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KWAN YONG HOLDINGS LIMITED

光榮建築控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9998)

PROFIT WARNING

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

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders (the “**Shareholders**”) and the potential investors of the Company that, based on a preliminary review of the unaudited consolidated management accounts of the Group for the year ended 30 June 2020 and other information currently available to the Board, the Group is expected to record a net loss of approximately SGD15.2 million before listing expenses for the year ended 30 June 2020 as compared to a net profit of approximately SGD8.3 million before listing expenses for the year ended 30 June 2019. Based on the information currently available, such expected loss was mainly attributable to the following:

- (i) The unprecedented outbreak of the novel coronavirus (the “**COVID-19**”) in early 2020 which subsequently developed to a global pandemic has severely disrupted global economic activities. The first case of the COVID-19 occurred in Singapore at the end of January 2020 has caused the slowdown of the progress of the on-going projects of the Group. Due to the outbreak of the COVID-19 in the People’s Republic of China (the “**PRC**”), the workers from PRC were unable to report to duty after the Chinese New Year in early 2020. The Group and its subcontractors were unable to find sufficient number of substitute workers to perform the site works of the on-going projects;
- (ii) In March 2020, the Federal Government of Malaysia announced and implemented the Malaysia Movement Control Order (the “**Cordon Sanitaire**”) as a preventive measure in response to the COVID-19. The Cordon Sanitaire involved prohibition of movement of people which adversely affected the Group’s supply chain in construction materials between Malaysia and Singapore since March 2020, thus leading to a slowdown of business operation;

- (iii) In order to control the spread of the COVID-19, many countries have implemented strict public health measures, including lockdowns and border closures to limit the movement of people. The Singapore Government had also imposed circuit breaker measures in which non-essential business activities were suspended from 7 April 2020 to 1 June 2020 (both days inclusive) (the “**Circuit Breaker Period**”). Since construction works was being identified as non-essential business activity according to the circuit breaker measures, hence, all of the Group’s construction sites were suspended during the Circuit Breaker Period which has in turn significantly affected the progress of the Group’s construction works. These circuit breaker measures resulted in almost no revenue being recognised by the Group during this period, while the Group was still required to bear the fixed operating costs.

As at the date of this announcement, all of the Group’s on-going projects have been allowed to restart, albeit at a lower level of productivity due to Singapore Government safety measures with additional costs incurred in order to comply with additional safety measures; and

- (iv) The profit margin of the Group for the year ended 30 June 2020 has also declined as a result of additional costs incurred due to the outbreak of the COVID-19 such as cost overrun of ongoing projects in anticipation of productivity loss and prolongation of project timeline, provision for losses from certain projects in Singapore due to extended construction periods and intense competition for new jobs. The reduction of the profit margin has partially been cushioned by (a) lower finance costs of loans and (b) the receipt of Singapore Government grants which aim to mitigate the adverse impact of the COVID-19.

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

The Group is still in the process of finalising its financial results for the year ended 30 June 2020. The information contained in this announcement is only based on the information currently available to the Board, that includes the unaudited consolidated management accounts of the Group for the year ended 30 June 2020, which have not been audited or reviewed by the auditors of the Company or the audit committee of the Company. The actual results of the Group for the year ended 30 June 2020 to be published shortly may be different from the information disclosed in this announcement.

Shareholders and potential investors of the Company are advised to refer to further details of the Group’s financial results for the year ended 30 June 2020 which are expected to be announced by the end of September 2020.

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

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

Hong Kong, 7 September 2020

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