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Chuan Holdings Limited

川 控 股 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board (the “**Board**”) of the directors (the “**Directors**”) of Chuan Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**period under review**” or the “**Reporting Period**”) together with the comparative figures as follows:

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
	<i>Note</i>	2024	2023
		S\$'000	S\$'000
		(Unaudited)	(Unaudited)
Revenue	<i>5</i>	63,505	66,756
Cost of sales		<u>(56,572)</u>	<u>(62,518)</u>
		6,933	4,238
Rental income	<i>5</i>	876	–
Direct operating expenses		<u>(776)</u>	<u>–</u>
		100	–
Gross profit		7,033	4,238
Other income and gains	<i>5</i>	1,177	1,465
Administrative and other operating expenses		(3,881)	(3,523)
Other expenses		(368)	(29)
Finance costs	<i>6</i>	(365)	(87)
Share of results of associates		<u>(370)</u>	<u>214</u>
Profit before income tax	<i>7</i>	3,226	2,278
Income tax expense	<i>8</i>	<u>(855)</u>	<u>(539)</u>
Net profit for the period attributable to owners of the Company		<u>2,371</u>	<u>1,739</u>
Other comprehensive loss for the period			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Financial assets at fair value through other comprehensive income (“FVOCI”)			
– Fair value losses		<u>(38)</u>	<u>(11)</u>
Other comprehensive loss for the period, net of tax		<u>(38)</u>	<u>(11)</u>
Total comprehensive income for the period attributable to owners of the Company		<u>2,333</u>	<u>1,728</u>
Basic earnings per shares (cents)	<i>10</i>	<u>0.19</u>	<u>0.17</u>
Diluted earnings per shares (cents)	<i>10</i>	<u>0.18</u>	<u>0.15</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Note</i>	30 June 2024 S\$'000 (Unaudited)	31 December 2023 S\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>11</i>	80,032	16,820
Investment property		1,268	1,274
Investment in associates		19,661	16,928
Other assets		366	366
Deposits, prepayments and other receivables		421	520
Financial assets at fair value through profit or loss (“FVTPL”)		8,961	8,499
Financial assets at FVOCI		519	557
Financial assets at amortised costs		250	250
Total non-current assets		111,478	45,214
Current assets			
Contract assets		28,505	27,304
Trade receivables	<i>12</i>	20,825	16,069
Deposits, prepayments and other receivables		4,072	1,708
Pledged deposits	<i>13</i>	1,285	1,285
Cash and cash equivalents	<i>13</i>	27,140	30,105
Total current assets		81,827	76,471
Total assets		193,305	121,685
Current liabilities			
Contract liabilities		7,523	4,101
Trade payables	<i>14</i>	9,875	8,042
Other payables, accruals and deposits received		10,116	7,618
Borrowings	<i>15</i>	7,860	1,277
Lease liabilities		7,681	4,006
Income tax payable		2,166	1,031
Total current liabilities		45,221	26,075

		30 June	31 December
		2024	2023
	<i>Note</i>	S\$'000	S\$'000
		(Unaudited)	(Audited)
Net current assets		<u>36,606</u>	<u>50,396</u>
Total assets less current liabilities		<u>148,084</u>	<u>95,610</u>
Non-current liabilities			
Other payables, accruals and deposits received		10	11
Borrowings	<i>15</i>	45,780	540
Lease liabilities		4,677	2,915
Deferred tax liabilities		<u>236</u>	<u>56</u>
Total non-current liabilities		<u>50,703</u>	<u>3,522</u>
Total liabilities		<u>95,924</u>	<u>29,597</u>
Net assets		<u>97,381</u>	<u>92,088</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>17</i>	2,156	1,767
Share premium		29,821	27,250
Reserves		<u>65,404</u>	<u>63,071</u>
Total equity		<u>97,381</u>	<u>92,088</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital S\$'000	Share premium S\$'000	Merger reserve S\$'000	Share option reserve S\$'000	Fair value reserve S\$'000	Retained profits S\$'000	Total S\$'000
At 1 January 2023	1,767	27,250	5,166	604	(148)	54,144	88,783
Profit for the period	-	-	-	-	-	1,739	1,739
Other comprehensive income:							
Changes in fair value of financial assets at FVOCI	-	-	-	-	(11)	-	(11)
Total comprehensive (loss)/income for the period	-	-	-	-	(11)	1,739	1,728
Equity-settled share option arrangements	-	-	-	38	-	-	38
At 30 June 2023 (unaudited)	1,767	27,250	5,166	642	(159)	55,883	90,549
At 1 January 2024	1,767	27,250	5,166	664	(42)	57,283	92,088
Transactions with owners:							
Issuance of shares	389	2,571	-	-	-	-	2,960
	2,156	29,821	5,166	664	(42)	57,283	95,048
Profit for the period	-	-	-	-	-	2,371	2,371
Other comprehensive income:							
Changes in fair value of financial assets at FVOCI	-	-	-	-	(38)	-	(38)
Total comprehensive (loss)/income for the period	-	-	-	-	(38)	2,371	2,333
At 30 June 2024 (unaudited)	2,156	29,821	5,166	664	(80)	59,654	97,381

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	6,469	8,604
Income tax paid, net	(713)	(282)
	5,756	8,322
Cash flows from investing activities		
Proceeds from disposals of property, plant and equipment	94	642
Purchases of property, plant and equipment	(876)	(3,140)
Purchases of financial assets at FVTPL	(378)	(975)
Proceeds from disposal of financial assets at FVOCI	–	886
Investment in associates	(2,363)	(7,263)
Acquisition of assets through acquisition of subsidiary, net	(41,570)	–
Interest received	181	59
Dividend received	5	53
	(44,907)	(9,738)
Cash flows from financing activities		
Interest portion of the lease liabilities	(209)	(59)
Principal portion of the lease liabilities	(1,512)	(1,505)
Repayment of borrowings	(818)	(623)
Proceeds from bank borrowings	31,720	–
Repayment of sales loan	(4,000)	–
Issuance of promissory note	8,000	–
Proceeds from new shares	2,960	–
Interests paid	(66)	(28)
	36,075	(2,215)
Net cash flows generated from/(used in) financing activities	36,075	(2,215)
Net decrease in cash and cash equivalents	(3,076)	(3,631)
Cash and cash equivalents at beginning of the period	30,105	23,441
Effect of foreign exchange rate changes, net	111	–
	27,140	19,810
Cash and cash equivalents at end of the period	27,140	19,810
Analysis of balances of cash and cash equivalents		
Cash and bank balances	18,367	13,626
Time deposits with maturity less than three months	8,773	6,184
	27,140	19,810

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the principal place of business of the Company in Singapore is located at 20 Senoko Drive, Singapore 758207.

The Company is an investment holding company. The Group is principally engaged in the provision of general building and construction services as well as property leasing and management operations in Singapore.

The condensed consolidated interim financial statements of the Group are unaudited, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Board. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2024 were approved and authorised for issue by the Board on 30 August 2024.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“**IAS 34**”) as well as with the applicable disclosures required under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

These condensed consolidated interim financial statements do not include the information and disclosures required in annual financial statements and should be read in conjunction with the annual financial statements of the Group for the financial year ended 31 December 2023.

These condensed consolidated interim financial statements are presented in Singapore Dollars (“**S\$**”) and all values in this announcement are rounded to the nearest thousand (“**S\$’000**”), except when otherwise indicated.

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the financial year ended 31 December 2023.

The Group has applied for the first-time the standards and amendments which are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any other standards, interpretation or amendments that has been issued but is not yet effective.

The adoption of the above amendments has no material impact on the Group's results and financial position for the current or prior periods. The Group has not early applied any new standards or interpretation that is not yet effective for the current accounting period.

4. SEGMENT INFORMATION

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

- (i) Provision of earthworks and related services, mainly include excavation, earth disposal, demolition and various earthwork ancillary services (collectively referred as “**Earthworks and ancillary services**”);
- (ii) Provision of general construction works, mainly include construction of new buildings, alteration and addition works (collectively referred as “**General construction works**”); and
- (iii) Property leasing and management operations (collectively referred as “**Property investment**”).

Segment revenue and results

Segment revenue below represents revenue from external customers. There was no inter-segment revenue during the respective periods. Operating revenue, direct costs, gain on disposals of property, plant and equipment (including plant and machinery and motor vehicles), interest expenses on lease liabilities, provision for expected credit loss (“**ECL**”) on trade receivables and bad debts recovered are allocated to different segments to assess corresponding performance.

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

For the six months ended 30 June 2024 (unaudited)

	Earthworks and ancillary services S\$'000	General construction works S\$'000	Property investment S\$'000	Total S\$'000
Revenue from external customers	<u>45,045</u>	<u>18,460</u>	<u>876</u>	<u>64,381</u>
<i>Reconciliation:</i>				
Reportable segment results	4,848	1,883	90	6,821
Unallocated other income and gains				812
Corporate and other unallocated expenses				(3,881)
Interest on borrowings				(156)
Share of results of associates				<u>(370)</u>
Profit before income tax				<u>3,226</u>

For the six months ended 30 June 2023 (unaudited)

	Earthworks and ancillary services S\$'000	General construction works S\$'000	Total S\$'000
Revenue from external customers	<u>41,539</u>	<u>25,217</u>	<u>66,756</u>
<i>Reconciliation:</i>			
Reportable segment results	1,709	2,995	4,704
Unallocated other income and gains			912
Corporate and other unallocated expenses			(3,524)
Interest on borrowings			(28)
Share of results of associates			<u>214</u>
Profit before income tax			<u>2,278</u>

Corporate and other unallocated expenses mainly include Directors' emoluments, employee benefit expenses, depreciation of office equipment and other centralised administrative cost for the Group's headquarter.

Segment assets and liabilities

Reportable segment assets

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

	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Earthworks and ancillary services	50,480	49,177
General construction works	16,943	10,789
Property investment	<u>61,705</u>	<u>–</u>
Total	<u>129,128</u>	<u>59,966</u>
<i>Additions to non-current segment assets:</i>		
Earthworks and ancillary services	4,332	12,328
General construction works	2	–
Property investment	<u>61,876</u>	<u>–</u>
	<u>66,210</u>	<u>12,328</u>
	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Reportable segment assets	129,128	59,966
Corporate and other unallocated assets	<u>64,177</u>	<u>61,719</u>
Group assets	<u>193,305</u>	<u>121,685</u>

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

Reportable segment liabilities

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

	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Earthworks and ancillary services	25,072	16,046
General construction works	2,064	2,904
Property investment	54,732	–
Total	81,868	18,950
	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Reportable segment liabilities	81,868	18,950
Borrowings	1,439	1,817
Corporate and other unallocated liabilities	12,617	8,830
Group liabilities	95,924	29,597

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

5. REVENUE, OTHER INCOME AND GAINS

- (a) Revenue, which is also the Group's turnover, represents the revenue from Earthworks and ancillary services, General construction works and Property investment. Revenue recognised from the principal activities during the respective periods is as follows:

	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customer and recognised over time:		
Earthworks and ancillary services	45,045	41,539
General construction works	18,460	25,217
Property investment	876	–
	<u>64,381</u>	<u>66,756</u>

Earthworks and ancillary services include revenue of S\$42,568,000 (30 June 2023: S\$38,790,000) from earthworks and S\$2,477,000 (30 June 2023: S\$2,749,000) from earthwork ancillary services.

- (b) Transaction price allocated to remaining performance obligations

As at 30 June 2024, the transaction price allocated to performance obligations that were unsatisfied (or partially unsatisfied) in relation to project works was S\$326,459,000 (30 June 2023: S\$268,918,000). The Directors expect that the unsatisfied performance obligations will be recognised as revenue from 1 to 5 years according to the contract period.

- (c) An analysis of the Group's other income and gains recognised during the respective periods is as follows:

	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Other income		
Management service income	219	226
Interest income on financial assets at amortised cost	147	67
Bad debts recovered	271	29
Rental income from investment property	–	47
Dividend income from financial assets at FVOCI	5	53
Sales of scrap materials and consumables	232	317
Government grant	11	90
Others	3	–
	888	829
Gains		
Gains on disposals of property, plant and equipment	94	524
Fair value gain on financial assets at FVTPL	85	93
Net foreign exchange gain	110	19
	289	636
Total	1,177	1,465

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Interest expenses for financial liabilities at amortised cost:		
– Interest on lease liabilities	209	59
– Interest on borrowings wholly repayable within five years	102	28
– Interest on promissory note	54	–
	365	87
Total	365	87

7. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment *	3,130	3,169
Depreciation of investment property **	6	6
Direct operating expenses arising from investment property that generated rental income	–	14
Employee benefit expenses (including Directors' remuneration):		
– Salaries, wages and bonuses	11,703	9,858
– Equity-settled share option expense	–	38
– Defined contribution retirement plan	416	372
– Other short-term benefits	1,856	1,623
Provision for/(reversal of) ECL on contract assets	47	(7)
Provision for ECL on trade receivables	50	35
	<u>50</u>	<u>35</u>

* *Depreciation of property, plant and equipment amounting to S\$2,916,000 (30 June 2023: S\$3,054,000) has been included in direct costs and S\$214,000 (30 June 2023: S\$115,000) has been included in administrative and other operating expenses.*

** *Depreciation of investment property has been included in direct operating expenses.*

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Current tax – Singapore income tax		
Charge for the period	676	445
Deferred tax		
Charge for the period	179	94
Income tax expense	855	539

Singapore income tax has been provided at the rate of 17% on the estimated assessable profits for each of the financial periods. No provision for Hong Kong profits tax has been made as the Group did not derive any assessable profits in Hong Kong for the six months ended 30 June 2024 and 2023.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2024 is based on the profit for the period of S\$2,371,000 (30 June 2023: S\$1,739,000) and on the weighted average number of 1,264,475,200 (30 June 2023: 1,036,456,000) ordinary shares (the “**Shares**”) of HK\$0.01 each in the share capital of the Company in issue during the Reporting Period.

The calculation of diluted earnings per share for the six months ended 30 June 2024 is based on the profit for the period of S\$2,371,000 (30 June 2023: S\$1,739,000) and on the weighted average number of Shares adjusted for the effects of dilution from the Group’s share options of 1,343,699,200 (30 June 2023: 1,136,408,000).

11. PROPERTY, PLANT AND EQUIPMENT

	Properties leased for own use S\$'000	Plant and machinery S\$'000	Furniture, fixtures and office equipment S\$'000	Motor vehicles S\$'000	Total S\$'000
<i>Cost</i>					
At 1 January 2023	1,413	24,563	2,843	39,264	68,083
Additions	–	6,132	1,502	4,716	12,350
Disposals	(1,413)	(2,305)	–	(1,319)	(5,037)
At 31 December 2023 and 1 January 2024	–	28,390	4,345	42,661	75,396
Acquisition of subsidiary	61,876	–	26	–	61,902
Additions	–	1,045	110	3,285	4,440
Disposals	–	(215)	–	(161)	(376)
At 30 June 2024	<u>61,876</u>	<u>29,220</u>	<u>4,481</u>	<u>45,785</u>	<u>141,362</u>
<i>Accumulated depreciation</i>					
At 1 January 2023	707	20,280	1,543	34,533	57,063
Depreciation charge	706	2,336	651	2,720	6,413
Disposals	(1,413)	(2,305)	–	(1,182)	(4,900)
At 31 December 2023 and 1 January 2024	–	20,311	2,194	36,071	58,576
Depreciation charge	281	1,293	370	1,186	3,130
Disposals	–	(215)	–	(161)	(376)
At 30 June 2024	<u>281</u>	<u>21,389</u>	<u>2,564</u>	<u>37,096</u>	<u>61,330</u>
<i>Net book value</i>					
As 31 December 2023	<u>–</u>	<u>8,079</u>	<u>2,151</u>	<u>6,590</u>	<u>16,820</u>
At 30 June 2024	<u>61,595</u>	<u>7,831</u>	<u>1,917</u>	<u>8,689</u>	<u>80,032</u>

12. TRADE RECEIVABLES

	<i>Note</i>	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Trade receivables		21,777	16,865
Retention receivables		<u>316</u>	<u>379</u>
	(a)	22,093	17,244
Less: Provision for ECL on trade receivables and retention receivables		<u>(1,268)</u>	<u>(1,175)</u>
	(b)	<u>20,825</u>	<u>16,069</u>
Total trade receivables, net			
– Non-related parties		20,819	16,062
– Related parties	(c)	<u>6</u>	<u>7</u>
		<u>20,825</u>	<u>16,069</u>

Notes:

- (a) During the Reporting Period, the credit period granted to the Group's customers was generally within 30 (31 December 2023: 30) days from the invoice date of the relevant contract revenue. Some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually 1 year) after completion of the contract. The amount withheld is classified as retention receivables. Retention receivables are unsecured and interest-free.
- (b) Based on invoices date, the ageing analysis of the Group's trade receivables is as follows:

	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
0 to 30 days	10,924	7,936
31 to 90 days	4,418	6,006
91 to 180 days	5,021	1,479
181 to 365 days	450	647
Over 365 days	<u>12</u>	<u>1</u>
	20,825	16,069
Retention receivables	<u>–</u>	<u>–</u>
	<u>20,825</u>	<u>16,069</u>

The ageing analysis of the Group's trade receivables that were not impaired is as follows:

	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Neither past due nor impaired	10,917	7,931
1 to 30 days past due	2,298	4,792
31 to 90 days past due	5,165	1,911
91 to 180 days past due	2,084	908
181 to 365 days past due	347	526
Over 365 days past due	14	1
	<u>20,825</u>	<u>16,069</u>
Retention receivables	<u>–</u>	<u>–</u>
	<u>20,825</u>	<u>16,069</u>

The Group's trade receivables that were neither past due nor impaired as at the reporting dates relate to the customers who had no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. The Group does not hold any collateral in respect of trade receivables past due but not impaired.

The movement in the provision for ECL on trade receivables and retention receivables is as follows:

	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Balance at beginning of the period/year	1,175	1,044
Acquisition of subsidiary	43	–
Provision for ECL, net	50	131
	<u>1,268</u>	<u>1,175</u>
Balance at end of the period/year	<u>1,268</u>	<u>1,175</u>

- (c) The receivables from these related parties are unsecured, interest-free and repayable on demand. The trading transactions with these related parties are detailed in Note 19.

13. CASH AND CASH EQUIVALENTS

	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Cash and bank balances	19,652	24,705
Time deposits with an original maturity of less than three months	<u>8,773</u>	<u>6,685</u>
	28,425	31,390
Less: Pledged deposits (<i>Note</i>)	<u>(1,285)</u>	<u>(1,285)</u>
Cash and cash equivalents	<u><u>27,140</u></u>	<u><u>30,105</u></u>

The bank balances bear interest at floating rates based on daily bank deposits rates. Short term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates.

Note:

As at 30 June 2024 and 31 December 2023, pledged deposits were restricted bank balances to secure:

- (i) the guarantee arrangement and the issuance of performance bonds (*Note* 20); and
- (ii) the banking facilities including letter of credits, overdraft and bank guarantee amounting to S\$13,063,000 and S\$13,063,000 respectively.

14. TRADE PAYABLES

	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Trade payables	9,191	7,045
Retention payables	<u>684</u>	<u>997</u>
	<u><u>9,875</u></u>	<u><u>8,042</u></u>
Total trade payables		
– Non-related parties	9,863	7,998
– Related parties	<u>12</u>	<u>44</u>
	<u><u>9,875</u></u>	<u><u>8,042</u></u>

Notes:

- (a) The Group's trade payables are non-interest bearing and generally have payment terms of 30 days.
- (b) The trading transactions with these related parties are detailed in Note 19.

The ageing analysis of trade payables, based on invoices date, is as follows:

	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
0 to 30 days	4,409	4,799
31 to 90 days	3,951	1,905
91 to 180 days	1,199	223
Over 180 days	<u>316</u>	<u>1,115</u>
	<u>9,875</u>	<u>8,042</u>

15. BORROWINGS

	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Current liabilities:		
Amounts payable within one year		
– Term loan	(a) <u>7,860</u>	<u>1,277</u>
Non-current liabilities:		
Amounts payable in the second to seventh year		
– Term loan	(a) <u>37,780</u>	540
– Promissory note	(b) <u>8,000</u>	<u>–</u>
	<u>45,780</u>	<u>540</u>
Total borrowings	<u>53,640</u>	<u>1,817</u>

Notes:

- (a) The Group had obtained secured term loans to finance the Group's working capital and acquisition of subsidiary during the respective periods.

	As at 30 June 2024 %	As at 31 December 2023 %
Fixed interest rate of the secured term loans per annum	2%	2%
Floating interest rate of the secured term loans per annum	Singapore Overnight Rate Average in-arrears plus a margin of 1.35% to 1.45%	–

- (b) The unsecured promissory note with a fixed interest rate of 8% per annum matures on the fourth anniversary from its issue date.

16. LEASES

As Lessor

Future minimum rental receivables under non-cancellable operating leases of the Group as at the reporting dates are as follows:

	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Within one year	680	71
Within the second to fifth year	455	40
	<u>1,135</u>	<u>111</u>

The Group leases its investment property under operating leases. The leases run for an initial period of 1 to 2 years. None of these leases includes any contingent rentals.

17. SHARE CAPITAL

	Number of shares	Amounts S\$'000
Authorised:		
Ordinary share HK\$0.01 each		
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	<u>10,000,000,000</u>	<u>17,430</u>
Issued and fully paid:		
At 31 December 2023 (audited)	1,036,456,000	1,767
Issuance of shares	<u>228,019,200</u>	<u>389</u>
At 30 June 2024 (unaudited)	<u>1,264,475,200</u>	<u>2,156</u>

18. COMMITMENTS

The Group had the following commitments as at the reporting dates:

	As at 30 June 2024 S\$'000 (Unaudited)	As at 31 December 2023 S\$'000 (Audited)
Contracted but not provided for, in respect of		
– Acquisition of property, plant and equipment	<u>3,660</u>	<u>1,830</u>

19. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following material related party transactions during the respective periods:

	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Construction contract work and earthwork ancillary services income received from related parties (<i>Note</i>)	<u>102</u>	<u>117</u>
Construction costs and related supporting service fees charged by related parties (<i>Note</i>)	<u>832</u>	<u>1,188</u>
Rental expenses charged by a related party (<i>Note</i>)	<u>40</u>	<u>48</u>

Note:

These related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The construction costs and related supporting service fees of S\$807,000 and rental expenses of S\$40,000 charged by Hulett Construction (S) Pte. Ltd. (“**Hulett Construction**”), a company incorporated in Singapore with limited liability, are for the period between January 2024 and May 2024.

All the transactions with the related parties were negotiated and carried out in the ordinary course of business and at terms agreed between the parties.

- (b) Compensation of key management personnel

The remuneration of the Directors and other members of key management for the six months ended 30 June 2024 and 2023 are as follows:

	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	<u>1,211</u>	<u>1,250</u>

20. CONTINGENT LIABILITIES

Performance bonds provided for in the ordinary course of business

As at 30 June 2024, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of S\$7,194,000 (31 December 2023: S\$7,194,000). The guarantees in respect of performance bonds issued by banks were secured by pledged deposits (Note 13).

21. EVENTS AFTER THE REPORTING PERIOD

On 24 July 2024, the Company repurchased a total of 1,048,000 Shares (the “**Repurchased Shares**”) on the Stock Exchange at the aggregate price (before expenses) of HK\$99,560.00 for cancellation.

22. APPROVAL OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months 30 June 2024 were approved and authorised for issue by the Board on 30 August 2024.

BUSINESS REVIEW

Overall Performance

As one of Singapore's most reputable and prominent earthworks contractors, with over two decades of experience and expertise, the Group remains committed to delivering timely, reliable and superior services, grounded in integrity and exceptional craftsmanship. The Group places paramount importance on adhering to all safety and regulatory standards, recognising these as critical components of its operations, and consistently strives to maintain the highest levels of compliance.

During the Reporting Period, global economic growth encountered headwinds due to escalating geopolitical tensions across various regions. Despite these challenges, Singapore experienced a notable recovery in both the commercial and non-residential construction sectors, which fuelled an increase in construction activities. The Group's strategic focus on securing additional mega-infrastructure projects and optimising operational efficiency has proven effective, as evidenced by its continued strong financial performance during the Reporting Period, which aligned with the resurgence of construction activities.

Attributable to the strategic decision to prioritise higher-margin projects over volume, coupled with the timing of project completions, the Group recorded a slight decrease in revenue to approximately S\$63.5 million during the Reporting Period, compared to approximately S\$66.8 million as of 30 June 2023. While fewer projects were completed during the Reporting Period, the focus on quality and profitability has positioned the Group to stronger long-term growth. In addition, the Group also recorded rental income from investment property of S\$876,000.

In response to rising labour and material costs, the Group implemented rigorous cost control measures, including enhancing productivity, digitalising operations, adopting prefabrication techniques, and providing comprehensive training to its employees. These initiatives allowed the Group to maintain operational efficiency and reduce its dependency on workforce size. Supported by improved contributions from the Earthworks and ancillary services segment, the Group reported a gross profit of approximately S\$7.0 million and a net profit attributable to owners of the Company of approximately S\$2.4 million. These mark a significant increase of approximately 66.0% and 36.3% respectively, compared to the corresponding period in previous year. Notably, the Group's gross profit margin rose to approximately 10.9% from approximately 6.3% in the same period last year, while its net profit margin increased to approximately 3.7% from approximately 2.6% in the same period last year.

Leveraging its well-established reputation and expertise in the industry, the Group successfully secured a total of 13 projects spanning public infrastructure, residential and industrial sectors during the Reporting Period. The Group's attainment of A2-grade contractor status for civil engineering and general building in the Contractors Registration System ("CRS") of Singapore's Building and Construction Authority ("BCA") has strategically positioned it to win high-yielding mega-projects. Notable projects included the subcontracting work for Contract CR208, Project TOPAZ and the proposed addition and alteration works to existing Henderson Substation. These achievements pave the way for the Group to pursue prestigious ventures with enhanced profitability.

Capitalising on the favourable outlook for Singapore's construction sector, the Group has embarked on property redevelopment as part of its strategy to enhance market competitiveness and mitigate operational risks. With its proficient project management and bidding team, along with ample resources, the Group is well-positioned to participate in mega-infrastructure project tenders, aiming to solidify its market leadership and nurture sustainable growth in the industry.

Earthworks and Ancillary Services

The Earthworks and ancillary services segment continued to be the primary revenue driver for the Group during the period under review, accounting for approximately 70.0% of its total revenue, which amounted to approximately S\$45.0 million, up from approximately S\$41.5 million during the same period last year. This increase was primarily attributable to the successful completion of a greater number of projects, following the gradual resumption of operations in Singapore's construction sector.

During the Reporting Period, the Group was engaged in 85 ongoing Earthworks and ancillary services projects, including the Toa Payoh West project, Telok Blangah project and the Woodlands project for the Singapore's Housing and Development Board ("HDB"), as well as LTA J1050 project for the Singapore's Land Transport Authority. These projects showcased the Group's capability and expertise in executing complex infrastructure projects. The Group also secured 12 new projects with a total contract value of approximately S\$37.0 million in the first half of 2024.

General Construction Works

The General construction works segment reported revenue of approximately S\$18.5 million for the Reporting Period, compared to approximately S\$25.2 million as of 30 June 2023. This variation was largely attributable to the completion of a significant number of projects during the previous corresponding period, many of which were one-off in nature and therefore non-recurring. Given that contracts within this segment are typically project-based, the revenue stream can fluctuate depending on the timing and nature of project completions.

During the Reporting Period, the Group maintained a strategic focus on securing projects with higher profit margins. Although the volume of new contracts was lower, the Group concentrated on quality and profitability, ensuring that each project aligned with its long-term objectives. The Group was engaged in 10 ongoing General construction works projects, including design and build of upgrading projects for G32E and the addition and alteration works to existing Paya Lebar Substation. Additionally, the Group successfully secured 1 new project in the first half of 2024, with a total contract value of approximately S\$3.8 million.

Property Investment

Following the completion of the acquisition of Hulett Construction (the “**Acquisition**”) in May 2024, the Group has expanded its existing business and strategically bolstered its asset portfolio and operational capabilities, with immediate benefits evident in both operational efficiency and revenue generation. During the Reporting Period, the new operating segment contributed S\$876,000 to the Group’s total revenue, which includes S\$43,000 generated from the Group’s existing investment property.

The principal asset of Hulett Construction 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 square feet together with the 9-storey single-user general industrial factory development comprising warehouse, workshop, production space, ancillary office, temporary secondary worker dormitory, parking lots for heavy vehicles, temporary ancillary staff canteen and other utilities with a total gross floor area of 232,467 square feet erected thereon (the “**Property**”). It has already played a pivotal role in the Group’s operations, housing the Group’s head office and providing essential facilities such as worker dormitory, carparks for heavy vehicles and production spaces. By bringing the Property under full ownership, the Group has significantly reduced its rental expenses and gained greater flexibility in managing the Property to meet its operational and expansion needs.

Moreover, the Acquisition has expanded the Group's revenue streams. In April 2024, Hulett Construction secured the tenancy agreement (the "**Tenancy**") with HDB to operate the foreign worker dormitory with 1,008 beds situated at 10A Eunos Road 1, Singapore 408523 (the "**Dormitory**") which is expected to generate a stable monthly rental income. The new source of revenue not only contributes to the Group's financial stability but also aligns with its strategic goal of diversifying its revenue base and mitigating operational risks.

Industry Review

The first half of 2024 had been marked by a significant escalation in global geopolitical risks, primarily driven by heightened tensions in the Middle East and the ongoing conflict between Russia and Ukraine. Despite these challenges, there were emerging signs of a recovery in global economic activities, underpinned by a consistent decline in inflation and an increase in employment and income levels worldwide. In this context of a gradual economic recovery, Singapore's economy demonstrated resilience, with gross domestic product ("**GDP**") growth averaging 3.0% year-on-year for the first half of 2024.

Singapore's construction industry has notably benefitted from the ongoing economic expansion. The sector posted a robust growth rate of 3.8% year-on-year in the second quarter of 2024, and on a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.8%, a turnaround from the 1.9% contraction in the previous quarter. Public construction projects have been playing a pivotal role in driving this growth. This positive trajectory is expected to persist as the government continues to prioritise infrastructure development.

The Singapore government has launched several large-scale public sector projects, which are expected to bolster the industry's growth prospects over the medium to long term. These initiatives include new Built-To-Order developments by HDB, additional contracts for Phase 2 of the Cross Island Mass Rapid Transit Line, infrastructure works for the forthcoming Changi Airport Terminal 5, and the ongoing developments at Tuas Port. Furthermore, key projects such as the Asia Connect Cable System, the Pesawat Drive Semiconductor Substrate Plant, the Jurong Hydrogen-Ready CCPP Power Plant (600 MW), the expansion of the Tuas Biomedical Park Biologics Manufacturing Facility, and the Tembusu Grand Residential Development are anticipated to significantly contribute to the continued momentum of Singapore's infrastructure market. The Group remains optimistic about the potential within the commercial property sector, particularly regarding the revitalisation of tourist destinations and hotels. The Group is dedicated to strategically seeking new opportunities that align with its long-term sustainable growth objectives.

The construction industry in Singapore has also experienced a steady recovery, leading to a substantial increase in employment opportunities. However, overall employment growth in the first quarter of 2024 was relatively tempered, with an addition of 4,900 workers. This moderation was largely attributed to a reduction in the number of work permit holders in the construction sector, a consequence of enterprises adjusting to the lower dependency ratio ceiling, which has been reduced from 1:7 to 1:5.

In response to evolving labour market regulations, the construction industry in Singapore has accelerated the adoption of advanced technologies. This transition has been facilitated by various government initiatives, including the Built Environment Industry Transformation Map, spearheaded by BCA, and the substantial S\$1 billion allocation in the Singapore Budget 2024 to advance artificial intelligence across both public and private sectors. According to the latest “State of Digital Adoption in the Construction Industry 2024” report by Autodesk, construction enterprises in Singapore are increasingly allocating more than 20% of their budgets towards digitalisation efforts, signalling a strong commitment to enhancing their technological capabilities.

In managing its business operations amidst the revitalising construction market in Singapore, the Group has adopted a pragmatic and adaptive approach. By closely monitoring current market trends and demonstrating a readiness to adapt to the dynamic environment, the Group is well-positioned to sustain its ongoing success and maintain its leadership in the industry.

FINANCIAL REVIEW

Revenue and Gross Profit

	For six months ended 30 June 2024			For six months ended 30 June 2023		
	Revenue	Gross	Gross	Revenue	Gross	Gross
	recognised	profit	profit	recognised	profit	profit
	S\$'000	S\$'000	margin	S\$'000	S\$'000	margin
Earthworks and ancillary services	45,045	5,151	11.4%	41,539	1,138	2.7%
General construction works	18,460	1,782	9.7%	25,217	3,100	12.3%
Property investment	876	100	11.4%	N/A	N/A	N/A
Total	64,381	7,033	10.9%	66,756	4,238	6.3%

For the six months ended 30 June 2024, the Group generated a total revenue of approximately S\$64.4 million, representing a modest downward adjustment of approximately S\$2.4 million, or approximately 3.6%, compared to the same period in 2023. This adjustment was primarily due to the completion of a smaller number of projects during the Reporting Period. Nonetheless, the Group remained strategically positioned for long-term growth, driven by its unwavering commitment to quality and profitability. Steady contributions from the Earthworks and ancillary services segment, coupled with the Property investment segment beginning to deliver positive returns, had strengthened overall revenue performance. These factors, combined with the Group's prudent financial management, resulted in a remarkable increase of approximately 66.0% in the Group's gross profit, reaching approximately S\$7.0 million (30 June 2023: approximately S\$4.2 million). Additionally, the gross profit margin saw a significant improvement, rising by approximately 4.6 percentage points to approximately 10.9% (30 June 2023: approximately 6.3%).

Earthworks and Ancillary Services

During the Reporting Period, the Earthworks and ancillary services segment maintained its position as the Group's primary revenue generator, contributing approximately 70.0% of the total revenue. The segmental revenue increased by approximately 8.4% year-on-year to approximately S\$45.0 million (30 June 2023: approximately S\$41.5 million), driven by strategic acquisition of profitable construction projects and successful execution of an increased number of government agencies' projects. The segmental gross profit surged more than threefold to approximately S\$5.2 million (30 June 2023: approximately S\$1.1 million).

General Construction Works

Revenue in General construction works segment amounted to approximately S\$18.5 million for the Reporting Period (30 June 2023: approximately S\$25.2 million). This adjustment primarily reflects the completion of several significant projects in the previous corresponding period, many of which were non-recurring in nature. The segmental gross profit stood at approximately S\$1.8 million (30 June 2023: approximately S\$3.1 million).

Property Investment

Following the completion of the Acquisition in May 2024, the Group has expanded its existing business and significantly enhanced its asset portfolio and operational capabilities. This strategic move has yielded notable improvements in both operational efficiency and revenue generation. During the Reporting Period, the new operating segment made a substantial contribution of S\$876,000 to the Group's total revenue, marking a promising start to its integration within the Group's overall business structure. Moreover, the segment recorded a robust gross profit of S\$100,000.

Other Income and Gains

For the six months ended 30 June 2024, other income and gains totalled approximately S\$1.2 million, representing a modest decrease of S\$288,000 or approximately 19.7% compared to the same period in the previous year. While the Group recorded increased interest income on financial assets at amortised cost and recovered bad debts during the Reporting Period, these income and gains were counterbalanced by several factors, including reduced sales of scrap materials and consumables, lower government grant, fewer gains on disposals of property, plant and equipment, and a decrease in net foreign exchange gain.

Administrative and Other Operating Expenses

For the six months ended 30 June 2024, administrative and other operating expenses increased by approximately 10.2% to approximately S\$3.9 million (30 June 2023: approximately S\$3.5 million). This rise primarily stemmed from enhanced employee expenses and compensation packages, reflecting the Group's improved performance and aligning with the broader upward trend in labour costs across the country.

Other Expenses

Other expenses increased to S\$368,000 for the six months ended 30 June 2024 (30 June 2023: S\$29,000), mainly due to the provision on trade receivables and contract assets.

Finance Costs

Finance costs for the six months ended 30 June 2024 rose to S\$365,000, up from S\$87,000 in the previous corresponding period. This increase was primarily driven by higher interest expenses on financial liabilities at amortised cost.

Share of Results of Associates

Share of results of associates of the Group during the Reporting Period amounted to S\$370,000 (30 June 2023: share of profit of associates of S\$214,000), mainly due to the interest rates of the bank loan obtained for the Group's property redevelopment project had increased significantly in light of prevailing market conditions and its elevated construction costs, including labour and material costs.

Income Tax Expense

Income tax expense for the six months ended 30 June 2024 amounted to S\$855,000, compared to S\$539,000 in the previous corresponding period. This increase aligns with the Group's improved net profit for the period under review.

Net Profit for the Period and Net Profit Margin

The confluence of the aforementioned factors resulted in a significant increase in net profit attributable to the owners of the Company. During the Reporting Period, the net profit rose by S\$632,000 to approximately S\$2.4 million, representing a substantial increase of approximately 36.3% from approximately S\$1.7 million in the corresponding period last year. Concurrently, the net profit margin improved by approximately 1.1 percentage points, reaching approximately 3.7% for the six months ended 30 June 2024 (30 June 2023: approximately 2.6%).

Liquidity, Financial Resources and Gearing Ratio

Liquidity

During the Reporting Period, the financial position of the Group remained sound and solid, supported by a working capital primarily financed by its internal generated funds as well as bank borrowings. As at 30 June 2024, cash and cash equivalents of the Group were approximately S\$27.1 million (31 December 2023: approximately S\$30.1 million).

The Group is dedicated to upholding a robust and healthy financial position by diligently monitoring its cash and cash equivalents to ensure they are adequate to support the Group’s operations and minimise the impact of unforeseen cash flow variations.

Use of Proceeds

On 17 November 2023, the Company and Mr. Phang Yew Kiat (“**Mr. Phang**”), the chairman of the Board and an executive Director (who was then a non-executive Director), entered into the subscription agreement dated 17 November 2023 (the “**Subscription Agreement**”), pursuant to which the Company conditionally agreed to allot and issue, and Mr. Phang conditionally agreed to subscribe for, 207,291,200 Shares (the “**Subscription Shares**”) at the subscription price of HK\$0.074 per Subscription Share for the total consideration of HK\$15,339,548.80 in cash (the “**Subscription**”).

After deduction of the related fees and expenses, the net proceeds (the “**Net Proceeds**”) of the Subscription amounted to approximately HK\$15,000,000.00 (equivalent to approximately S\$2.6 million), all of which had been fully utilised as at 30 June 2024.

Intended purposes	Planned use of the Net Proceeds S\$’000	Amount utilised during the Reporting Period S\$’000	Amount utilised up to 30 June 2024 S\$’000	Unutilised balance up to 30 June 2024 S\$’000
Purchase of excavation machines and tipper trucks	615	615	615	–
Leasing or acquisition of industrial property	666	666	666	–
Working capital	1,281	1,281	1,281	–
Total	2,562	2,562	2,562	–

As at 30 June 2024, the Group had fully utilised the Net Proceeds in accordance with the intended purposes as disclosed.

Borrowings and Gearing Ratio

As at 30 June 2024, the Group had an aggregate of current and non-current bank borrowings and lease liabilities of approximately S\$66.0 million, an increase from approximately S\$8.7 million as at 31 December 2023. As at 30 June 2024, the Group's gearing ratio was approximately 0.68 times (31 December 2023: approximately 0.09 times). Gearing ratio is calculated by dividing total borrowings (borrowings and lease liabilities) by total equity as at the end of the respective period.

Foreign Exchange Exposure

The Group predominantly conducts its operations in Singapore, with the majority of transactions denominated in Singapore Dollars.

The Group has no substantial foreign exchange risk due to limited foreign currency transactions other than the functional currency of respective entities. The Group shall regularly assess and closely monitor this risk exposure in a timely manner.

Charges on Group's Assets

As at 30 June 2024, the Group's banking facilities were secured by the pledge of the Group's deposits of approximately S\$1.3 million (31 December 2023: 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\$72.6 million (31 December 2023: approximately S\$10.8 million).

Contingent Liabilities

As at 30 June 2024, 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\$7.2 million for the year ended 31 December 2023. The guarantees in respect of performance bonds issued by banks were secured by pledged deposits.

Capital Expenditures and Capital Commitments

For the six months ended 30 June 2024, the Group invested approximately S\$4.4 million (31 December 2023: approximately S\$12.3 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 30 June 2024, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S\$3.7 million (31 December 2023: approximately S\$1.8 million).

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

Very Substantial Acquisition and Connected Transaction in relation to Acquisition of Entire Equity Interest in Hulett Construction and Sale Loans

On 14 February 2024, Mr. Lim Kui Teng (“**Mr. Lim**”), a controlling shareholder, an executive Director and the chief executive officer of the Company, Ms. Yee Say Lee (“**Ms. Yee**”), the spouse of Mr. Lim, 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 Hulett Construction, which was then owned as to 65% by Mr. Lim and 35% by Ms. Yee, entered into the sale and purchase agreement dated 14 February 2024 (the “**Agreement**”), pursuant to which Mr. Lim and Ms. Yee conditionally agreed to sell, and Chuan Lim conditionally agreed to purchase, 1,000,000 ordinary shares of S\$1.00 each in the share capital of Hulett Construction, representing the entire equity interest in Hulett Construction, together with the sale loans due and owing by Hulett Construction to Mr. Lim as the director of Hulett Construction in the sum of S\$4,000,000 at the total consideration of S\$46,700,000, which was settled (i) as to S\$8,000,000 by the issue of the promissory note in the principal amount of S\$8,000,000 by Chuan Lim to Mr. Lim; and (ii) as to S\$38,700,000 in cash.

The principal activity of Hulett Construction is investment holding and its principal asset is the Property. Hulett Construction has let parts of the Property to the Group since the completion of redevelopment of the Property in or about April 2016. The ancillary office of the Property has been used as the Group's head office and the remaining portions thereof occupied by the Group have been used for the Group's operations, as well as worker dormitory and carparks for heavy vehicles.

On 29 April 2024, Hulett Construction accepted the tender awarded by HDB in relation to the provision of the Tenancy for a term commencing from 13 May 2024 and shall end on 31 December 2025, which may be terminated or extended by HDB by giving three-month's notice in writing, at the rent of S\$323,568 per month. Pursuant to the terms of the Tenancy, the Dormitory shall be leased on an "as-is" basis and for the authorised use of housing for foreign workers who are working in HDB projects. Hulett Construction has given a performance guarantee in favour of HDB for the sum of S\$970,704 being security deposits under the Tenancy and vacant possession of the Dormitory was delivered to Hulett Construction on 13 May 2024. As at 30 June 2024, the accommodation of the Dormitory was fully let to other tenants for provision of housing for foreign workers working in HDB projects.

Taking into account, among others, (i) the Acquisition will help solve the Group's issue in providing sufficient and suitable housing for its foreign workers without incurring exorbitant dormitory costs, enhance the Group's operational and management efficiencies and cater for the business operations and future expansion needs of the Group; (ii) leasing of the unoccupied portions of the Property and the Dormitory to other tenants 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; (iii) the prevailing industrial property market conditions indicate that the consideration for acquisition or leasing of the Property or any other industrial property for the Group's use will increase with time; and (iv) the Acquisition shall reduce the rental expenses burden in relation to the use of any portions of the Property (as the case may be) and administrative costs incurred by the Group incidental to compliance with the applicable requirements under the Listing Rules in the long run, the Acquisition can bring long-term benefits to the Group.

The Agreement and the transactions contemplated thereunder were approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 7 May 2024. The completion of the Acquisition took place on 31 May 2024 in accordance with the terms and conditions of the Agreement, upon which Hulett Construction has become an indirect wholly-owned subsidiary of the Company and the financial results of Hulett Construction have been consolidated in the consolidated financial statements of the Group.

For further details, please refer to the announcements of the Company dated 14 February 2024, 29 April 2024, 7 May 2024 and 31 May 2024 and the circular of the Company dated 22 April 2024 (the "**Circular**").

Save as disclosed above, during the Reporting Period and up to the date of this announcement, there has been no material change in 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 Group for the financial year ended 31 December 2023 (the “**2023 Annual Report**”).

Connected Transactions

Continuing Connected Transactions in relation to Extension of New Master Lease Agreement

As the master lease agreement dated 14 December 2021 (the “**Master Lease Agreement**”) entered into between Hulett Construction and Chuan Lim expired on 31 December 2023 and in contemplation of the Acquisition, on 30 December 2023, Hulett Construction and Chuan Lim entered into the new master lease agreement dated 30 December 2023 (the “**New Master Lease Agreement**”) in respect of the provision of rental services from Hulett Construction to Chuan Lim for a term of three months commencing from 1 January 2024 and ended on 31 March 2024, which was subsequently extended to 31 May 2024 pursuant to the lease extension agreement dated 16 April 2024 (the “**Lease Extension Agreement**”) entered into between Hulett Construction and Chuan Lim, subject to the annual cap of S\$900,000 for the period between 1 January 2024 and 31 May 2024. Pursuant to the New Master Lease Agreement (as extended by the Lease Extension Agreement), Hulett Construction leased to Chuan Lim the premises (the “**Premises**”), including (i) the warehouse, workshop and production space with aggregate floor area of 37,899.26 square feet; (ii) the ancillary office with aggregate floor area of 4,684.19 square feet; (iii) the worker 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 Property, and provided the related management services to Chuan Lim. Chuan Lim paid to Hulett Construction 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 (as extended by the Lease Extension Agreement): (a) monthly rent of S\$64,812.01, including the rentals of (i) the warehouse, workshop and production space of 37,899.26 square feet at the monthly rate of S\$56,848.89; and (ii) the ancillary office of 4,684.19 square feet at the monthly rate of S\$7,963.12; and (b) other charges, including the aggregated sums of (i) worker 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 were adjusted and calculated on a monthly basis based on the actual usage by Chuan Lim.

For further details, please refer to the announcements of the Company dated 14 February 2024 and 16 April 2024 and the Circular.

Save as disclosed above, during the Reporting Period and up to the date of this announcement, there has been no material change in the current information in relation to the connected transactions from the information as disclosed in the 2023 Annual Report.

EMPLOYEE AND EMOLUMENT POLICY

As at 30 June 2024, the Group had 589 (31 December 2023: 574) employees, including foreign workers. The Group's total remuneration including Directors' emoluments for the six months ended 30 June 2024 amounted to approximately S\$14.0 million (30 June 2023: approximately S\$11.9 million).

Employees of the Group are remunerated in accordance with their job duties and prevailing market conditions. All employees are eligible for a discretionary bonus depending on their respective performance. The Group has also implemented a share option scheme to acknowledge and incentivise employees for their valuable contribution towards the Group's growth and advancement.

PROSPECTS

The global economic landscape continues to be shaped by a complex mix of challenges, including persistently high interest rates maintained by central banks, sluggish productivity growth, and escalating geopolitical tensions coupled with economic fragmentation. These factors undeniably present significant hurdles to global economic progress. However, the unexpected resilience of the global economy has prompted the International Monetary Fund to revise its 2024 global growth forecast upward to 3.2%, a modest yet positive adjustment from the 3.1% anticipated in the January 2024 World Economic Outlook. Within this cautiously optimistic global context, Singapore's GDP growth for 2024 is forecasted to range between 2.0% and 3.0%.

In Singapore, the construction sector is projected to expand by 3.3% in real terms in 2024, buoyed by consistent economic growth and substantial investments in critical infrastructure, particularly in the electricity, transportation and housing sectors, as highlighted in a report by Research and Markets. The increasing value of construction contracts awarded, alongside significant investments in these key areas, underscore the abundant opportunities available within the industry.

To harness these opportunities, the Group will continue to leverage its core competitive advantage—its A2-grade contractor status for civil engineering and general building awarded by BCA. Focused on strategic growth, the Group is set to pursue high-value public projects characterised by substantial contract sizes and attractive profit margins, while also emphasising the importance of nurturing strong, enduring relationships with its clients. The Group’s involvement in the HDB’s Toa Payoh West project, which includes complex civil engineering tasks such as canal diversion, sewer main construction and ground improvement works, exemplifies its technical expertise and project management capabilities. Successfully executing this project can strategically position the Group for further contracts from key agencies such as HDB, Singapore’s Public Utilities Board and Jurong Town Corporation, potentially leading to an enhanced classification within the CRS.

In a strategic response to the rising costs of foreign worker housing and compliance with Singapore’s tightened regulations, the Group completed the Acquisition in May 2024. The Acquisition is a pivotal component of the Group’s broader strategy to meet expanding operational demands and scale its production capacity. By integrating Hulett Construction’s assets, the Group has enhanced its ability to accommodate a growing workforce and heavy vehicles, thereby significantly reducing dormitory costs and aligning with its long-term development plans.

Additionally, the Acquisition is set to strengthen the Group’s revenue streams. Hulett Construction’s recent award of the tender by HDB to operate the Dormitory marks a key milestone. The Tenancy, which commenced in May 2024, is expected to generate a stable and recurring rental income stream, reinforcing the Group’s financial stability. The Dormitory shall primarily house foreign workers engaged in HDB projects, and the Group’s successful management of the Dormitory aligns with its strategic objectives of revenue diversification and risk mitigation. Following the completion of the Acquisition, the Group shall carefully evaluate potential leasing arrangements for the Dormitory to ensure compliance with regulatory requirements and optimise the Dormitory’s utility.

In alignment with Singapore’s evolving labour regulations, the Group is dedicating significant resources to its digital transformation and sustainability initiatives, underscoring its commitment to operational excellence and environmental stewardship. A cornerstone of this strategy is the implementation of a cutting-edge Solar Photovoltaic System at the Property which symbolises the Group’s forward-looking approach to sustainability. This project, designed to achieve the prestigious BCA’s Green Mark Super Low Energy status, not only sets a new benchmark for sustainable infrastructure but also positions the Group as a leader in advancing Singapore’s long-term decarbonisation goals for 2050. By embracing innovative clean energy solutions, the Group is reinforcing its role as a pioneer in sustainable development, while simultaneously enhancing operational efficiency.

Despite the promising outlook for Singapore’s construction industry, the sector faces ongoing challenges, including labour shortages and persistently high material costs. The Group remains acutely aware of these risks and is committed to navigating them through vigilant market monitoring, adherence to prudent financial management practices, and the implementation of comprehensive risk mitigation strategies. These measures are integral to sustaining profitability and ensuring the long-term viability of the businesses.

Recognising that talent is a cornerstone of its competitive advantage, the Group will continue to invest in talent development programmes. By fostering a culture of continuous learning and professional growth, the Group aims to retain top-tier talent and maintain its competitive edge in the market. These efforts are designed not only to enhance the Group’s operational capabilities but also to ensure agility and responsiveness to the dynamic demands of the industry.

Looking ahead, the Singapore construction market is expected to maintain a positive trajectory, supported by the government’s strong commitment to advancing mega-infrastructure projects. Leveraging its extensive industry experience and deep expertise, the Group remains confident in its ability to navigate market challenges, adapt to fluctuating economic conditions, and capitalise on emerging opportunities within the construction sector.

Guided by a business philosophy centred on creating long-term value, the Group will continue to harness its vast industry knowledge and the management team’s profound expertise in corporate governance and strategic management. By adhering to the highest standards of business ethics and practices, the Group remains steadfast in its commitment to optimising long-term returns for the shareholders (the “**Shareholders**”) of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of good corporate governance in and adopted all of the code provisions (the “**Code Provision(s)**”) of the Corporate Governance Code (the “**CG Code**”) set out in Part 2 of Appendix C1 to the Listing Rules as its own code on corporate governance practices.

The Company had complied with all applicable Code Provisions throughout the Reporting Period.

The Board is aware that the Company shall comply with the CG Code and any deviation from the CG Code shall be carefully considered and disclosed in the interim and annual reports of the Group. The Board will continue to monitor and review the Company’s corporate governance practices to ensure compliance.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All Directors, following specific enquiries made by the Company, have confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the Reporting Period.

The Company has also adopted a written code of conduct on terms no less exacting than the Model Code for its relevant employees (including all employees of the Company and all directors and employees of the Company’s subsidiaries who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities, the “**Relevant Employees**”) in respect of their dealings in the Company’s securities. All Relevant Employees are required to follow such code when dealing in the securities of the Company.

AUDIT COMMITTEE

The Audit Committee currently comprises all three independent non-executive Directors, namely Mr. Wong Ka Bo Jimmy (chairman), Mr. Wee Hian Eng Cyrus and Mr. Xu Fenglei.

At the request of the Audit Committee, Ernst & Young LLP, the auditor (the “**Auditor**”) of the Company, performed certain agreed-upon procedures on the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 in accordance with International Standards on Related Services 4400 (Revised) *Agreed-Upon Procedures Engagements*.

The agreed-upon procedures were performed solely to assist the Audit Committee to review the interim results of the Group for the six months ended 30 June 2024. As the agreed-upon procedures does not constitute an assurance engagement in accordance with International Standards on Auditing or International Standards on Review Engagements, the Auditor does not express any assurance on the interim results of the Group for the six months ended 30 June 2024.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2024.

ISSUE OF SHARES

On 17 November 2023, the Company and Mr. Phang entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue, and Mr. Phang conditionally agreed to subscribe for, the Subscription Shares of 207,291,200 Shares at the subscription price of HK\$0.074 per Subscription Share for the total consideration of HK\$15,339,548.80 in cash. The closing price of the Shares as quoted on the Stock Exchange on 17 November 2023, being the date on which the terms of the issue were fixed, was HK\$0.074 per Share.

In view of (i) the Group's business scale, strategic development and ongoing projects; (ii) the term of the Master Lease Agreement; (iii) the number of foreign workers staying at the Group's leased worker dormitory and the dormitories operated by third parties; (iv) the surging dormitory costs due to supply shortage of foreign worker dormitories; (v) the more stringent requirements imposed by the Singapore government on the employers' responsibility to ensure their foreign workers are provided with proper housing; and (vi) the future business opportunities of construction works in Singapore, the Group shall continue to strengthen its market presence and competitiveness in the construction industry by increasing its working capital, production capacity and workforce and to provide sufficient and suitable operation space and housing for its foreign workers. The Subscription demonstrates Mr. Phang's confidence and commitment for the Group's long-term development and growth prospect and further strengthens the capital base of the Company by raising additional funds for the Group's business operations and strategic development. In light of the prevailing market conditions that the interest rate for debt financing has raised significantly, the Subscription represents a suitable financial option to support the Group's continuous development and business growth, as compared to other means of financing as it enables the Group to raise capital in an efficient manner without increasing interest burden on the Group.

The Subscription Agreement and the transactions contemplated thereunder, including the Subscription and the grant to the Directors of the specific mandate to allot and issue the Subscription Shares, were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 4 January 2024. The completion of the Subscription took place on 23 January 2024 in accordance with the terms and conditions of the Subscription Agreement, upon which the Subscription Shares were allotted and issued by the Company to Mr. Phang, who became a substantial Shareholder. For further details, please refer to the announcements of the Company dated 17 November 2023, 4 January 2024 and 23 January 2024 and the circular of the Company dated 15 December 2023.

After deduction of the related fees and expenses, the Net Proceeds amounted to approximately HK\$15,000,000.00 (equivalent to approximately S\$2.6 million), representing a net subscription price of approximately HK\$0.0724 per Subscription Share. The intended use of the Net Proceeds is as follows:

- (a) HK\$7,500,000.00 (i.e. 50% of the Net Proceeds and equivalent to S\$1,281,000) for strengthening the Group's working capital for tender for additional sizable projects;
- (b) HK\$3,600,000.00 (i.e. 24% of the Net Proceeds and equivalent to S\$615,000) for purchase of excavation machines and tipper trucks; and
- (c) HK\$3,900,000.00 (i.e. 26% of the Net Proceeds and equivalent to S\$666,000) for leasing or acquisition of industrial property for the Group's use.

Details of utilisation of the Net Proceeds during the Reporting Period are set out in the section headed "Use of Proceeds" in the "FINANCIAL REVIEW" of this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Reporting Period and up to the date of this announcement, the Company repurchased the Repurchased Shares of 1,048,000 Shares on the Stock Exchange for cancellation. Particulars of the Repurchased Shares are as follows:

Date of repurchase	Number of Repurchased Shares	Repurchase price per Repurchased Share HK\$	Aggregate price paid (before expenses) HK\$
24 July 2024	1,048,000	0.095	99,560.00

As at the date of this announcement, the Repurchased Shares are not yet cancelled.

Save as disclosed above, there was no purchase, sale or redemption of the Shares by the Company or any of its subsidiaries during the Reporting Period and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (<http://www.hkex.news.hk>) and the website of the Company (<http://www.chuanholdingsltd.com>). The interim report of the Group for the six months ended 30 June 2024 will be available on the aforesaid websites and despatched to the Shareholders in due course.

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

Hong Kong, 30 August 2024

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