax paid, net	–	(648)					(648)
	<u>1,142</u>	<u>3,720</u>					<u>803</u>
NET CASH FROM OPERATING ACTIVITIES	1,142	3,720					803

	The Group for the year ended 31 December 2022 S\$'000 (note 1)	The Target Company for the year ended 31 December 2022 S\$'000 (note 2)	Consideration for the Acquisition S\$'000 (note 3,4)	Transaction costs related to the Acquisition S\$'000 (note 6)	Recognition of depreciation at the Group Level S\$'000 (note 7)	Finance costs recognised upon the Acquisition S\$'000 (note 4)	The Enlarged Group for the year ended 31 December 2022 S\$'000
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.