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KWAN YONG HOLDINGS LIMITED
光榮建築控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9998)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

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 2023, together with the comparative figures for the corresponding period in 2022 as follows:

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

For the six months ended 31 December 2023

	<i>Note</i>	Six months ended 31 December	
		2023	2022
		SGD’000	SGD’000
		(Unaudited)	(Unaudited)
Revenue	6	64,653	53,595
Cost of sales		(61,510)	(50,628)
Gross profit		3,143	2,967
Other income and gain	7	978	631
Administrative expenses		(3,853)	(3,401)
Finance costs	8	(56)	(72)
Profit before tax	9	212	125
Income tax expense	10	–	–
Profit for the period attributable to shareholders of the Company		212	125

		Six months ended 31 December	
		2023	2022
<i>Note</i>		<i>SGD'000</i>	<i>SGD'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
	Fair value gain/(loss) on equity investments at fair value through other comprehensive income	<u>42</u>	<u>(60)</u>
	Other comprehensive income/(loss) for the period, net of tax	<u>42</u>	<u>(60)</u>
	Total comprehensive income for the period attributable to shareholders of the Company	<u>254</u>	<u>65</u>
	Basic and diluted earnings per share (<i>cents</i>)	<u>0.03</u>	<u>0.02</u>
		<i>12</i>	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		31 December 2023 <i>SGD'000</i> (Unaudited)	30 June 2023 <i>SGD'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	16,118	16,800
Investment properties		1,795	1,810
Equity investments at fair value through other comprehensive income	14	1,076	1,034
Total non-current assets		18,989	19,644
Current assets			
Contract assets	16	16,882	19,889
Trade and other receivables	15	19,543	19,847
Pledged deposits		3,000	3,000
Cash and cash equivalents		38,293	22,913
Total current assets		77,718	65,649
Total assets		96,707	85,293
Current liabilities			
Contract liabilities	16	9,961	7,932
Trade and other payables	17	43,830	33,578
Provisions		2,480	2,984
Borrowings		1,042	1,031
Lease liabilities		26	98
Tax payable		–	15
Total current liabilities		57,339	45,638
Net current assets		20,379	20,011

		31 December	30 June
		2023	2023
	<i>Note</i>	<i>SGD'000</i>	<i>SGD'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Borrowings		441	965
Lease liabilities		<u>1,251</u>	<u>1,268</u>
Total non-current liabilities		<u>1,692</u>	<u>2,233</u>
Total liabilities		<u>59,031</u>	<u>47,871</u>
Net assets		<u>37,676</u>	<u>37,422</u>
Equity attributable to shareholders of the Company			
Issued capital	18	1,389	1,389
Share premium		32,978	32,978
Reserves		<u>3,309</u>	<u>3,055</u>
Total equity		<u>37,676</u>	<u>37,422</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2023

	Issued capital <i>SGD'000</i>	Share premium <i>SGD'000</i>	Fair value reserves <i>SGD'000</i>	Foreign currency translation reserves <i>SGD'000</i>	Retained profits <i>SGD'000</i>	Total equity <i>SGD'000</i>
Group						
At 1 July 2023 (Audited)	1,389	32,978	(62)	(114)	3,231	37,422
Profit for the period	-	-	-	-	212	212
Other comprehensive income for the period:						
Fair value gain on equity instruments at fair value through other comprehensive income	-	-	42	-	-	42
Total comprehensive income for the period	-	-	42	-	212	254
At 31 December 2023 (Unaudited)	<u>1,389</u>	<u>32,978</u>	<u>(20)*</u>	<u>(114)*</u>	<u>3,443*</u>	<u>37,676</u>

	Issued capital <i>SGD'000</i>	Share premium <i>SGD'000</i>	Fair value reserves <i>SGD'000</i>	Foreign currency translation reserves <i>SGD'000</i>	Retained profits <i>SGD'000</i>	Total equity <i>SGD'000</i>
Group						
At 1 July 2022 (Audited)	1,389	32,978	(144)	(114)	906	35,015
Profit for the period	-	-	-	-	125	125
Other comprehensive loss for the period:						
Fair value losses on equity instruments at fair value through other comprehensive income	-	-	(60)	-	-	(60)
Total comprehensive income for the period	-	-	(60)	-	125	65
At 31 December 2022 (Unaudited)	<u>1,389</u>	<u>32,978</u>	<u>(204)*</u>	<u>(114)*</u>	<u>1,031*</u>	<u>35,080</u>

* *The reserve in the interim condensed consolidated statement of financial position as at 31 December 2023 comprised of fair value loss of approximately SGD20,000 (six months ended 31 December 2022: approximately SGD204,000), foreign currency translation loss of approximately SGD114,000 (six months ended 31 December 2022: approximately SGD114,000) and retained profits of approximately SGD3,443,000 (six months ended 31 December 2022: approximately SGD1,031,000).*

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 31 December 2023

	Six months ended 31 December	
	2023	2022
	SGD'000	SGD'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	212	125
Adjustments for:		
Depreciation of property, plant and equipment	1,170	1,146
Depreciation of investment properties	15	16
Bank interest income	(499)	(93)
Dividend income	(13)	(12)
Gain on disposal of property, plant and equipment	(126)	(172)
Finance costs	56	72
Provisions for defect liabilities	(32)	(138)
Provision for onerous contracts	(472)	–
Operating cash flows before changes in working capital	311	944
Changes in working capital:		
Decrease in contract assets	3,007	765
Increase in contract liabilities	2,029	1,991
Decrease/(increase) in trade and other receivables	304	(751)
Increase in trade and other payables	10,252	9,650
Cash generated from operations	15,903	12,599
Income tax (paid)/refund	(15)	58
Net cash generated from operating activities	15,888	12,657

	Six months ended 31 December	
	2023	2022
	SGD'000	SGD'000
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Decrease in pledged deposits	–	(1,000)
Dividend received	13	12
Interest received	499	93
Purchase of items of property, plant and equipment	(505)	(321)
Proceeds from disposal of property, plant and equipment	143	325
	<u>150</u>	<u>(891)</u>
Net cash generated from/(used in) investing activities		
Cash flows from financing activities		
Interest paid	(56)	(72)
Repayment of loans and borrowings	(513)	(703)
Payment of lease liabilities for leasehold land	(89)	(87)
	<u>(658)</u>	<u>(862)</u>
Net cash used in financing activities		
Net increase in cash and cash equivalents	15,380	10,904
Cash and cash equivalents at beginning of the period	22,913	13,877
	<u>38,293</u>	<u>24,781</u>
Cash and cash equivalents at end of the period		
Analysis of balances of cash and cash equivalents		
Cash and bank balances other than time deposit	6,285	10,781
Time deposits	35,008	19,000
Less: Pledged deposits	(3,000)	(5,000)
	<u>38,293</u>	<u>24,781</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows		
	<u>38,293</u>	<u>24,781</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. 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 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 (“**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. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2023 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 2023.

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 2023, except for the adoption of new standards effective as of 1 July 2023. 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 in the financial period ended 31 December 2023 do not have an impact on the unaudited interim condensed consolidated financial statements of the Group.

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 2023.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to credit risk, liquidity risk and market 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 2023.

There have been no changes in the financial risk management policies of the Group since the financial year ended 30 June 2023.

5. SEGMENT INFORMATION

Operating segment information

For management purposes, the Group is organised into business units based on their products and services, and has 3 reportable operating segments as follows:

- (a) The construction segment is in the business of general building and construction services.
- (b) The property segment is in the business of leasing and management of dormitory.
- (c) The corporate segment comprise the corporate services and investment holding activities of the Group.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Segment assets and liabilities are measured in a manner consistent with those of the financial statements.

Six months ended 31 December 2023

	Construction <i>SGD'000</i>	Property <i>SGD'000</i>	Corporate <i>SGD'000</i>	Total <i>SGD'000</i>
Revenue				
External customers	<u>64,341</u>	<u>312</u>	<u>–</u>	<u>64,653</u>
Segment results	<u>256</u>	<u>302</u>	<u>(346)</u>	<u>212</u>
Segment assets	<u>95,021</u>	<u>398</u>	<u>1,288</u>	<u>96,707</u>
Segment liabilities	<u>58,826</u>	<u>50</u>	<u>155</u>	<u>59,031</u>
Other Segment information				
Interest income	499	–	–	499
Finance cost	56	–	–	56
Depreciation of property, plant and equipment	1,170	–	–	1,170
Depreciation of investment properties	<u>15</u>	<u>–</u>	<u>–</u>	<u>15</u>

Six months ended 31 December 2022

	Construction SGD'000	Property SGD'000	Corporate SGD'000	Total SGD'000
Revenue				
External customers	<u>53,277</u>	<u>318</u>	<u>–</u>	<u>53,595</u>
Segment results	<u>130</u>	<u>316</u>	<u>(321)</u>	<u>125</u>
Segment assets	<u>80,795</u>	<u>310</u>	<u>1,509</u>	<u>82,614</u>
Segment liabilities	<u>47,280</u>	<u>37</u>	<u>217</u>	<u>47,534</u>
Other Segment information				
Interest income	93	–	–	93
Finance cost	72	–	–	72
Depreciation of property, plant and equipment	1,146	–	–	1,146
Depreciation of investment properties	<u>16</u>	<u>–</u>	<u>–</u>	<u>16</u>

Geographical information

The Group's revenue during the periods 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 periods 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 from contracts with customers:

	Six months ended 31 December	
	2023 SGD'000 (Unaudited)	2022 SGD'000 (Unaudited)
By revenue stream		
General building and construction	64,341	53,277
Rental of dormitory	312	318
	<u>64,653</u>	<u>53,595</u>
By timing of revenue recognitions		
Over time	<u>64,653</u>	<u>53,595</u>

7. OTHER INCOME AND GAIN

	Six months ended 31 December	
	2023 SGD'000 (Unaudited)	2022 SGD'000 (Unaudited)
Other income		
Government grants (<i>Note</i>)	83	134
Bank interest income	499	93
Rental income	257	220
Dividend income from equity investments	13	12
	<u>852</u>	<u>459</u>
Gain		
Gain arising on disposal of property, plant and equipment	126	172
	<u>978</u>	<u>631</u>

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 approximately SGD61,000 (six months ended 31 December 2022: approximately SGD122,000).

8. FINANCE COSTS

	Six months ended 31 December	
	2023 SGD'000 (Unaudited)	2022 SGD'000 (Unaudited)
Interest on:		
Bank loans	18	28
Hire purchases	–*	4
Lease liabilities	38	40
	<u>56</u>	<u>72</u>

* Amount less than SGD 1,000

9. PROFIT BEFORE TAX

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

	Six months ended 31 December	
	2023 SGD'000 (Unaudited)	2022 SGD'000 (Unaudited)
Cost of construction work	61,510	50,628
Depreciation (<i>Note (a)</i>)	1,170	1,146
Less: Amount included in cost of construction work	(844)	(923)
	<u>326</u>	<u>223</u>
Depreciation of investment properties	15	16
Expenses relating to short-term leases and leases of low-value assets (<i>Note (b)</i>)	42	3
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	17	13
Employee benefit expense (excluding Directors' remuneration):		
Salaries, allowances and benefits-in-kind	5,943	4,926
Pension scheme contributions (excluding Directors' pension scheme contributions)	318	225
	<u>6,261</u>	<u>5,151</u>
Less: Amount included in cost of construction work	<u>(4,776)</u>	<u>(3,527)</u>
	<u><u>1,485</u></u>	<u><u>1,624</u></u>

Notes:

- (a) Depreciation for the six months ended 31 December 2023 comprise depreciation of property, plant and equipment of approximately SGD1,075,000 (six months ended 31 December 2022: approximately SGD1,051,000) and depreciation of right-of-use assets of approximately SGD95,000 (six months ended 31 December 2022: approximately SGD95,000).
- (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 made as the Group did not generate any assessable profits arising in Hong Kong and Singapore during each of the financial period.

11. DIVIDENDS

No dividend was paid or declared by the Company during the six months ended 31 December 2023 (six months ended 31 December 2022: Nil).

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 31 December 2023 is based on the unaudited profit for the period attributable to shareholders of the Company of approximately SGD212,000 (unaudited profit for the six months ended 31 December 2022: approximately SGD125,000), and the weighted average number of ordinary shares in issue of 800,000,000 (six months ended 31 December 2022: 800,000,000) during the period.

No adjustment has been made to the basic earnings per share presented for the six months ended 31 December 2023 and 2022 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 2023, the Group acquired assets with a cost of approximately SGD505,000 (six months ended 31 December 2022: approximately SGD321,000).

Assets with net carrying amount of SGD17,000 (six months ended 31 December 2022: approximately SGD153,000) were disposed by the Group during the six months ended 31 December 2023, resulting in a net gain of disposal of approximately SGD126,000 (six months ended 31 December 2022: approximately SGD172,000).

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 AND OTHER RECEIVABLES

	31 December 2023 SGD'000 (Unaudited)	30 June 2023 SGD'000 (Audited)
Trade receivables	8,302	9,601
Unbilled receivables	10,281	9,447
Prepayments	97	85
Advance payment to subcontractor	–	122
Deposits	785	453
Other receivables	78	139
	<u>19,543</u>	<u>19,847</u>

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 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.

Included in other receivables are purchases made on behalf of subcontractors amounted to approximately SGD73,000 (30 June 2023: approximately SGD137,000). The amount is unsecured, interest-free and repayable on demand.

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 2023 SGD'000 (Unaudited)	30 June 2023 SGD'000 (Audited)
– Within one month	5,128	6,697
– 1 to 2 months	3,174	2,858
– 2 to 3 months	–	41
– Over 3 months	–	5
	<u>8,302</u>	<u>9,601</u>

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, 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 2023 and 30 June 2023.

16. CONTRACT BALANCES

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

	31 December 2023 SGD'000 (Unaudited)	30 June 2023 SGD'000 (Audited)
Contract assets:		
– Retention receivables (<i>Note (a)</i>)	773	773
– Other contract assets (<i>Note (b)</i>)	16,109	19,116
Total contract assets	<u>16,882</u>	<u>19,889</u>
Contract liabilities	<u>(9,961)</u>	<u>(7,932)</u>

Notes:

- (a) Retention receivable held by contract customers arose from the Group’s construction work business and are settled 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 ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all contract assets. The Group has assessed the impairment of its contract assets on an individual basis based on internal credit rating and ageing of these balances which, in the opinion of the directors of the Company, have no significant increase in credit risk during the 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 2023 and 30 June 2023.
- (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 2023 and 30 June 2023, performance bonds amounting to approximately SGD25,152,000, 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 of the Company or corporate guarantee.

17. TRADE AND OTHER PAYABLES

	31 December 2023 <i>SGD'000</i> (Unaudited)	30 June 2023 <i>SGD'000</i> (Audited)
Trade payables	10,690	4,367
Accrued subcontractor costs	19,930	17,436
Accrued operating expenses	599	1,150
Retention payables	11,716	10,021
Deposit received	139	149
GST payable	755	455
	<u>43,829</u>	<u>33,578</u>

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

Accrued subcontractor costs are those subcontractor costs incurred but related invoices have not been received as at the end of the reporting period.

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 2023 SGD'000 (Unaudited)	30 June 2023 SGD'000 (Audited)
– Within one month	7,829	3,720
– 1 to 2 months	2,043	393
– 2 to 3 months	223	82
– Over 3 months	595	172
	<u>10,690</u>	<u>4,367</u>

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

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

	31 December 2023 SGD'000 (Unaudited)	30 June 2023 SGD'000 (Audited)
Due within one year	5,318	5,723
Due after one year	6,398	4,298
	<u>11,716</u>	<u>10,021</u>

18. SHARE CAPITAL

	31 December 2023		30 June 2023	
	Number of shares '000	Share capital HKD'000	Number of shares '000	Share capital HKD'000
<i>Authorised:</i>				
Ordinary shares of HKD0.01 each	<u>15,000,000</u>	<u>150,000</u>	<u>15,000,000</u>	<u>150,000</u>
	31 December 2023		30 June 2023	
	Number of shares '000	Share capital SGD'000	Number of shares '000	Share capital SGD'000
<i>Issued and fully paid:</i>				
Ordinary shares of HKD0.01 each	<u>800,000</u>	<u>1,389</u>	<u>800,000</u>	<u>1,389</u>

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 36 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 its quality of work, especially in building construction works for the public sector.

As at 31 December 2023, the Group had 6 (30 June 2023: 6) construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately SGD482.8 million (30 June 2023: approximately SGD482.8 million).

OUTLOOK

Based on the announcement of the Singapore’s Ministry of Trade and Industry’s (the “**MTI**”) published on 15 February 2024, Singapore’s economy improved by 1.1 per cent in 2023. MTI estimated that the GDP growth forecast for 2024 is “1.0 to 3.0 per cent”. As a result, the Singapore economy grew by 2.2 per cent on a year-on-year basis in the fourth quarter of 2023, accelerating from the 1.0 per cent expansion in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.2 per cent, slightly faster than the 1.0 per cent growth in the third quarter. The construction sector grew by 5.2 per cent year-on-year, faster than the 3.7 per cent growth in the third quarter, as both public and private sector construction output increased. As a result, on a quarter-on-quarter seasonally-adjusted basis, the industry grew by 2.0 per cent, extending the 1.9 per cent growth in the previous quarter.

On 29 January 2024, the Monetary Authority of Singapore (the “**MAS**”) maintained the prevailing rate of appreciation of the Singapore dollar nominal effective exchange rate (S\$NEER) policy band, with no change to its width nor the level at which it is centred. Economists noted that the MAS sounded more upbeat on growth and more cautious on inflation, even as it lowered its full-year forecast for headline – but not core – inflation.

The Building and Construction Authority (the “**BCA**”) announced on 15 January 2024 that the total construction demand in 2024 is expected to range between SGD32 billion and SGD38 billion. The public sector is expected to contribute about 55 per cent of the total construction demand, primarily supported by a continued strong pipeline of public housing projects amid the Housing Development Board’s ramping up of Build-To-Order flats supply. In addition, industrial and institutional building construction is expected to contribute strongly to public sector demand, with more projects for the construction of water treatment plants, educational buildings, and community clubs. Civil engineering construction demand is anticipated to stay firm with continued support from MRT line construction and other infrastructure works.

Private sector construction demand is projected to be between SGD14 billion and SGD17 billion in 2024, comparable with 2023 figures. BCA anticipates that private sector construction demand in 2024 will come mainly from residential developments under the government land sales, expansion of the two integrated resorts, redevelopment of commercial premises, as well as development of mixed-used properties and industrial facilities.

The Group's focus as a building contractor will remain unchanged – To be a leading main contractor in public and private sector projects. The Group will exercise cautious optimism as it moves forward to position itself as a strong and resilient company. The Group believes that continued investments to enhance the Group's workforce and adopt new building technologies to support improved productivity for construction projects will strengthen our competitive edge in the tender and delivery of new construction projects.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 31 December 2023 was approximately SGD64.7 million, representing an increase of approximately SGD11.1 million or approximately 20.7% as compared to that of approximately SGD53.6 million for the six months ended 31 December 2022. The increase in revenue was mainly driven by more construction projects engaged for the six months ended 31 December 2023 as compared to those for the previous period.

Cost of sales

Cost of sales for the six months ended 31 December 2023 was approximately SGD61.5 million, representing an increase of approximately SGD10.9 million or approximately 21.5%, from approximately SGD50.6 million for the six months ended 31 December 2022. The increase was mainly driven by more construction activities which is in line with the increase in revenue.

Gross profit and gross profit margin

Gross profit increased by approximately SGD0.1 million from approximately SGD3.0 million for the six months ended 31 December 2022 to approximately SGD3.1 million for the six months ended 31 December 2023, and the gross profit margin decreased to approximately 4.9% for the six months ended 31 December 2023 from gross profit margin of approximately 5.5% for the six months ended 31 December 2022. Despite an increase in gross profit, the decrease in gross profit margin was mainly driven by the recognition of an onerous contract in the six months ended 31 December 2023 (six months ended 31 December 2022: Nil).

Other income and gain

Other income and gain increased by approximately SGD0.4 million from approximately SGD0.6 million for the six months ended 31 December 2022 to approximately SGD1.0 million for the six months ended 31 December 2023. The increase was mainly due to the increase in bank interest income earned arising from increase of average bank balance as compared to that for the previous period.

Finance costs

The Group's finance costs decreased by approximately SGD16,000 from approximately SGD72,000 for the six months ended 31 December 2022 to approximately SGD56,000 for the six months ended 31 December 2023. The decrease was mainly due to the lower average borrowings during the six months ended 31 December 2023.

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 2023 and 31 December 2022.

Profit for the period

As a result of the above factors, the Group recorded a profit of approximately SGD0.2 million for the six months ended 31 December 2023 as compared to a profit of approximately SGD0.1 million for the six months ended 31 December 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The capital of the Group comprises 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 2023 amounted to approximately SGD38.3 million (30 June 2023: approximately SGD22.9 million) which were denominated in Hong Kong dollars and Singapore dollars.

As at 31 December 2023, the Group's indebtedness comprised borrowings and lease liabilities denominated in Singapore dollars of approximately SGD2.8 million (30 June 2023: approximately SGD3.4 million).

The Group recorded total current assets of approximately SGD77.7 million as at 31 December 2023 (30 June 2023: approximately SGD65.6 million) and total current liabilities of approximately SGD57.3 million as at 31 December 2023 (30 June 2023: approximately SGD45.6 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.4 as at 31 December 2023 (30 June 2023: approximately 1.4).

The Group's total equity attributable to owners of the Company remained stable at approximately SGD37.7 million as at 31 December 2023 (30 June 2023: approximately SGD37.4 million).

GEARING RATIO

As at 31 December 2023, 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 7.4% (30 June 2023: approximately 9.1%).

CONTINGENT LIABILITIES

As at 31 December 2023 and 30 June 2023, 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 2023, 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 2023.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had no capital commitment (30 June 2023: 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

The economic outlook for Singapore in 2024 appears cautiously optimistic. The Singapore Government expects that the headline inflation to moderate in 2024. The global economic outlook continues to be mixed and uneven. Geopolitical uncertainties, and the potential for a global recession could adversely impact Singapore's economic performance.

The BCA anticipates a sustained growth in construction demand over the medium term, forecasting an annual range between SGD31 billion and SGD38 billion from 2025 to 2028. The public sector is poised to spearhead this demand, contributing an estimated SGD19 billion to SGD23 billion annually during the same period, with building projects and civil engineering works accounting for approximately 70 percent and 30 percent, respectively. Public sector construction demand will be fueled by projects like MRT developments, hospital redevelopments, integrated developments, and Junior College renovations. Additionally, BCA expects the private sector construction demand to remain steady, ranging between SGD12 billion and SGD15 billion per year from 2025 to 2028. Considering recent contracts and the 2024 construction demand forecast, the total nominal construction output for 2024 is projected to increase to a range of SGD34 billion to SGD37 billion, reflecting a continued upward trend supported by consistent demand levels in recent years.

Despite the positive outlook, industry consolidation and challenges in the construction supply chain are anticipated, with ongoing issues like increasing building material prices, cost overruns, tight labor markets, and competition for project tenders. Additionally, factors such as Goods and Services Tax (GST) and carbon tax hikes may exert upward pressure on prices.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2023 (six months ended 31 December 2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 459 employees (31 December 2022: 355 employees). Total staff costs for the six months ended 31 December 2023 amounted to approximately SGD6.3 million (six months ended 31 December 2022: 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event after the six months ended 31 December 2023 and up to the date of this announcement.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 5 to the interim condensed consolidated financial statements.

CHARGES ON GROUP ASSETS

The bank facilities as at 31 December 2023 was secured against pledged time deposits of approximately SGD3.0 million, while the bank facilities as at 30 June 2023 was secured against the leasehold building with net carrying amount of approximately SGD11.2 million and pledged time deposit of approximately SGD3.0 million.

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 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 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 2023 and up to the date of this announcement.

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 C1 of the Listing Rules. The Company has fully complied with the CG Code during the six months ended 31 December 2023 up to the date of this 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. In particular, the Company is actively looking for suitable candidate for segregating the duties of the chief executive officer of the Company. Therefore, the Directors consider that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstance.

Ms. Tay Yen Hua is the spouse and Ms. Kwan Shu Ming is the daughter of Mr. Kwan Mei Kam. Save as disclosed above, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between board members and in particular, between the chairman and the chief executives.

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.

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 2023 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 2023 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, 28 February 2024

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.