KWAN YONG HOLDINGS LIMITED
光 榮 建 築 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9998)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of Kwan Yong Holdings Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 June 2020, together with the comparative figures for the year ended 30 June 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2020

	Note	**2020**	2019
		SGD'000	*SGD'000*
Revenue	*4*	**127,492**	110,364
Cost of sales		**(136,665)**	(95,991)
Gross (loss)/profit		**(9,173)**	14,373
Other income	*5*	**2,843**	865
Administrative expenses		**(6,602)**	(5,256)
Listing and other expenses		**(4,448)**	(2,395)
Finance costs	*6*	**(123)**	(30)
(Loss)/profit before tax	*7*	**(17,503)**	7,557
Income tax credit/(expense)	*8*	**552**	(1,639)
(Loss)/profit for the year attributable to shareholders of the Company		**(16,951)**	5,918
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation		**499**	–
Other comprehensive income for the year, net of tax		**499**	–
Total comprehensive (loss)/income for the year attributable to shareholders of the Company		**(16,452)**	5,918
Basic and diluted earnings per share (cents)	*10*	**(2.12)**	0.74

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	2020 SGD'000	2019 SGD'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**17,510**	17,043
Investment properties		**1,903**	1,934
Right-of-use assets		**1,306**	–
Total non-current assets		**20,719**	18,977
Current assets			
Contract assets	*12*	**12,828**	27,064
Trade receivables	*13*	**5,654**	22,888
Prepayments, deposits and other receivables	*14*	**7,616**	1,413
Pledged deposits		**4,000**	7,000
Cash and cash equivalents		**48,052**	3,044
Total current assets		**78,150**	61,409
Total assets		**98,869**	80,386
Current liabilities			
Contract liabilities	*12*	**2,647**	590
Trade payables	*15*	**40,462**	33,066
Other payables and accruals	*16*	**2,948**	750
Provisions	*17*	**1,932**	375
Deferred grants		**468**	47
Income tax payable		**–**	1,294
Borrowings		**1,585**	3,934
Lease liabilities		**14**	–
Total current liabilities		**50,056**	40,056
Net current assets		**28,094**	21,353
Total assets less current liabilities		**48,813**	40,330
Non-current liabilities			
Deferred grants		**4**	44
Borrowings		**5,125**	572
Lease liabilities		**1,316**	–
Deferred tax liabilities		**–**	261
Total non-current liabilities		**6,445**	877
Total liabilities		**56,501**	40,933
Net assets		**42,368**	39,453
Equity attributable to shareholders of the Company			
Issued capital	*18*	**1,389**	–#
Reserves		**40,979**	39,453
Total equity		**42,368**	39,453

Less than SGD500

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

	Notes	Issued capital	Share premium account	Merger reserve	Foreign currency translation reserve	Retained profits	Total equity
		Attributable to shareholders of the Company					
		SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Year ended 30 June 2019							
At 1 July 2018		–	–	15,000	–	22,535	37,535
Profit for the year, representing total comprehensive income for the year		–	–	–	–	5,918	5,918
Dividend declared by a subsidiary to its then shareholders at SGD0.27 per share	*9*	–	–	–	–	(4,000)	(4,000)
Issue of a new share upon incorporation of the of the Company	*18*	–#	–	–	–	–	–
At 30 June 2019		–#	–	15,000*	–	24,453*	39,453
Year ended 30 June 2020							
At 1 July 2019		–#	–	15,000*	–	24,453*	39,453
Loss for the year		–	–	–	–	(16,951)	(16,951)
Other comprehensive income for the year:							
Foreign currency translation		–	–	–	499	–	499
Total comprehensive income/(loss) for the year		–	–	–	499	(16,951)	(16,452)
Issue of new shares pursuant to a Capitalisation Issue in connection with the Global Offering^	*18*	1,038	13,962	(15,000)	–	–	–
Issue of new shares pursuant to the Global Offering	*18*	351	22,438	–	–	–	22,789
Expenses incurred in connection with the Listing		–	(3,422)	–	–	–	(3,422)
At 30 June 2020		1,389	32,978*	–*	499*	7,502*	42,368

\# Less than SGD500.

^ During the year ended 30 June 2020, the Company made an offer to the public for subscription of its new shares and undertook an international placing of its new shares (collectively, the "**Global Offering**") in connection with the listing of the Company's shares (the '**Listing**") on the Main Board of The Stock Exchange of Hong Kong (the "**Stock Exchange**"). Dealing of the Company's shares on the Stock Exchange commenced on 8 January 2020.

* These reserves accounts comprise the consolidated reserves of approximately SGD40,979,000 (2019: approximately SGD39,453,000) in the consolidated statement of financial position as at 30 June 2020.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2020

	2020	2019
	SGD'000	*SGD'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	**(17,503)**	7,557
Adjustments for:		
Bank interest income	**(247)**	(205)
Loss on disposal of property, plant and equipment, net	**13**	–
Amortisation of deferred capital grants	**(47)**	(47)
Finance costs	**123**	30
Impairment of property, plant and equipment	**600**	–
Depreciation of property, plant and equipment	**1,814**	1,754
Depreciation of investment properties	**31**	31
Depreciation of right-of-use assets	**38**	–
Write-off of trade receivables	**84**	–
Government grant not yet received	**(152)**	–
Provision for defect liabilities, net	**652**	(266)
Provision for onerous contract	**905**	–
Operating cash flows before changes in working capital	**(13,689)**	8,854
Decrease/(increase) in contract assets	**14,236**	(14,453)
Decrease/(increase) in trade receivables	**17,150**	(18,729)
(Increase)/decrease in prepayments, deposits and other receivables	**(5,413)**	2,797
Increase in contract liabilities	**2,057**	590
Increase in trade payables	**7,396**	17,594
Increase in other payables and accruals	**2,198**	138
Cash flows generated from/(used in) operations	**23,935**	(3,209)
Income tax paid	**(1,213)**	(1,972)
Interest paid	**(2)**	–
Net cash flows generated from/(used in) operating activities	**22,720**	(5,181)
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of time deposits with original maturity of more than three months when acquired	**(9,000)**	(7,000)
Withdrawal of time deposits with original maturity of more than three months when acquired	**12,000**	13,000
Interest received	**247**	205
Purchase of items of property, plant and equipment	**(1,510)**	(1,091)
Proceeds from disposal of property, plant and equipment	**49**	6
Net cash flows generated from investing activities	**1,786**	5,120

	2020	2019
	SGD'000	*SGD'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(121)**	(30)
Payment for lease liabilities for leasehold land	**(14)**	–
Payment of principal portion under hire purchase obligation	**(290)**	(44)
Proceeds from bank borrowings	**5,000**	–
Repayment of bank borrowings	**(103)**	(69)
Proceeds from issuance of shares, net	**19,367**	–
Cash dividends paid to the then shareholders of a subsidiary	**–**	(4,000)
Net cash flows generated from/(used in) financing activities	**23,839**	(4,143)
Net increase/(decrease) in cash and cash equivalents	**48,345**	(4,204)
Cash and cash equivalents at beginning of year	**(792)**	3,412
Effect of foreign exchange rate changes	**499**	–
Cash and cash equivalents at end of year	**48,052**	(792)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	**30,650**	37
Time deposits	**21,402**	10,007
Less: Pledged deposits	**(4,000)**	(7,000)
Cash and cash equivalents as stated in the consolidated statement of financial position	**48,052**	3,044
Less: Bank overdrafts	**–**	(3,836)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**48,052**	(792)

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 7 September 2018. The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands, and the headquarter and principal place of business in Singapore of the Company is located at 11 Joo Koon Crescent, Singapore 629022.

The Company is an investment holding company. The Group is principally engaged in the provision of general building and construction services in Singapore.

As at the date of this announcement, in the opinion of the directors of the Company, Ideal Smart Ventures Limited, a company incorporated in the British Virgin Islands, is the immediate holding company and the ultimate holding company of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Pursuant to the reorganisation (the "**Reorganisation**") in connection with the listing of the shares of the Company on the Stock Exchange, as more fully explained in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in the prospectus of the Company dated 24 December 2019 (the "**Prospectus**"), the Company became the holding company of the companies now comprising the Group on 13 December 2019. The Reorganisation only involved inserting new holding companies of an existing company and has not resulted in any change of economic substances. Accordingly, for the purpose of this announcement, the consolidated financial statements have been presented by applying the principles of pooling of interest.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the years ended 30 June 2020 and 2019 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Company. The consolidated statements of financial position of the Group as at 30 June 2020 and 2019 have been prepared to present the assets and liabilities of the companies now comprising the Group using the existing book values of the relevant entities. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**") and the disclosures requirement of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 July 2019 have been adopted by the Group in the preparation of the consolidated financial statements for the year ended 30 June 2020.

The consolidated financial statements have been prepared on a historical basis except as disclosed in the accounting policies below.

The consolidated financial statements are presented in Singapore Dollars ("**SGD**") and all values are rounded to the nearest thousand ("**SGD'000**"), except where otherwise stated.

2.2 Adoption of New and Amended Standards and Interpretations

The Group applies IFRS 16 *Leases* for the first time using the modified retrospective method of adoption without the need to restate previous financial statements. The nature and effect of the changes as a result of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time during the year ended 30 June 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 *supersedes* IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from the current accounting policy under IAS 17. The Group will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with any cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits as at 1 July 2019, and the comparative information will not be restated and continues to be reported under IAS 17. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases apply IAS 17 at the date of initial application.

(a) Leases previously classified as finance leases

The Group did not change the initial carrying amounts of the recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. The requirement of IFRS 16 were applied to these leases from 1 July 2019.

(b) Leases previously accounted for as operating leases

The Group is required to pay annual land rent to Jurong Town Corporation ("**JTC**") for its leasehold property. The annual land rent is based on market rent for the relevant year and the land lease has a remaining tenure of 35 years. Before the adoption of IFRS 16, the Group classified this lease as operating leases.

Upon the adoption of IFRS 16, the Group will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset (i.e., the right-of-use asset) for the lease previously classified as operating lease. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. The Group will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Group will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. The Group will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group use the following practical expedients when applying IFRS 16 as at 1 July 2019:

– Applying short term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.

– Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

Based on the foregoing, as at 1 July 2019:

– Right-of-use assets of approximately SGD1,344,000 were recognised and presented separately in the consolidated statement of financial position.

– Lease liabilities of approximately SGD1,344,000 were recognised.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	SGD'000
Operating lease commitments as at 30 June 2019	3,688
Less: Commitments relating to short term leases	(771)
	2,917
Weighted average incremental borrowing rate as at 1 July 2019	5.25%
Discounted operating lease commitments as at 1 July 2019	1,344

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

– Whether an entity considers uncertain tax treatments separately.

– The assumptions an entity makes about the examination of tax treatments by taxation authorities.

– How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

– How an entity considers changes in facts and circumstances.

Upon adoption of the interpretation, the Group considers whether it has any uncertain tax positions. The Group determines, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

2.3 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

– Expected to be realised or intended to be sold or consumed in the normal operating cycle

– Held primarily for the purpose of trading

– Expected to be realised within twelve months after the reporting period

Or

– Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

– It is expected to be settled in the normal operating cycle

– It is held primarily for the purpose of trading

– It is due to be settled within twelve months after the reporting period

Or

– There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. SEGMENT INFORMATION

Operating segment information

No operating segment information is presented as the Group's revenue and reported results during the financial years ended 30 June 2020 and 2019, and the Group's total assets as at the end of the financial years ended 30 June 2020 and 2019 were derived from one single operating segment, i.e., provision of general building and construction services.

Geographical information

The Group's revenue during the financial years ended 30 June 2020 and 2019 were all derived from external customers based in Singapore, and the Group's non-current assets, excluding financial assets, as at the end the financial years ended 30 June 2020 and 2019 were all located in Singapore.

Information about major customers

Revenue from major customers, which contributed 10% or more of the Group's revenue for years ended 30 June 2020 and 2019, is set out below:

	2020	2019
	SGD'000	*SGD'000*
Customer A	**57,730**	50,019
Customer B	**19,895**	–
Customer C	**N/A***	17,704
Customer D	**28,039**	31,137

* The customer did not contribute 10% or more of the Group's revenue in the year ended 30 June 2020.

4. REVENUE

(a) Disaggregation revenue information

Revenue are recognised over time which represents an appropriate proportion of contract revenue of construction contracts for the provision of general building and construction services. All revenue are generated in Singapore.

Performance obligation – Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

(b) Transaction price allocated to remaining performance obligation

The aggregate amounts of transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations as at the end of each of the financial years are as follows:

	2020	2019
	SGD'000	*SGD'000*
Expected to be recognised:		
Within one year	**129,323**	186,341
More than one year	**80,957**	28,200
	210,280	214,541

Variable consideration that is constrained is not included in the transaction price. The Group determined that the estimates of variable consideration are not constrained.

5. OTHER INCOME

An analysis of the Group's other income for each of the reporting period is as follows:

	2020	2019
	SGD'000	*SGD'000*
Other income		
Bank interest income	**247**	205
Government grants *(note)*	**2,061**	129
Amortisation of deferred capital grants	**47**	47
Rental income	**485**	480
Sundry income	**3**	4
	2,843	865

Note: During the years ended 30 June 2020 and 2019, subsidies were received by a subsidiary from various government authorities in Singapore for employment incentives, productivity improvement and novel coronavirus (the "**COVID-19**") related grants and rebates. There are no unfulfilled conditions or contingencies attaching to government grants that have been recognised.

Included in government grants are COVID-19 related grants and rebates of approximately SGD1,944,000 (2019: Nil).

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2020	2019
	SGD'000	*SGD'000*
Interest on:		
Bank overdraft	**2**	–
Term loan	**26**	23
Hire purchases	**25**	7
Lease liabilities	**70**	–
	123	30

7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Note	**2020** *SGD'000*	2019 *SGD'000*
Cost of construction work		**135,760**	96,437
Onerous contract		**905**	–
Depreciation of property, plant and equipment		**1,814**	1,754
Less: Amount included in cost of construction work		**(1,030)**	(1,082)
		784	672
Depreciation of investment properties		**31**	31
Depreciation of right-of-use assets		**38**	–
Expensed relating to short-term leases and leases of low value assets		**510**	373
Less: Amount included in cost of construction work		**(434)**	(214)
		76	159
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**19**	48
Employee benefit expense (excluding directors' remuneration):			
Salaries, allowances and benefits in kind		**7,865**	6,489
Pension scheme contributions		**609**	565
		8,474	7,054
Less: Amount included in cost of construction work		**(5,630)**	(5,113)
		2,844	1,941
Provision for defect liabilities	*17*	**652**	–
Auditors remuneration		**160**	100
Write-off of trade receivables		**84**	–
COVID-19 related expenses		**2,287**	–
Loss on disposal of property, plant and equipment		**13**	–
Impairment of property, plant and equipment		**600**	–

8. INCOME TAX (CREDIT)/EXPENSE

Pursuant to the rules and regulation of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands. The Company is a tax resident in Singapore and is subject to Singapore tax laws.

Singapore income tax has been provided at the rate of 17% (2019: 17%) on the estimated assessable profits arising in Singapore during the years ended 30 June 2020 and 2019.

An analysis of the Group's income tax is as follows:

	2020	2019
	SGD'000	*SGD'000*
Current tax – Singapore:		
Charge for the year	**–**	1,802
Overprovision in prior years	**(291)**	–
	(291)	1,802
Deferred tax	**(261)**	(163)
	(552)	1,639

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory tax rate of Singapore (in which the Group operates) to the tax (credit)/expense at the effective tax rate is as follows:

	2020	2019
	SGD'000	*SGD'000*
(Loss)/profit before tax	**(17,503)**	7,557
Tax at the statutory rate of 17% (2019: 17%)	**(2,975)**	1,285
Income not subject to tax	**(17)**	(8)
Expenses not deductible for tax	**537**	412
Effects of partial tax exemptions, reliefs and rebates*	**–**	(17)
Deferred tax benefits on temporary differences not recognised	**2,228**	–
Adjustments in respect of current tax of previous years	**(291)**	–
Adjustments in respect of deferred tax of previous years	**(34)**	(33)
Tax (credit)/expense for the year	**(552)**	1,639

* Pertains to impact of partial exemption, tax rebates and enhanced capital allowance deduction granted by the Inland Revenue Authority of Singapore to the Singapore subsidiary.

At the end of the reporting period, the Group has tax losses of approximately SGD12,533,000 that are available for offset against future taxable profits in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

9. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation on 7 September 2018.

Prior to the Reorganisation, the directors of Kwan Yong Construction Pte Ltd ("**Kwan Yong**"), a subsidiary of the Company have declared dividends to its then shareholder of approximately SGD4,000,000 during the year ended 30 June 2019.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Group	
	2020	2019
(Loss)/profit attributable to the shareholders of the Company (SGD)	**(16,951,000)**	5,918,000
Weighted average number of ordinary shares in issue	**800,000,000**	800,000,000
Basic and diluted earnings per shares (SGD cents)	**(2.12)**	0.74

The calculation of basic earnings per share is based on the (loss)/profit for the year attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the year, as if changes in the issued number of ordinary shares of the Company as disclosed in Note 18 had been completed on 1 July 2018.

No adjustment has been made to the basic earnings per share presented for the years ended 30 June 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during each of these years.

11. PROPERTY, PLANT AND EQUIPMENT

Additions and Disposals

During the year ended 30 June 2020, the Group acquired assets with a cost of approximately SGD2,943,000 (2019: approximately SGD1,331,000).

Assets with a net book value of approximately SGD62,000 were disposed by the Group during the year ended 30 June 2020, resulting in a net loss on disposal of approximately SGD13,000.

During the year, an impairment loss of approximately SGD600,000 (2019: Nil), representing the write-down of its property, plant and equipment to its recoverable amount, has been recognised.

12. CONTRACT BALANCES

Information relating to contract balances arising from contracts with customers is disclosed as follows:

		2020	2019
		SGD'000	*SGD'000*
Contract assets:			
Retention receivables	*(a)*	**382**	174
Other contract assets	*(b)*	**12,446**	26,890
Total contract assets	*(c)*	**12,828**	27,064
Trade receivables	*13*	**5,654**	22,888
Contract liabilities	*(d)*	**(2,647)**	(590)

Notes:

(a) Retention receivables held by contract customers arose from the Group's construction work business and are settled within a period ranging from one year to two years after the completion of the construction work and after the relevant construction work is accepted by the contract customers, as stipulated in the construction contracts.

The due date for settlement of the Group's retention receivables as at the end of each reporting period is analysed as follows:

	2020	2019
	SGD'000	*SGD'000*
Due after one year	**382**	174

(b) Other contract assets primarily relate to the Group's right to consideration for construction work completed but yet to be certified by surveyors appointed by the customers as at the reporting date. Contract assets are transferred to receivables when the rights become unconditional.

The decrease in contracts assets during the year ended 30 June 2020 was the result of the decrease in the value of the construction works performed but have not yet been certified by the surveyors appointed by the customers at the end of the year ended 30 June 2020.

The expected timing of recovery or settlement of contract assets as at the end of each of the years ended 30 June 2020 and 2019 is as follows:

	2020	2019
	SGD'000	*SGD'000*
Within one year	**11,411**	23,320
More than one year	**1,035**	3,570
Total other contract assets	**12,446**	26,890

(c) The Group applies the simplified approach to providing for expected credit losses (the "**ECL**") prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all contract assets. The Group has assessed the impairment of its contract assets on an individual basis based on internal credit rating and ageing of these balances which, in the opinion of the directors of the Company, have no significant increase in credit risk during the financial years. ECL is estimated based on historical observed default rates over the expected life of debtors and are adjusted for forward-looking information that is available without undue cost or effort. Considering the good credit history of debtors and insignificant loss on collection incurred in the past history, no ECL was made for contract assets as at 30 June 2020 and 2019.

(d) Contract liabilities are the Group's obligations to transfer goods or services to customers for which the Group has received consideration from customers. Contract liabilities are recognised as revenue when the Group performs under the contract.

Set out below is the amount of revenue recognised from amounts included in contract liabilities at the beginning of the years ended 30 June 2020 and 2019:

	2020	2019
	SGD'000	*SGD'000*
Revenue recognised that was included in the contract liabilities balance at beginning of the year	**590**	–

(e) As at 30 June 2020, performance bonds amounting to approximately SGD24,661,000 (2019: approximately SGD18,246,000) were issued by an insurance company as security deposits in lieu of cash to customers of the Group for the due performance and observance of the Group's obligations under the contracts entered into between the Group and the customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the insurance company to pay to them the sum or sums stipulated in such demand. The Group will then be liable to compensate the insurance company accordingly. The performance bonds will be released upon completion of the contract work. The performance bonds are secured by way of personal guarantees given by two directors of the Company. The Company is in the midst of replacing the personal indemnity with corporate gurantee.

13. TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on a 30-day term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group assesses at the end of each reporting period whether there is objective evidence that any trade receivables are impaired. The Group seeks to maintain strict control over all its outstanding receivables and has a credit control in place to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group has assessed the impairment of its trade receivables on an individual basis based on internal credit rating and ageing of these balances which, in the opinion of the directors of the Company, have no significant increase in credit risk during the financial years. ECL is estimated based on historical observed default rates over the expected life of debtors and are adjusted for forward-looking information that is available without undue cost or effort. Considering the good credit history of debtors and loss on collection is not material, no ECL was made for trade receivables as at 30 June 2020 and 2019.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 *SGD'000*	2019 *SGD'000*
Within one month	**2,417**	6,959
1 to 2 months	**896**	1,329
2 to 3 months	**20**	–
Over 3 months	**338**	101
	3,671	8,389
Unbilled receivables*	**1,983**	14,499
	5,654	22,888

* Unbilled receivables related to construction work which have been certified by customers but related invoices have not been issued as at the end of the reporting period.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 *SGD'000*	2019 *SGD'000*
Advance payments to sub-contractors	**805**	–
Prepayments	**360**	651
Deposits	**849**	259
GST receivable	**–**	127
Government grant receivable	**1,114**	–
Tax recoverable	**210**	–
Other receivables	**4,278**	376
	7,616	1,413

Other receivables relate to purchases made on behalf of subcontractors. The amount is unsecured, interest-free and repayable on demand.

15. TRADE PAYABLES

		2020 *SGD'000*	2019 *SGD'000*
Trade payables	*(a)*	**29,174**	25,280
Retention payables	*(b)*	**11,288**	7,786
		40,462	33,066

Notes:

(a) The Group's trade payables are unsecured, non-interest bearing, and are normally settled on average terms of 30 to 60 days.

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020	2019
	SGD'000	*SGD'000*
Within one month	**193**	3,933
1 to 2 months	**174**	1,419
2 to 3 months	**181**	73
Over 3 months	**821**	175
	1,369	5,600
Unbilled payables *	**27,805**	19,680
	29,174	25,280

* Unbilled payables are accrued subcontractor costs but related invoices have not been received as at the end of the reporting period.

(b) Retention payables represent contract sums payable to the Group's subcontractors which are withheld by the Group for a period of time after the work has been completed in accordance with contractual terms and conditions agreed with its subcontractors.

The expected due date for settlement of the Group's retention payables as at the end of the reporting period is analysed as follows:

	2020	2019
	SGD'000	*SGD'000*
Due within one year	**2,450**	3,322
Due after one year	**8,838**	4,464
	11,288	7,786

16. OTHER PAYABLES AND ACCRUALS

	2020	2019
	SGD'000	*SGD'000*
Accruals	**515**	655
Advance received from customers	**1,740**	–
Deposits received	**95**	95
GST payable	**598**	–
	2,948	750

17. PROVISIONS

	Defect liabilities	**Onerous contracts**	**Total**
	SGD'000	*SGD'000*	*SGD'000*
At 1 July 2018	641	–	641
Utilised during the year	(266)	–	(266)
At 30 June 2019 and 1 July 2019	375	–	375
Additional provision made during the year	652	905	1,557
At 30 June 2020	1,027	905	1,932

Provision for defect liabilities is recognised for expected claim on defective works for completed construction projects, based on the Group's expectation and past experience of the level of repair works.

Provision for onerous contracts relates to unavoidable costs of meeting the obligation under the construction contracts with customers, which exceeds the economic benefits expected to be received under the contracts.

18. SHARE CAPITAL

	2020	2019
	HKD'000	*HKD'000*
Authorised:		
15,000,000,000 (2019: 38,000,000) ordinary share of HKD0.01 each *(Note a)*	**150,000**	380

	2020	2019
	SGD'000	*SGD'000*
Issued and fully paid:		
800,000,000 (2019: 1) ordinary share of HKD0.01	**1,389**	–#

Less than SGD500

The movement in the Company's issued capital from its date of incorporation of 7 September 2018 to 30 June 2020 is as follows:

	Number of shares in issue	**Issued capital** *SGD'000*	**Total** *SGD'000*
Issue of a new share upon incorporation on 7 September 2018 *(Note (a))*	1	–#	–#
As at 30 June 2019	1	–#	–#
Issue of a new shares for acquisition of subsidiaries pursuant to Reorganisation *(Note (b))*	2	–#	–#
Issue of a new shares pursuant to Capitalisation Issue *(Note (c))*	599,999,997	1,038	1,038
Issue of a new shares in connection with the Listing *(note (d))*	200,000,000	351	351
At 30 June 2020	800,000,000	1,389	1,389

\# Less than SGD500

Notes:

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 September 2018 with an authorised share capital of HKD380,000 divided into 38,000,000 shares of HKD0.01 each, of which one share was allotted and issued at par value on the same date.

(b) On 13 December 2019, pursuant to a reorganisation agreement entered into between the Company and two directors of the Company, as part of the Reorganisation, the Company issued a total of 2 ordinary shares of HKD0.01 each as consideration for the acquisition of the entire equity interests in Forever Brilliant International Limited which is the then holding company of Kwan Yong, as further detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

(c) Pursuant to the written resolutions passed by shareholders of the Company on 17 December 2019, the Directors were authorised to capitalise an aggregate amount of HKD5,999,999 standing to the credit of the share premium of the Company as a result of the Global Offering and to appropriate such amount as capital to pay up in full par 599,999,997 shares of HKD0.01 each allotment and issue to the persons whose names appear on the register of members of the Company immediately prior to the listing of the Company's shares on the Main Board of the Stock Exchange, each ranking pari passu in all respect with the then existing issued shares (the "**Capitalisation Issue**"). The Capitalisation Issue had been completed on 8 January 2020.

(d) On 7 January 2020, 200,000,000 ordinary shares of par value HKD0.01 each were issued at a price of HKD0.65 per share in connection with the Listing for a total proceeds of approximately SGD19,367,000, net of listing expenses of approximately SGD3,422,000, of which HKD2,000,000 (equivalent to approximately SGD351,000) representing the par value were credited to the Company's share capital and the remaining proceeds of approximately HKD108,488,000 (equivalent to approximately SGD19,016,000) were credited to the share premium account. The shares of the Company have been listed on the Main Board of the Stock Exchange since 8 January 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group acts as a main contractor in the provision of building construction works in Singapore, including new construction and alteration and addition ("**A&A**") works. The Group has more than 30 years of experience in building construction works for various types of buildings which include (i) institutional buildings (such as education institutions, hospitals and nursing homes); (ii) commercial buildings (such as office buildings and restaurants); and (iii) industrial and residential buildings. The Group is known for quality of work, especially in building construction works for the public sector.

As at 30 June 2020, the Group had 7 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately SGD312.8 million.

OUTLOOK

The outbreak of the COVID-19, the Malaysia's Movement Control Order (the "**Cordon Sanitaire**") and the Singapore's 2-month circuit breaker period (the "**Circuit Breaker**"), have brought building works to a halt, adversely affecting Singapore's construction sector. We expect global markets to be affected by United States-Sino trade tensions as well as the upcoming United States presidential elections.

The focus as a business will remain unchanged. The Group will continue to be active as the main contractor in both public and private sector projects. During this extraordinary and unprecedented times, the Group is preparing for the new future and the new normal to position itself for the next phase of the journey.

The Group will continue to pursue the following business strategies:

(a) expand the Group's business and strengthen the Group's market position in the construction industry in Singapore;

(b) upgrade and replace existing machinery and equipment to enhance the Group's productivity and quality;

(c) adopt digital solutions to enhance safety of our worksites;

(d) strengthen the Group's technical capability and productivity through investment in new technology; and

(e) enhance and expand the Group's workforce to keep up with the Group's business expansion.

The shares of the Company were listed on the Main Board of the Stock Exchange on 8 January 2020 by way of public offer and placing. The Directors believe that the Listing enables the Group to (i) gain direct access to the capital market in Hong Kong for cost-effective capital raising for future expansion and corporate finance exercises; (ii) enhance the Group's corporate profile, recognition, and corporate status; and (iii) reinforce the Group's market awareness and image which in turn strengthen our Group's competitiveness in the building construction industry.

The Directors recognised that the Group's presence in the Hong Kong capital market could create a higher level of visibility for the Group among international investors, and hence gain better access to international funding. More importantly, the Directors believe that access to international funding will underpin the Group's future sustainable growth by providing diversified means to fund future expansion plans. The sole reliance on internal funding will, in the view of the Directors, impose constraints on the business strategies, and therefore, the future expansion and potential growth of the business.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 30 June 2020 was approximately SGD127.5 million, representing an increase of approximately 15.5% as compared to that of approximately SGD110.4 million for the year ended 30 June 2019. The increase in revenue was mainly driven by the increase in revenue from new construction projects for both public and private sectors, partially offset by the decrease in revenue from the Group's A&A projects for the public sector.

Cost of sales

Cost of sales for the year ended 30 June 2020 was approximately SGD136.7 million, representing an increase of approximately SGD40.7 million or approximately 42.4%, from approximately SGD96.0 million for the year ended 30 June 2019. The increase was due to the delay of several projects which in turn resulted in an increase in the cost of services as more preliminaries costs and subcontracting costs had to be incurred to catch up on the delays. Additional costs incurred due to the outbreak of the COVID-19, the Malaysia's Cordon Sanitaire and the Singapore's Circuit Breaker, which resulted in cost overrun of ongoing projects in anticipation of additional safety measures requirement and prolongation of projects' timeline.

Gross (loss)/profit and gross (loss)/profit margin

Gross profit decreased by approximately 163.8% from approximately SGD14.4 million for the year ended 30 June 2019 to gross loss of approximately SGD9.2 million for the year ended 30 June 2020, and the gross profit margin decreased by 20.2 percentage points to a gross loss margin of approximately 7.2% (2019: gross profit margin approximately 13.0%). The decrease of gross profit and gross profit margin were the combined effect of:

(i) the lower profit margin arising from certain A&A projects and a new construction project in the private sector which were completed during the year ended 30 June 2020; and

(ii) additional costs incurred due to the outbreak of the COVID-19 such as cost overrun of ongoing projects in anticipation of productivity loss and prolongation of project timeline, provision for losses from certain projects in Singapore due to extended construction periods and intense competition for new jobs.

Administrative expenses

Administrative expenses increased by approximately SGD1.3 million from approximately SGD5.3 million for the year ended 30 June 2019 to approximately SGD6.6 million for the year ended 30 June 2020. The increase was mainly attributable to the increase in the post-listing compliance costs and higher operation expenses incurred to cope with skilled work force.

Listing and other expenses

The Group recognised non-recurring listing expenses of approximately SGD1.5 million and COVID-19 expenses of approximately SGD2.3 million for the year ended 30 June 2020 respectively (2019: approximately SGD2.4 million and Nil).

Finance costs

The Group's finance costs increased by approximately SGD93,000 from approximately SGD30,000 for the year ended 30 June 2019 to approximately SGD123,000 for the year ended 30 June 2020. The increase was mainly due to the interest on right of use leases arising from adoption of IFRS 16 in current year.

Income tax (credit)/expense

The income tax credit amounted to approximately SGD552,000 for the year ended 30 June 2020; while there was an income tax expense of approximately SGD1.6 million for the year ended 30 June 2019. Such credit was attributable to the overprovision of current tax and deferred tax in prior years. There was no income tax expense incurred as the Group recorded a loss for the year ended 30 June 2020.

(Loss)/profit for the year

As a result of the above factors, the Group recorded a loss of approximately SGD17.0 million for the year ended 30 June 2020 as compared to a profit of approximately SGD5.9 million for the year ended 30 June 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 8 January 2020 (the "**Listing Date**"). There has been no change in the capital structure of the Group since then. The capital of the Group only comprised of ordinary shares and the capital structure of the Company comprised mainly issued share capital and reserves.

The Group's cash and cash equivalents balances as at 30 June 2020 amounted to approximately SGD48.1 million (2019: approximately SGD3.0 million), which were denominated in Hong Kong dollars and Singapore dollars.

As at 30 June 2020, the Group's indebtedness comprised borrowings denominated in Singapore dollars and lease liabilities of approximately SGD8.0 million (2019: approximately SGD4.5 million).

The Group recorded total current assets of approximately SGD78.2 million as at 30 June 2020 (2019: approximately SGD61.4 million) and total current liabilities of approximately SGD50.1 million as at 30 June 2020 (2019: approximately SGD40.1 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.6 as at 30 June 2020 (2019: approximately 1.5).

The Group's total equity attributable to shareholders of the Company remains stable at approximately SGD42.4 million as at 30 June 2020 (2019: approximately SGD39.5 million).

The Group's operations are financed principally by cash generated from its business operations, bank facilities and net proceeds from the Global Offering.

GEARING RATIO

As at 30 June 2020, the Group's gearing ratio which was calculated by dividing the total debts (being sum of borrowings and lease liabilities) by total equity was approximately 19.0% (2019: approximately 11.4%).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liabilities (2019: Nil).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year ended 30 June 2020, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures save for those related to the pre-listing corporate Reorganisation as disclosed in the Prospectus. Save as disclosed herein, the Group did not have other plans for material investments or acquisition of capital assets as at 30 June 2020.

COMMITMENTS

Contractual commitments mainly involve rental payable by the Group in respect of annual land rent, warehouse premises and workers' quarters under non-cancellable leases. From 1 July 2019, the Group recognised right-of-use assets for these leases, except for short-term leases and low-value leases. As at 30 June 2020, the Group's lease commitments were approximately SGD214,000 (2019: approximately SGD590,000).

As at 30 June 2020, the Group had no capital commitment (2019: approximately SGD1.6 million).

TREASURY POLICIES

The Directors will continue to adopt a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

FOREIGN CURRENCY RISK

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As most of the Group's transactions, monetary assets and liabilities are denominated in Singapore Dollars, the Directors are of the view that the Group does not have significant exposure to foreign exchange risk.

The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered insignificant. Nevertheless, the management will continue to closely monitor our Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 30 June 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The unprecedented outbreak of the COVID-19 in January 2020 which subsequently developed to a global pandemic that has severely disrupted global economic activities. Up to the date of this announcement, the Group's financial results was adversely affected by the impact of the COVID-19, to the extent of which could not be estimated. The Group will continue to monitor the development of the COVID-19 and react to its impact on the financial position and operating results of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 488 employees (2019: 447 employees). Total staff costs for the year ended 30 June 2020 amounted to approximately SGD9.5 million (2019: approximately SGD8.1 million). Salaries and benefits of the Group's employees have been kept at a market level and employees were rewarded on a performance-related basis. Remuneration package is reviewed annually. Staff benefits included contribution to mandatory contribution fund, allowance and performance-based bonus.

SEGMENT INFORMATION

No operating segment information is presented as the Group's revenue and results and the Group's total assets were derived from or attributable to one single operating segment, i.e., provision of general building and construction services.

CHARGES ON GROUP ASSETS

The borrowings include term loan of approximately SGD450,000 (2019: approximately SGD474,000) as at 30 June 2020 was secured against the Group's leasehold property with net carrying amount of approximately SGD12.3 million (2019: approximately SGD13.3 million). As at 30 June 2020, the Group has pledged time deposits of approximately SGD4.0 million (2019: approximately SGD7.0 million) to the banks as a security for the Group's bank overdraft facilities.

PRINCIPAL RISK AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations of the Group, some of which are beyond the Group's control. The Directors believe that the more significant risks relating to the business are as follows:

– a significant portion of the Group's revenue was generated from a major customer and any significant decrease in projects awarded from it may affect the Group's business, operations and financial results;

– failure to complete projects on a timely basis could materially affect the Group's financial position and reputation and the Group may be subject to claims;

– the Group's inability to attract and retain qualified personnel could impair the Group's ability to operate and grow successfully;

– the Group rely on foreign labour in its operations and any changes in the policy in recruitment of foreign labour could materially affect the Group's operations;

– the Group is dependent on suppliers and subcontractors to implement the construction contracts, and any material fluctuation in the costs of supply could materially and adversely affect the Group's operations and profitability and the Group may not be able to obtain alternative providers with similar or favourable terms;

– the Group determine the tender price based on the estimated time and costs to be involved in a project, yet the actual time and costs incurred may deviate from the estimation due to various factors, thereby adversely affecting the Group's operations and financial results; and

– any occurrence of widespread health epidemics or other events could have a material adverse effect on the Group's business, operations and financial results.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 June 2020 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 30 June 2020 as stated in the Prospectus	Actual business progress up to 30 June 2020
Purchase of new machinery and equipment, and upgrading and replacement of existing machinery and equipment to enhance the productivity and quality	To acquire equipment, machinery and motor vehicle	The Group has utilised approximately HKD 14.0 million to acquire tower crane, scissors lift and boom lift equipment. Due to COVID-19 and its impact on the construction industry, the Group have evaluated the current situation and has slowed down the acquisition of new equipment.
Strengthen the Group's financial capabilities to undertake new construction and A&A projects of larger contract value	Initial Capital Requirement for a new residential building construction project granted to the Company by the Singapore Government Agency	The Group have utilised approximately HKD 5.0 million for the new residential building construction project granted by the Singapore Government Agency. Work was at initial phases before the Group experienced the Circuit Breaker in Singapore. This resulted in a slower than expected usage of initial capital.

Strengthen the technical capability and productivity through investment in new construction technology	To hire new staff with BIM and VDC experience	Due to COVID-19, which resulted in the slowdown of the construction sector, the Group have taken into account natural attrition and overall resources in the market. The Group have delayed the recruitment schedule due to the unavailability of suitable candidates.
	To hire new staff including design engineers and PPVC consultants	
	Upgrade BIM version	
	Recurring costs for the BIM and other relevant software	
Enhance and expand the workforce to cope with the business expansion	To hire additional workforce to support business expansion, including skilled general workers, crane and excavator, site engineers and site supervisors	Due to COVID-19, which resulted in the slowdown of the construction sector, the Group have delayed the expansion plan.

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 8 January 2020. The Company had allotted and issued 200,000,000 ordinary shares with aggregate nominal value of HKD2.0 million at a price of HKD0.65 per share and raised HKD130.0 million (equivalent to approximately SGD22.8 million) in total gross proceeds. The net proceeds from the Listing amounted to approximately HKD88.4 million (equivalent to approximately SGD15.5 million) after deduction of related underwriting commission and expenses in connection with the Global Offering incurred by the Company for the Listing (the "**Net Proceeds**").

With reference to the Prospectus and in light of the difference between the actual amount of the Net Proceeds and estimated amount of the Net Proceeds as stated in the Prospectus (which was disclosed based on an offer price of HKD0.70 per share, being the mid-point of the then indicative offer price range of HKD0.65 to HKD0.75 per share, net of the estimated Listing expenses), the Group has adjusted the intended use of the actual amount of the Net Proceeds in the same manner and in the same proportion as disclosed in the Prospectus.

The following table sets out the breakdown of the original allocation of the Net Proceeds as disclosed in the Prospectus, the revised allocation based on the actual Net Proceeds (after the adjustment as mentioned above), the utilised and remaining amount of the Net Proceeds from the Listing as at 30 June 2020:

	Planned use of Net Proceeds from Listing Date to 30 June 2020 *HKD'million*	Actual use of Net Proceeds from the Listing Date to 30 June 2020 *HKD'million*	Unutilised Balance of Net Proceeds from the Listing Date to 30 June 2020 *HKD'million*
Purchase of new machinery and equipment, and upgrading and replacement of existing machinery and equipment	16.2	14.0	2.2
Recruit new staff and strengthen technical capability through investment in new construction technology (BIM, VDC and PPVC)	5.0	–	5.0
Initial capital required for larger project	20.9	5.0	15.9
Enhance and expand workforce to cope with business expansion	1.9	–	1.9
Total	44.0	19.0	25.0

Note:

The Company intends to implement the plans and to utilise the Net Proceeds in line with the plan as set out in the Prospectus, however, in view of the outbreak of the COVID-19 and the uncertainty of Singapore's economy, the Group has adopted a cautious and prudent approach in implementing the business expansion and growth plans.

The remaining unutilised Net Proceeds as at 30 June 2020 of approximately HKD69.4 million were deposited in licensed banks in Hong Kong and Singapore. The Directors will constantly evaluate the Group's business objectives and specific needs from time to time. As at the date of this announcement, the Directors do not anticipate any change to the plan as to the use of Net Proceeds.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving a high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Except for the deviation from code provision A.2.1 of the CG Code, the Company's corporate governance practices have complied with the CG Code since the Listing Date up to the date of this announcement.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and not be performed by the same individual to avoid power being concentrated in any one individual. Mr. Kwan Mei Kam is the chairman and the chief executive officer of the Company. In view of the fact that Mr. Kwan Mei Kam is the founder of the Group and has been operating and managing the Group since the establishment of the Group, the Board believes that it is in the best interest of the Group to have Mr. Kwan Mei Kam taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors confirmed that they had fully complied with the required standards set out in the Model Code and there is no event of non-compliance since the Listing Date and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Reorganisation as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2020.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") was established on 17 December 2019. The chairman of the Audit Committee is Mr. Koh Lian Huat, an independent non-executive Director, and other members who include Mr. Lim Ah Lay, the non-executive Director, Dr. Wu Dongqing, Mr. Chou Sean Yu and Mr. Fong Heng Boo, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, review of the work of the internal auditor, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Group's consolidated financial statements for the year ended 30 June 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 30 June 2020 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF ERNST & YOUNG LLP

The figures in respect of the Group's consolidated statement of financial position as at 30 June 2020, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2020 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young LLP, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2020. The work performed by Ernst & Young LLP in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by Ernst & Young LLP on the preliminary announcement.

APPRECIATION

Mr. Kwan Mei Kam, the chairman of the Board, would like to express his sincerest gratitude to the shareholders, customers, suppliers and subcontractors for the continuous support. He would also like to end his warmest thanks to all the management and staff members of the Group for the hard work and dedication throughout the year.

By order of the Board
Kwan Yong Holdings Limited
Kwan Mei Kam
Chairman and Executive Director

Hong Kong, 29 September 2020

As at the date of this announcement, the Board comprises Mr. Kwan Mei Kam, Ms. Tay Yen Hua, Mr. Jacob Wong San Ta and Ms. Kwan Shu Ming as executive Directors; Mr. Lim Ah Lay as non-executive Director; and Mr. Koh Lian Huat, Dr. Wu Dongqing, Mr. Chou Sean Yu and Mr. Fong Heng Boo as independent non-executive Directors.