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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)

PROFIT WARNING

This announcement is made by Kwan Yong Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders (the “**Shareholders**”) and the potential investors of the Company that, based on a preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 31 December 2020 and other information currently available to the Board, the Group is expected to record a net loss of approximately SGD2.5 million for the six months ended 31 December 2020 as compared to a net profit of approximately SGD3.4 million for the six months ended 31 December 2019. Based on the information currently available, such decrease in profit was mainly attributable to the following:

- (i) In response to the outbreak of the novel coronavirus (the “**COVID-19**”) in early 2020, construction works were considered as non-essential business activity. Hence, all of the Group’s construction sites were suspended from 7 April 2020 to 1 June 2020 (both days inclusive) (the “**Circuit Breaker Period**”), which has in turn significantly affected the progress of the Group’s construction works. Even after the Circuit Breaker Period had ended, construction works did not resume immediately as a significant amount of time had to be spent on implementing safe management measures at the work sites in accordance with the government regulatory requirements. Thus, the Group was only able to resume work for most of its construction projects around October 2020. As a result, most of the construction projects did not manage to achieve their construction milestones, which affected revenue recognition;
- (ii) The suspension and subsequent slow resumption of construction works have caused delay to project schedules and increased project costs. Consequently, contribution of revenue for the six months ended 31 December 2020 has been adversely affected. The Group would also have to make provisions for project prolongation costs and increased costs relating to manpower, compliance with safe distancing measures and maintenance of work sites;

- (iii) While construction works for the project at Canadian International School commenced after the end of the Circuit Breaker Period, the construction progress was very much in the initial stages and was subsequently suspended for the period from 9 October 2020 to 3 March 2021. Accordingly, there was negligible revenue recognition for this development project during the six months ended 31 December 2020; and
- (iv) The profit margin of the Group for the six months ended 31 December 2020 has also declined as a result of additional costs such as rising subcontracting and material costs, and supply chain disruptions incurred due to the outbreak of the COVID-19. Furthermore, with the resurgence of the COVID-19 cases and more stringent border control measures in Singapore, this has also resulted in further manpower shortages and hence an increase in manpower costs for the six months ended 31 December 2020. The reduction of the profit margin has partially been cushioned by the receipt of Singapore Government grants which aimed to mitigate the adverse impact of the COVID-19.

Notwithstanding the above information, and despite the extraordinary operating conditions brought about by the outbreak of the COVID-19, the overall financial position of the Group remains sound and solid, and the Company is well positioned to take advantage of any upturn in the market.

The Group is still in the process of finalising the interim results for the six months ended 31 December 2020. The information contained in this announcement is only based on the information currently available to the Board, that includes the unaudited consolidated management accounts of the Group for the six months ended 31 December 2020, which have not been audited or reviewed by the auditors of the Company or the audit committee of the Company. The actual results of the Group for the six months ended 31 December 2020 to be published shortly may be different from the information disclosed in this announcement.

Shareholders and potential investors of the Company are advised to refer to further details of the Group's interim results for the six months ended 31 December 2020 which are expected to be published by the end of February 2021.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Singapore, 8 February 2021

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.