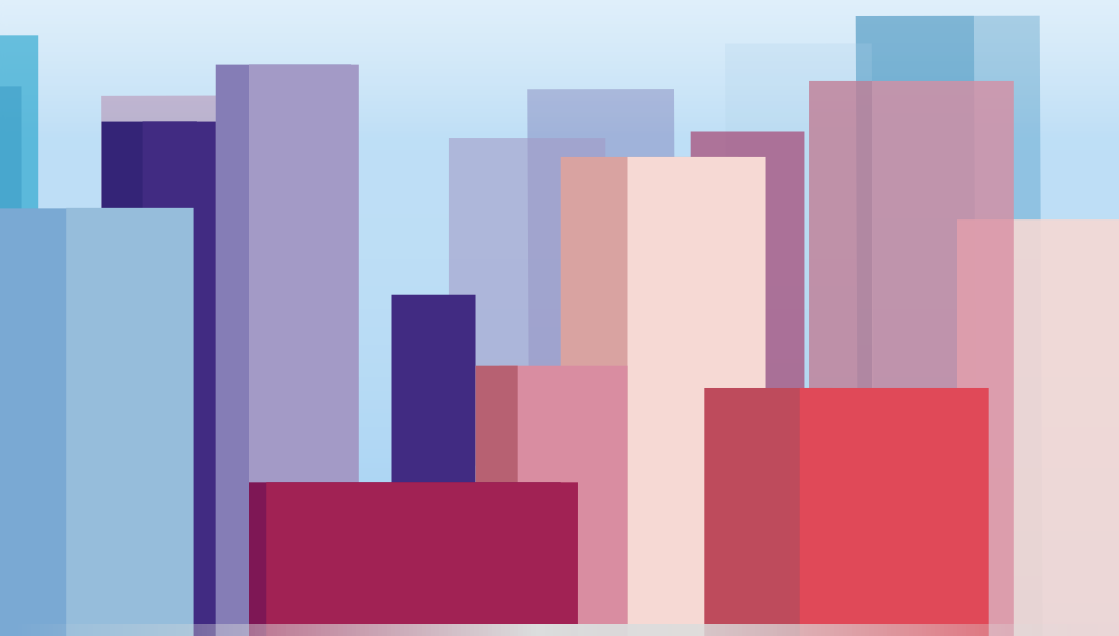


Kwan Yong Holdings Limited

光榮建築控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9998



INTERIM REPORT 2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kwan Mei Kam
(Chairman and Chief Executive Officer)
Ms. Tay Yen Hua
Mr. Jacob Wong San Ta
Ms. Kwan Shu Ming

Non-executive Director

Mr. Lim Ah Lay

Independent non-executive Directors

Mr. Fong Heng Boo
Dr. Wu Dongqing
Mr. Chou Sean Yu

BOARD COMMITTEES

Audit Committee

Mr. Fong Heng Boo *(Chairman)*
Dr. Wu Dongqing
Mr. Chou Sean Yu
Mr. Lim Ah Lay

Remuneration Committee

Mr. Chou Sean Yu *(Chairman)*
Mr. Kwan Mei Kam
Mr. Lim Ah Lay
Dr. Wu Dongqing
Mr. Fong Heng Boo

Nomination Committee

Mr. Kwan Mei Kam *(Chairman)*
Ms. Kwan Shu Ming
Dr. Wu Dongqing
Mr. Chou Sean Yu

COMPANY SECRETARY

Ms. Ng Hoi Ying

AUTHORISED REPRESENTATIVES

Ms. Kwan Shu Ming
Ms. Ng Hoi Ying

AUDITORS

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
North Tower
Level 18
Singapore 048583

CORPORATE INFORMATION

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

11 Joo Koon Crescent
Singapore 629022

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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8 Fleming Road
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Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

TC & Co., Solicitors
Units 2201-2203, 22/F
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8 Fleming Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
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PO Box 1350
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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Boardroom Share Registrars (HK) Limited
2103B, 21/F
148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKS

DBS Bank Ltd
Overseas-Chinese Banking Corporation
Limited

COMPANY'S WEBSITE

www.kwanyong.com.sg

STOCK CODE

9998

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	
	Notes	2021 SGD'000 (Unaudited)	2020 SGD'000 (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)
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)

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed consolidated financial statements.

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

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)
Non-current liabilities			
Borrowings		2,546	3,646
Lease liabilities		1,455	1,542
<hr/>			
Total non-current liabilities		4,001	5,188
<hr/>			
Total liabilities		49,759	50,727
<hr/>			
Net assets		32,991	35,426
<hr/>			
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
<hr/>			
Total equity		32,991	35,426
<hr/>			

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed consolidated financial statements.

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.

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 31 December 2021

	Six months ended 31 December	
	2021 SGD'000 (Unaudited)	2020 SGD'000 (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)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 31 December 2021

	Six months ended 31 December	
	2021 SGD'000 (Unaudited)	2020 SGD'000 (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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 31 December 2021

	Six months ended 31 December	
	2021 SGD'000 (Unaudited)	2020 SGD'000 (Unaudited)
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.

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

1. CORPORATE INFORMATION

Kwan Yong Holdings Limited (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 Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of general building and construction services in Singapore.

Ideal Smart Ventures Limited (“**Ideal Smart**”), a company incorporated in the British Virgin Islands (the “**BVI**”), 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 New standards, interpretations and amendment adopted by the Group *(Continued)*

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

7. OTHER INCOME AND GAIN

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

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 TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

9. LOSS BEFORE TAX (Continued)

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

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 SGD'000 (Unaudited)	30 June 2021 SGD'000 (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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

15. TRADE RECEIVABLES (Continued)

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 SGD'000 (Unaudited)	30 June 2021 SGD'000 (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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

15. TRADE RECEIVABLES (Continued)

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 of the Company (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 SGD'000 (Unaudited)	30 June 2021 SGD'000 (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 TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

16. CONTRACT BALANCES (Continued)

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

17. TRADE PAYABLES

	31 December 2021 SGD'000 (Unaudited)	30 June 2021 SGD'000 (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 SGD'000 (Unaudited)	30 June 2021 SGD'000 (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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

18. OTHER PAYABLES AND ACCRUALS

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

19. ISSUED CAPITAL

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At the end of each reporting period, the fair values of equity investments are based on quoted market prices (as categorised within Level 1 of the fair value hierarchy). The fair values of other financial assets and liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair values of the interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

During the periods ended 31 December 2021 and 30 June 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial instruments.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information for the six months ended 31 December 2021 were approved and authorised for issue by the board of Directors (the “**Board**”) on 23 February 2022.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 gradual resumption of construction works 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 global offer to the public for subscription of its new shares and undertaking of an international placing of its new shares in connection with the Listing (collectively, the "**Global Offering**").

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

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 are 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	Due to the COVID-19 pandemic, the Group has slowdown the hiring of BIM and VDC staff.
	To hire new staff including design engineers and Prefabricated Prefinished Volumetric Construction (“ PPVC ”) consultants	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.
	Upgrade BIM version	
	Recurring costs for the BIM and other relevant software	

MANAGEMENT DISCUSSION AND ANALYSIS

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
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.
	Construct a precast production site close to the headquarters in the Tuas area in Singapore	The Group have constructed a temporary precast production site near the Group's largest job site. The Group has utilised HKD12.9 million to obtain a license for the use of state land, to construct a temporary dormitory which also allows the storage of materials including finished precast components.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 <i>Approximately HKD'million</i>	Actual use of Net Proceeds from Listing Date to 31 December 2021 <i>Approximately HKD'million</i>	Unutilised Balance of Net Proceeds from Listing Date to 31 December 2021 <i>Approximately HKD'million</i>	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 report, the Directors do not anticipate any change to the plan as to the use of Net Proceeds.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity/ Nature of interest	Number of shares held/ interested	Percentage of shareholding
Mr. Kwan Mei Kam (Note)	Interest of a controlled corporation	600,000,000	75%
Ms. Tay Yen Hua (Note)	Interest of a controlled corporation	600,000,000	75%

Note: Ideal Smart is 100% owned by Mr. Kwan Mei Kam and Ms. Tay Yen Hua in equal shares. Therefore, Mr. Kwan Mei Kam and Ms. Tay Yen Hua are deemed to be, or taken to be, interested in all the shares of the Company held by Ideal Smart for the purpose of the SFO.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDER'S INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as known to the Directors or chief executive of the Company, as at 31 December 2021, the following entity was deemed to have interest or short position in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/ Nature of interest	Number of shares held/ interested	Percentage of shareholding
Ideal Smart	Beneficial owner	600,000,000	75%

Save as disclosed above, as at 31 December 2021, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had or were deemed to have interests or short position in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

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.

OTHER INFORMATION

COMPETITION AND CONFLICT OF INTEREST

During the six months ended 31 December 2021, none of the Directors or the controlling shareholders of the Company (the “**Controlling Shareholders**”) or their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Non-Competition Undertaking

In order to avoid any potential competition arising between the Group and the Controlling Shareholders, Mr. Kwan Mei Kam, Ms. Tay Yen Hua and Ideal Smart (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the deed of non-competition with the Company (for itself and for and on behalf of its subsidiaries) on 17 December 2019 (the “**Deed of Non-competition**”). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for and on behalf of its subsidiaries) that, during the period the Deed of Non-competition remains effective, he/she/it shall not, and shall procure that his/her/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/she/it or his/her/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/she/it shall (and he/she/it shall procure his/her/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

OTHER INFORMATION

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of 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 report.

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.

OTHER INFORMATION

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.

OTHER INFORMATION

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved 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 report with the exception of code provision C.2.1 as explained below.

OTHER INFORMATION

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 the 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.

OTHER INFORMATION

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