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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Kwan Yong Holdings Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 December 2021, together with the comparative figures for the corresponding period in 2020 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

		Six months ended 31 December	
		2021	2020
	Notes	***SGD'000***	*SGD'000*
		(Unaudited)	(Unaudited)
Revenue	*6*	**42,922**	41,821
Cost of sales		**(42,682)**	(44,100)
Gross profit/(loss)		**240**	(2,279)
Other income and gain	*7*	**875**	2,971
Administrative expenses		**(3,424)**	(3,176)
Finance costs	*8*	**(96)**	(113)
Loss before tax	*9*	**(2,405)**	(2,597)
Income tax expense	*10*	**–**	–
Loss for the period attributable to shareholders of the Company		**(2,405)**	(2,597)

	Notes	Six months ended 31 December 2021 SGD'000 (Unaudited)	2020 SGD'000 (Unaudited)
Other comprehensive loss			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Fair value losses on equity investments at fair value through other comprehensive income		**(50)**	–
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation		**20**	(1,021)
Other comprehensive loss for the period, net of tax		**(30)**	(1,021)
Total comprehensive loss for the period attributable to shareholders of the Company		**(2,435)**	(3,618)
Basic and diluted earnings per share (cents)	*12*	**(0.30)**	(0.32)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31 December 2021 SGD'000 (Unaudited)	30 June 2021 SGD'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*13*	**17,973**	18,257
Investment properties		**1,856**	1,872
Equity investments at fair value through other comprehensive income	*14*	**1,046**	–
Right-of-use assets		**1,554**	1,649
Total non-current assets		**22,429**	21,778
Current assets			
Trade receivables	*15*	**12,362**	12,641
Contract assets	*16*	**17,548**	12,443
Prepayments, deposits and other receivables		**689**	2,749
Pledged deposits		**4,000**	4,000
Cash and cash equivalents		**25,722**	32,542
Total current assets		**60,321**	64,375
Total assets		**82,750**	86,153
Current liabilities			
Trade payables	*17*	**38,164**	40,853
Contract liabilities	*16*	**855**	667
Other payables and accruals	*18*	**695**	827
Provisions		**812**	1,255
Deferred capital grants		**2**	4
Borrowings		**5,059**	1,766
Lease liabilities		**171**	167
Total current liabilities		**45,758**	45,539
Net current assets		**14,563**	18,836
Total assets less current liabilities		**36,992**	40,614

	Notes	**31 December 2021** *SGD'000* **(Unaudited)**	30 June 2021 *SGD'000* (Audited)
Non-current liabilities			
Borrowings		**2,546**	3,646
Lease liabilities		**1,455**	1,542
Total non-current liabilities		**4,001**	5,188
Total liabilities		**49,759**	50,727
Net assets		**32,991**	35,426
Equity attributable to the shareholders of the Company			
Issued capital	*19*	**1,389**	1,389
Share premium		**32,978**	32,978
Reserves		**(1,376)**	1,059
Total equity		**32,991**	35,426

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2021

	Issued capital *SGD'000*	Share premium *SGD'000*	Fair value reserves *SGD'000*	Foreign translation reserves *SGD'000*	Retained profits/ (accumulated loss) *SGD'000*	Total equity *SGD'000*
At 1 July 2021 (Audited)	**1,389**	**32,978**	**–**	**(238)**	**1,297**	**35,426**
Loss for the period	–	–	–	–	(2,405)	(2,405)
Other comprehensive (loss)/income for the period:						
Fair value losses on equity instruments at fair value through other comprehensive income	–	–	(50)	–	–	(50)
Foreign currency translation	–	–	–	20	–	20
Total comprehensive (loss)/income for the period	–	–	(50)	20	(2,405)	(2,435)
At 31 December 2021 (Unaudited)	**1,389**	**32,978**	**(50)***	**(218)***	**(1,108)***	**32,991**

	Issued capital *SGD'000*	Share premium *SGD'000*	Foreign translation reserves *SGD'000*	Retained profits *SGD'000*	Total equity *SGD'000*
At 1 July 2020 (Audited)	1,389	32,978	499	7,502	42,368
Loss for the period	–	–	–	(2,597)	(2,597)
Other comprehensive loss for the period:					
Foreign currency translation	–	–	(1,021)	–	(1,021)
Total comprehensive loss for the period	–	–	(1,021)	(2,597)	(3,618)
At 31 December 2020 (Unaudited)	1,389	32,978	(522)*	4,905*	38,750

* *The reserve in the interim condensed consolidated statement of financial position as at 31 December 2021 comprised of fair value loss of approximately SGD50,000, foreign translation loss of approximately SGD218,000 and accumulated loss of approximately SGD1,108,000. The reserve in the interim condensed consolidated statement of financial position as at 31 December 2020 comprised of foreign translation loss of approximately SGD522,000 and retained profits of approximately SGD4,905,000.*

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 31 December 2021

	Six months ended 31 December	
	2021	2020
	SGD'000	*SGD'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Loss before tax	**(2,405)**	(2,597)
Adjustments for:		
Depreciation of property, plant and equipment	**1,060**	893
Depreciation of investment properties	**16**	15
Depreciation of right-of-use assets	**95**	19
Amortisation of deferred capital grants	**(2)**	(20)
Government grants	**(414)**	(2,624)
Bank interest income	**(24)**	(97)
Finance costs	**96**	113
Gain on disposal of property, plant and equipment	**(33)**	(17)
Provisions for defect liabilities	**(140)**	(771)
Provision for onerous contracts	**(303)**	–
Operating cash flows before changes in working capital	**(2,054)**	(5,086)
Changes in working capital:		
Increase in contract assets	**(5,105)**	(2,799)
Increase/(decrease) in contract liabilities	**188**	(1,994)
Decrease/(increase) in trade receivables	**279**	(6,255)
Decrease in prepayments, deposits and other receivables	**1,755**	1,350
(Decrease)/increase in trade payables	**(2,689)**	10,524
Decrease in other payables and accruals	**(132)**	(2,735)
Cash used in operations	**(7,758)**	(6,995)
Income tax refund	**–**	97
Government grants received	**348**	3,202
Net cash used in operating activities	**(7,410)**	(3,696)

	Six months ended 31 December	
	2021	2020
	SGD'000	*SGD'000*
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Placement of time deposits with original maturity of more than three months when acquired	**(1,000)**	(1,000)
Withdrawal of time deposits with original maturity of more than three months when acquired	**1,000**	1,000
Interest received	**24**	97
Purchase of items of property, plant and equipment	**(315)**	(1,082)
Proceeds from disposal of property, plant and equipment	**33**	139
Purchase of equity investments	**(1,096)**	–
Increase in amount due from holding company	**–**	(2)
Net cash used in investing activities	**(1,354)**	(848)
Cash flows from financing activities		
Interest paid	**(96)**	(113)
Repayment of loans and borrowings	**(1,207)**	(820)
Payment of lease liabilities for leasehold land	**(83)**	(7)
Net cash used in financing activities	**(1,386)**	(940)
Net decrease in cash and cash equivalents	**(10,150)**	(5,484)
Cash and cash equivalents at beginning of the period	**32,260***	48,052
Effect of foreign exchange rate changes	**20**	(1,021)
Cash and cash equivalents at end of the period	**22,130**	41,547
Analysis of balances of cash and cash equivalents		
Cash and bank balances other than time deposit	**13,523**	24,432
Time deposits	**16,199**	21,115
Less: Pledged deposits	**(4,000)**	(4,000)
Cash and cash equivalents as stated in the consolidated statement of financial position	**25,722**	41,547
Less: Bank overdraft	**(3,592)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	**22,130**	41,547

* *Cash and cash equivalents at beginning of the period includes bank overdraft of approximately SGD282,000.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

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 Windward 3, Regatta Office Park, PO Box 1350, 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 share of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 January 2020 (the "**Listing**").

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

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

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 30 June 2021.

The unaudited interim condensed consolidated financial information is presented in Singapore Dollars ("**SGD**") and all value are rounded to the nearest thousand ("**SGD'000**"), unless otherwise stated.

2.2 New standards, interpretations and amendment adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 30 June 2021, except for the adoption of new standards effective as of 1 July 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments and interpretations apply for the first time on 1 July 2021, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Group.

Accounting policy for financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are carried at fair value with net changes in fair value recognised in other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

In preparing this unaudited interim condensed consolidated financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2021.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to credit risk, liquidity risk and interest rate risk.

The unaudited interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 30 June 2021.

There have been no changes in the financial risk management policies of the Group since the financial year ended 30 June 2021.

5. SEGMENT INFORMATION

Operating segment information

No operating segment information is presented as the Group's revenue and reported results during the six months ended 31 December 2021 and 2020, and the Group's total assets as at the end of the six months ended 31 December 2021 and 2020 were derived from one single operating segment, i.e., provision of general building and construction services.

Geographical information

The Group's revenue during the six months ended 31 December 2021 and 2020 were all derived from external customers based in Singapore, and the Group's non-current assets, excluding financial assets, as at the end of the six months ended 31 December 2021 and 2020 were all located in Singapore.

6. REVENUE

Revenue represents an appropriate proportion of contract revenue of construction contracts for the provision of general building and construction services.

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue for the six months ended 31 December 2021 and 2020 from contracts with customers:

	Six months ended 31 December	
	2021	2020
	SGD'000	*SGD'000*
	(Unaudited)	(Unaudited)
By geographical market		
Singapore	**42,922**	41,821
By revenue stream		
General building and construction	**42,922**	41,821
By timing of revenue recognitions		
Over time	**42,922**	41,821

7. OTHER INCOME AND GAIN

	Six months ended 31 December	
	2021	2020
	SGD'000	*SGD'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants *(Note)*	**414**	2,624
Bank interest income	**24**	97
Amortisation of deferred capital grants	**2**	20
Rental income	**344**	213
Sundry income	**58**	–
	842	2,954
Gain		
Gain arising on disposal of property, plant and equipment	**33**	17
	875	2,971

Note: Government grants were received by a subsidiary from various government authorities in Singapore for employment incentives, productivity improvement and novel coronavirus ("**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 SGD402,000 (six months ended 31 December 2020: approximately SGD2,565,000).

8. FINANCE COSTS

	Six months ended 31 December	
	2021	2020
	SGD'000	*SGD'000*
	(Unaudited)	(Unaudited)
Interest on:		
Term loans	**40**	53
Hire purchases	**11**	25
Lease liabilities	**45**	35
	96	113

9. LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

	Six months ended 31 December	
	2021	2020
	SGD'000	*SGD'000*
	(Unaudited)	(Unaudited)
Cost of construction work	**42,682**	44,100
Depreciation *(Note (a))*	**1,155**	912
Less: Amount included in cost of construction work	**(594)**	(634)
	561	278
Depreciation of investment properties	**16**	15
Expenses relating to short-term leases and leases of low-value assets *(Note (b))*	**3**	260
Less: Amount included in cost of construction work	**–**	(222)
	3	38
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**10**	19
Employee benefit expense (excluding Directors' remuneration):		
Salaries, allowances and benefits-in-kind	**5,365**	4,919
Pension scheme contributions (excluding Directors' pension scheme contributions)	**249**	271
	5,614	5,190
Less: Amount included in cost of construction work	**(4,244)**	(4,008)
	1,370	1,182

Notes:

(a) Depreciation for the six months ended 31 December 2021 comprise depreciation of property, plant and equipment of approximately SGD1,060,000 (six months ended 31 December 2020: approximately SGD893,000) and depreciation of right-of-use assets of approximately SGD95,000 (six months ended 31 December 2020: approximately SGD19,000).

(b) The Group leases certain of its leasehold properties, warehouse premises and workers' quarters with either lease terms of 12 months or less or with low value. The Group applied the "short-term lease" and "lease of low-value assets" recognition exemption for these leases.

10. INCOME TAX 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.

No Hong Kong profits tax and Singapore corporate income tax have been provided as the Group did not generate any assessable profits arising in Hong Kong and Singapore during the six months ended 31 December 2021 and 2020.

11. DIVIDENDS

No dividend was paid or declared by the Company during the six months ended 31 December 2021 (six months ended 31 December 2020: Nil).

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 31 December 2021 is based on the unaudited loss for the period attributable to shareholders of the Company of approximately SGD2,405,000 (unaudited loss for the six months ended 31 December 2020: approximately SGD2,597,000), and the weighted average number of ordinary shares in issue of 800,000,000 (six months ended 31 December 2020: 800,000,000) during the six months ended 31 December 2021.

No adjustment has been made to the basic earnings per share presented for the six months ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during each these periods.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2021, the Group acquired assets with a cost of approximately SGD776,000 (six months ended 31 December 2020: approximately SGD1,262,000).

Assets which were fully depreciated were disposed by the Group during the six months ended 31 December 2021, resulting in a net gain of disposal of approximately SGD33,000 (six months ended 31 December 2020: approximately SGD17,000).

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group's equity investments at fair value through other comprehensive income are all listed equity investments stated at fair value and are not held for trading.

15. TRADE RECEIVABLES

	31 December 2021	30 June 2021
	SGD'000	*SGD'000*
	(Unaudited)	(Audited)
Trade receivables	**8,668**	7,337
Unbilled receivables *(Note)*	**3,694**	5,304
	12,362	12,641

Note: Unbilled revenue are those accrued revenue which the construction certification is issued by the customers before period-end but no billing has been raised to customers. The Group's rights of the unbilled revenue are unconditional.

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

	31 December 2021	30 June 2021
	SGD'000	*SGD'000*
	(Unaudited)	(Audited)
– Within one month	**8,668**	7,334
– 1 to 2 months	**–**	–
– 2 to 3 months	**–**	–
– Over 3 months	**–**	3
	8,668	7,337
Unbilled receivables*	**3,694**	5,304
	12,362	12,641

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.

* 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 periods.

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 ("**ECL**") 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, have no significant increase in credit risk during the periods. 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 31 December 2021 and 30 June 2021.

16. CONTRACT BALANCES

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

	31 December 2021	30 June 2021
	SGD'000	*SGD'000*
	(Unaudited)	(Audited)
Contract assets:		
– Retention receivables *(Note (a))*	**775**	420
– Other contract assets *(Note (b))*	**16,773**	12,023
Total contract assets	**17,548**	12,443
Contract liabilities	**(855)**	(667)

Notes:

(a) Retention receivable held by contract customers arose from the Group's construction work business and are settled in 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.

(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.

(c) The Group applies the simplified approach to provide for 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, have no significant increase in credit risk during the periods. 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 31 December 2021 and 30 June 2021.

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

(e) As at 31 December 2021 and 30 June 2021, performance bonds amounting to approximately SGD19,585,000 and approximately SGD17,165,000, respectively, 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 either by way of personal guarantees given by two Directors or corporate guarantee.

17. TRADE PAYABLES

	31 December 2021	30 June 2021
	SGD'000	*SGD'000*
	(Unaudited)	(Audited)
Trade payables	**25,652**	29,012
Retention payables	**12,512**	11,841
	38,164	40,853

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

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

	31 December 2021	30 June 2021
	SGD'000	*SGD'000*
	(Unaudited)	(Audited)
– Within one month	**2,469**	1,649
– 1 to 2 months	**1,570**	414
– 2 to 3 months	**24**	4
– Over 3 months	**364**	315
	4,427	2,382
Unbilled payables *	**21,225**	26,630
	25,652	29,012

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

18. OTHER PAYABLES AND ACCRUALS

	31 December 2021	30 June 2021
	SGD'000	*SGD'000*
	(Unaudited)	(Audited)
Accruals	**446**	736
Deposit received	**100**	91
Goods and services tax payable	**149**	–
	695	827

19. ISSUED CAPITAL

	31 December 2021	30 June 2021
	HKD'000	*HKD'000*
Authorised:		
15,000,000,000 ordinary shares of HKD0.01 each	**150,000**	150,000

	31 December 2021	30 June 2021
	SGD'000	*SGD'000*
Issued and fully paid:		
800,000,000 ordinary shares of HKD0.01 each	**1,389**	1,389

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, with 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 31 December 2021, the Group had 7 (30 June 2021: 6) construction projects on hand (including projects in progress and projects that have yet to commence) with a total contract value of approximately SGD342.2 million (30 June 2021: approximately SGD293.8 million).

Despite the extraordinary operating conditions brought about by the COVID-19 pandemic, 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.

OUTLOOK

As Singapore becomes a COVID-19-resilient nation, with high vaccination rates and fast booster rollouts, the Group continues to comply with safe management measures and conduct regular self-testing at project sites. The Group has achieved fully vaccinated status for its workforce. The group will continue to encourage new joiners to be fully vaccinated. The Group expects fewer work disruptions at the project sites as compared to the prior year.

The Group is cognizant that construction margins remain under pressure. The cost pressures are the rising cost of key construction materials and labour shortages. Singapore is now the 4th most expensive construction market in Asia, ranking behind Tokyo, Hong Kong, and Macau.

Material prices are likely to remain high due to persistent supply chain disruptions, increased global demand, and global energy price increases. Prices of key construction materials such as steel reinforcement bars, concrete, and consumables, such as diesel, have increased over the last six months. The Group does not anticipate a fall in price in the next six months.

Manpower cost is likely to continue to rise due to manpower shortages. The Singapore Government has taken steps by implementing industry-led support measures and easing of border restrictions on migrant workers, which resulted in a steadily improved inflow of foreign workers. Notwithstanding the above, it is unlikely to replace the high number of trained Construction, Marine Shipyard and Process (the "**CMP**") migrant workers who have chosen to return to their home countries. Cessation of entry of CMP workers and other dormitory bound workers via Vaccinated Travel Lanes (the "**VTL**") continues to delay the recovery of prevailing labour shortage, resulting in continued labour cost increases. The Group will continue to focus on efficient deployment and continuous job training of its workforce.

The Group's focus as a building contractor remains unchanged. The Group will continue to prudently expand the market position for the building environment sector in Singapore and stay active as the main contractor in both public and private sector projects. The Group will persist in its focus on conserving its cash flows through reduction and deferment of non-significant expenditures. The Group is poised to capture growth opportunities with our committed management team and staff.

The Group will pursue the following business strategies:

(a) maintain a prudent approach towards tenders for construction projects;

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

(c) adopt digital solutions to strengthen the Group's technical capability and productivity; and

(d) enhance the Group's workforce to keep up with the Group's business expansion.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 31 December 2021 was approximately SGD42.9 million, representing an increase of approximately 2.6% as compared to that of approximately SGD41.8 million for the six months ended 31 December 2020. The increase in revenue was mainly driven by more construction activities gradually resumed as compared to the previous period.

Cost of sales

Cost of sales for the six months ended 31 December 2021 was approximately SGD42.7 million, representing a decrease of approximately SGD1.4 million or approximately 3.2%, from approximately SGD44.1 million for the six months ended 31 December 2020.

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

The gross loss of approximately SGD2.3 million for the six months ended 31 December 2020 decreased by approximately 110.5% to gross profit of approximately SGD0.2 million for the six months ended 31 December 2021. The gross loss margin decreased by 6.0 percentage points to gross profit margin of approximately 0.6% (six months ended 31 December 2020: gross loss margin approximately 5.4%). The increase of the gross profit and the gross profit margin were mainly due to the construction works have gradually resumed as compared to the previous period which resulted in improvement of the gross profit margin.

Other income and gain

Other income and gain decreased by approximately SGD2.1 million from approximately SGD3.0 million for the six months ended 31 December 2020 to SGD0.9 million for the six months ended 31 December 2021. The decrease was primarily due to less government subsidies for the six months ended 31 December 2021 received from the Singapore Government to help businesses during the difficult times caused by the COVID-19 in consideration of the gradual recovery of the economy.

Administrative expense

Administrative expense slightly increased by approximately SGD0.2 million from approximately SGD3.2 million for the six months ended 31 December 2020 to approximately SGD3.4 million for the six months ended 31 December 2021. The increase was mainly due to increase in staff costs to retain key workforce and to align employee benefits to current market situation.

Finance costs

The Group's finance costs decreased by approximately SGD17,000 from approximately SGD113,000 for the six months ended 31 December 2020 to approximately SGD96,000 for the six months ended 31 December 2021. The decrease was mainly due to the lower average borrowings during the six months ended 31 December 2021.

Income tax expense

There was no income tax expense incurred as the Group did not record any assessable profits for the six months ended 31 December 2021 and 31 December 2020.

Loss for the period

As a result of the above factors, the Group recorded a loss of approximately SGD2.4 million for the six months ended 31 December 2021 as compared to a loss of approximately SGD2.6 million for the six months ended 31 December 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The capital of the Group comprised only 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 31 December 2021 amounted to approximately SGD25.7 million (30 June 2021: approximately SGD32.5 million) which were denominated in Hong Kong dollars and Singapore dollars.

As at 31 December 2021, the Group's indebtedness comprised borrowings and lease liabilities denominated in Singapore dollars of approximately SGD9.2 million (30 June 2021: approximately SGD7.1 million).

The Group recorded total current assets of approximately SGD60.3 million as at 31 December 2021 (30 June 2021: approximately SGD64.4 million) and total current liabilities of approximately SGD45.8 million as 31 December 2021 (30 June 2021: approximately SGD45.5 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.3 as at 31 December 2021 (30 June 2021: approximately 1.4).

The Group's total equity attributable to shareholders of the Company remained stable at approximately SGD33.0 million as at 31 December 2021 (30 June 2021: approximately SGD35.4 million).

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

GEARING RATIO

As at 31 December 2021, 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 28.0% (30 June 2021: approximately 20.1%).

CONTINGENT LIABILITIES

As at 31 December 2021 and 30 June 2021, the Group did not have any material contingent liabilities.

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

During the six months ended 31 December 2021, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures. Save as disclosed herein, the Group did not have other plans for material investments or acquisition of capital assets as at 31 December 2021.

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. The Group recognised right-of-use assets for these leases, except for short term leases and low-value leases. As at 31 December 2021, the Group have no lease commitment (30 June 2021: Nil).

As at 31 December 2021, the Group had no capital commitment (30 June 2021: Nil).

TREASURY POLICIES

The Directors will continue to follow 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. Most of the Group's transactions, monetary assets and liabilities are denominated in Singapore Dollars.

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 the Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

PROSPECTS

In January 2022, the Building and Construction Authority (the "**BCA**") estimated that contracts worth between SGD27 billion and SGD32 billion will likely be awarded this year. The public sector is expected to contribute about 60 per cent of the total construction demand. This is supported by the strong pipeline of public housing projects as well as healthcare development and infrastructure work such as the Cross Island MRT Line (Phase 1). The private sector construction demand is anticipated to reach between SGD11 billion and SGD13 billion in 2022, comparable with the volume in 2021. Given the latest property cooling measures, residential building demand is anticipated to moderate year-on-year amid more cautious market sentiments.

Over the medium-term, BCA expects the total construction demand to reach between SGD25 billion and SGD32 billion per year from 2023 to 2026. The public sector is expected to lead the demand and contribute SGD14 billion to SGD18 billion per year from 2023 to 2026. About half of the demand will come from building projects and the other half from civil engineering works. The private sector construction demand is projected to remain steady over the medium-term, reaching about SGD11 billion to SGD14 billion per year from 2023 to 2026, in view of healthy investment appetite amid Singapore's strong economic fundamentals.

The industry remained resilient during the pandemic. Work activities in the construction sector is gradually recovering close to the levels before the circuit breaker period from 6 April 2020 to 1 June 2020 (both days inclusive). The rebound is largely due to a steady level of construction demand and the backlog of work affected by the pandemic since 2020. The road to recovery is still bumpy and the industry is still facing a volatile landscape.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: Nil).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event after the end of the six months ended 31 December 2021 and up to the date of this interim results announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 382 employees excluding Directors. Total staff costs for the six months ended 31 December 2021 amounted to approximately SGD5.6 million (six months ended 31 December 2020: approximately SGD5.2 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 as at 31 December 2021 was secured against the Group's leasehold property with net carrying amount of approximately SGD11.8 million (30 June 2021: approximately SGD12.0 million). As at 31 December 2021, the Group has pledged time deposits of approximately SGD4.0 million (30 June 2021: approximately SGD4.0 million) to the banks as a security for the Group's bank overdraft facilities.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 24 December 2019 (the "**Prospectus**") with the Group's actual business progress from the Listing Date up to 31 December 2021 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 31 December 2021 as stated in the Prospectus	Actual business progress up to 31 December 2021
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 HKD23.3 million to acquire equipment, machinery and motor vehicle.
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 has utilised approximately HKD20.9 million for the residential building construction project granted by the Singapore Government Agency.
Strengthen the technical capability and productivity through investment in new construction technology	To hire new staff with Building Information Modelling ("**BIM**") and Virtual Design and Construction ("**VDC**") experience To hire new staff including design engineers and Prefabricated Prefinished Volumetric Construction ("**PPVC**") consultants Upgrade BIM version Recurring costs for the BIM and other relevant software	Due to the COVID-19 pandemic, the Group has slowdown the hiring of BIM and VDC staff. The Group has utilised approximately HKD3.0 million to hire skilled workforce, and invest in operational digitalisation technologies to boost productivity and improve efficiency for future growth.

Business strategies as stated in the Prospectus	Business objectives up to 31 December 2021 as stated in the Prospectus	Actual business progress up to 31 December 2021
	Construct a precast production site close to the headquarters in the Tuas area in Singapore	The Group have constructed temporary precast production site near the Group's largest job site. The Group has utilised HKD12.9 million to obtain the license for the use of state land, to construct a temporary dormitory which also allows the storage of materials including finished precast components.
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	The Group has utilised approximately HKD5.8 million to enhance and support the workforce. The Group continues to position itself to prepare for an economic upturn.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing amounted to 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 Date up to 31 December 2021:

	Planned use of Net Proceeds from Listing Date to 31 December 2021 *Approximately HKD'million*	**Actual use of Net Proceeds from Listing Date to 31 December 2021** *Approximately HKD'million*	**Unutilised Balance of Net Proceeds from Listing Date to 31 December 2021** *Approximately HKD'million*	**Expected timeline for utilising the unutilised net proceeds**
Purchase of new machinery and equipment, and upgrading and replacement of existing machinery and equipment	24.7	23.3	1.4	31 December 2022
Initial capital required for larger project	20.9	20.9	–	N/A
Recruit new staff and strengthen technical capability through investment in new construction technology (BIM, VDC and PPVC)	35.2	15.9	19.3	31 December 2022
Enhance and expand workforce to cope with business expansion	7.6	5.8	1.8	31 December 2022
Total	88.4	65.9	22.5	

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 COVID-19 outbreak and uncertainty of Singapore 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 31 December 2021 of approximately HKD22.5 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 interim results announcement, the Directors do not anticipate any change to the plan as to the use of Net Proceeds.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2021.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the code of conduct regulating 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 during the six months ended 31 December 2021 and up to the date of this interim results announcement.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted on 17 December 2019. The Directors consider that the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix V to the Prospectus. Under the Share Option Scheme, the Directors may at their absolute discretion and subject to the terms of the Share Option Scheme, grant options to any employees (full-time or part-time), any executive, non-executive and independent non-executive Directors, consultants and advisers of the Group, to subscribe for shares of the Company. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group. The eligibility of any participants to the grant of any options shall be determined by the Directors from time to time on the basis of the Directors' opinion as to their contribution to the development and growth of the Group.

The total number of shares of the Company issued and to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of options to a grantee would result in the shares of the Company issued and to be issued upon exercise of all options granted and to be granted under the Share Option Scheme to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of the further grant representing in aggregate over 1% of the shares in issue from time to time, such further grant requires approval of the shareholders of the Company in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting.

Under the Share Option Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 80,000,000 shares, being 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

An offer for the grant of options must be accepted in writing within 5 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HKD1. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approval by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive Director, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HKD5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

The subscription price for the shares of the Company subject to the options will be a price determined by the Board and notified to a participant and shall be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of the Company's share on the date of grant of the options.

The Share Option Scheme will remain in full force for a period of ten years commencing on 8 January 2020 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders at a general meeting of the Company.

For the six months ended 31 December 2021, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtain and maintain the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company. The Company has adopted the principles and code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules. The Company has fully complied with the CG Code during the six months ended 31 December 2021 up to the date of this interim results announcement with the exception of code provision C.2.1 as explained below.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual to avoid power being concentrated in any one individual. Mr. Kwan Mei Kam is the chairman of the Board (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 C.2.1 of the CG Code is appropriate in such circumstance.

The Company engages an external service provider, which assigned Ms. Ng Hoi Ying as the company secretary of the Company. Ms. Ng Hoi Ying possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary of the Company. Pursuant to Code C.6.1 of the CG Code, an issuer can engage an external service provider to provide company secretarial services, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact. In this respect, the Company has nominated Mr. Kwan Mei Kam, the Chairman and the executive Director as its contact point for Ms. Ng Hoi Ying.

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of approval of the annual report 2021 of the Company is set out below:

Mr. Fong Heng Boo, the independent non-executive Director, has been appointed as an independent non-executive director of UOA Development BHD (stock code: 5200) since 12 October 2021, a company listed on the Bursa Malaysia (previously known as Kuala Lumpur Stock Exchange). Mr. Fong Heng Boo has also been appointed as an independent non-executive director of Keong Hong Holdings Limited (stock code: 5TT) since 1 January 2022, a company listed on the Singapore Exchange.

Mr. Fong Heng Boo has resigned as an independent non-executive director of CapitaLand China Trust Management Limited (formerly known as CapitaLand Retail China Trust Management Ltd) (stock code: AU8U) on 1 January 2022, a company listed on the Singapore Exchange.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, 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 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 Group's interim condensed consolidated financial statements for the six months ended 31 December 2021 have not been audited by the Company's independent auditors, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the interim condensed consolidated financial statements of the Group for the six months ended 31 December 2021 comply with applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

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

Singapore, 23 February 2022

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. Fong Heng Boo, Dr. Wu Dongqing and Mr. Chou Sean Yu as independent non-executive Directors.