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均安控股

Kwan On Holdings

KWAN ON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

**(1) MAJOR TRANSACTION - DISPOSAL OF A SUBSIDIARY AND
PROVISION OF FINANCIAL ASSISTANCE; AND
(2) DISCLOSEABLE TRANSACTION - PROVISION OF FINANCIAL
ASSISTANCE**

THE DISPOSAL

On 27 March 2025, the Company and the Purchaser entered into the Agreement, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Sale Shares and the Sale Loan.

As at the date of this announcement, the Target Company is a direct wholly-owned subsidiary of the Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company, and the financial results of the Target Group will cease to be consolidated by the Group.

THE GUARANTEE

Following Completion, the Company will continue to provide the Guarantee in respect of the Bank Facility.

LISTING RULES IMPLICATIONS

The Disposal and the Guarantee

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal and the Guarantee exceed 25% but all relevant percentage ratios are less than 75%, the Disposal and the Guarantee constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Guarantee

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Guarantee on a standalone basis exceeds 5% but all relevant percentage ratios are less than 25%, the Guarantee on a standalone basis constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder; and (b) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at the general meeting to approve the Agreement, the Guarantee and the transactions contemplated thereunder.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Agreement, the Guarantee and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder.

As no Shareholder is interested in the Agreement, the Guarantee and the transactions contemplated thereunder and is required to abstain from voting at the general meeting (if the Company were to convene a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder), the Company has obtained the written approval of Sino Coronet, a Shareholder holding 1,039,456,250 Shares, representing approximately 55.61% of the issued share capital of the Company as at the date of the Agreement, pursuant to Rule 14.44 of the Listing Rules, and is exempted from convening a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder.

Given none of the Directors has any material interest in the Agreement, the Guarantee and the transactions contemplated thereunder, no Directors were required to abstain from voting on the relevant Board resolutions in approving the Agreement, the Guarantee and the transactions contemplated thereunder.

A circular containing, among other things, further information of the Agreement, the Disposal, the Guarantee and other information as required under the Listing Rules will be despatched to the Shareholders on or before 22 April 2025.

As Completion is subject to and conditional upon fulfilment of the relevant approvals and requirements set out in the Agreement and Completion may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE DISPOSAL

On 27 March 2025, the Company and the Purchaser entered into the Agreement, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Sale Shares and the Sale Loan.

The principal terms of the Agreement are as follows:

Date

27 March 2025

Parties

- (i) The Purchaser; and
- (ii) The Company.

Subject matter

The Company agreed to sell, and the Purchaser agreed to acquire the Sale Shares and the Sale Loan, subject to the terms and conditions contained in the Agreement.

Consideration

The consideration for the Sale Shares and the Sale Loan shall be HK\$100, which shall be payable by the Purchaser to the Company through wire transfer to the Company's designated bank account at Completion.

The consideration for the Sale Shares and the Sale Loan was arrived at after arm's length negotiations between the Purchaser and the Company, with reference to (i) the net deficits of the Target Company together with its current deteriorating financial condition of continued loss as explained in the section headed "Reasons and Benefits for the Disposal and the Guarantee" in this announcement; (ii) the difficulty to identify suitable buyer to purchase the Target Company in order for the Company to mitigate its financial risk exposure; and (iii) the unlikelihood of repayment of the Sale Loan by the Target Group in near future because of its weak financial position. The Directors consider the consideration for the Sale Shares and the Sale Loan to be fair and reasonable, and that the entering into of the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is subject to the satisfaction (or the waiver in writing by the Purchaser or the Company (as the case may be)), of the following conditions precedent:

- (a) the Purchaser having completed the financial, business, and legal due diligence on the Target Company and having been satisfied with the results of the relevant due diligence;
- (b) the Company's warranties under the Agreement being true, accurate, and not misleading as at the date of the Agreement and the Completion Date, and there being no breach of the Company's warranties;
- (c) all necessary consents for the transactions contemplated under the Agreement, including but not limited to the consents that both the Purchaser and the Company must obtain according to the requirements of the relevant government authorities, or any third-party consents required for the transactions contemplated under the Agreement, having been duly obtained and remaining fully valid;
- (d) the Purchaser having obtained the requisite board approval in respect of the Agreement, the Deed of Sale Loan Transfer and other ancillary documents and transactions contemplated thereunder; and
- (e) the Company having obtained the requisite Board approval and Shareholders' approval as required under the Listing Rules in respect of the Agreement, the Deed of Sale Loan Transfer and other ancillary documents and transactions contemplated thereunder.

Save for the conditions precedent set out in paragraphs (d) and (e) above, the Purchaser has the right to waive in writing any of the foregoing conditions precedent; and save for the conditions precedent set out in paragraphs (a), (b), and (e), the Company has the right to waive in writing any of the foregoing conditions precedent.

The Purchaser and the Company shall use their best commercial efforts to procure satisfaction of the above conditions precedent on or before the Long Stop Date.

Completion

Completion is expected to take place on or before the fifth (5) Business Day after the satisfaction or waiver (if applicable) of the above conditions precedent, or any other date as mutually agreed between the Purchaser and the Company.

Post-Completion Undertaking

The Purchaser has undertaken to the Company that, after Completion, it shall procure the Target Company and/or its subsidiaries to change their names to names that do not include the term “Kwan On” or any name that may cause confusion or association with the Company, within thirty (30) Business Days after the Completion Date.

Termination

The Agreement can be terminated by the Purchaser or the Company under any of the following circumstances:

- (a) the Purchaser and the Company mutually agree in writing to terminate the Agreement; and
- (b) Conditions precedent to Completion are not satisfied and/or waived (if applicable) on or before the Long Stop Date.

THE GUARANTEE

The Bank Facility

As at the date of this announcement, Kwan On Construction (a member of the Target Group) had an outstanding amount of approximately HK\$14,512,879 under the Bank Facility.

Therefore, upon Completion, members of the Target Group will cease to be subsidiaries of the Company, the provision of Guarantee by the Company after Completion will constitute provision of financial assistance by the Company to a third party under the Listing Rules.

The Guarantee

Pursuant to the Agreement, the Company undertakes to irrevocably guarantee to the Purchaser the repayment obligations of the Company or Kwan On Construction under the Bank Facility Agreements. In any event, the Guarantee amount to be payable to the Purchaser shall not exceed HK\$17,000,000.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding. The Target Group is principally engaged in civil engineering business in Hong Kong involving provision of (i) waterworks engineering services; (ii) road works and drainage services and site formation works; and (iii) landslip preventive and mitigation works to slopes and retaining walls services. As at the date of this announcement, the Target Company is a direct wholly-owned subsidiary of the Company.

The audited financial results of the Target Group (prepared in accordance with the Hong Kong Financial Reporting Standards) for each of the two financial years ended 31 March 2023 and 2024 respectively:

	For the year ended 31 March	
	2024	2023
	(Audited)	(Audited)
	HK\$'000	HK\$'000
Net loss before tax	109,116	77,978
Net loss after tax	105,464	77,036

The unaudited net deficits of the Target Group as at 28 February 2025 was recorded as approximately HK\$69.3 million.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company and its subsidiaries are principally engaged in the construction related business and trading of chemical materials.

The Purchaser

The Purchaser is an investment holding company incorporated in Hong Kong, which is wholly-owned by Jiangsu Chengbiao Construction, a company which is principally engaged in construction related business in the PRC. Jiangsu Chengbiao Construction is wholly-owned by Ms. Ye Guihua (葉桂花), an individual who resides in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

REASONS AND BENEFITS FOR THE DISPOSAL AND THE GUARANTEE

The Target Group has reported losses attributable to its equity owners of approximately HK\$58.7 million, HK\$77.0 million and HK\$105.5 million for the three years ended 31 March 2022, 2023 and 2024 respectively. The Target Group also suffered loss attributable to its equity owners of approximately HK\$13.7 million for the six months ended 30 September 2024.

For the past few years, Hong Kong civil engineering industry faced industry-wide challenges including labour shortages and inflationary trends in material and labour costs. These challenges resulted in postponement of completion dates of certain civil engineering construction projects of the Target Group. The postponement resulted in extended presence of project staff on-site, and in turn, led to additional overhead costs for the Target Group, which had been further exacerbated by inflationary expenses. Moreover, the Target Group encountered difficulties to pass on the additional costs to its customers and can only require customers to increase the construction fee payable by customers through contracts. All of these narrowed the estimated profit or even increased the potential loss of the civil engineering construction projects of the Target Group.

Moreover, there was intense competition within the civil engineering industry in Hong Kong. The heightened competition resulted in a decline in tender bidding prices and project profitability. Therefore, the Target Group encountered growing difficulties in securing new civil engineering construction projects.

In response to the challenges, the Group has implemented a number of measures to overcome the difficulties by, among other things, restructuring the management team of the Target Group, divesting loss-making civil engineering construction projects of the Target Group and optimizing the resources of the Target Group so as to focus on profit-making civil engineering construction projects of the Target Group. However, all of these measures and efforts were in vain. It was stated in the annual reports of the Company that the gross loss margins were recorded for the three years ended 31 March 2022, 2023 and 2024 in respect of (i) waterworks engineering service projects; (ii) road works and drainage services and site formation work projects; and (iii) landslip preventive and mitigation works to slopes and retaining walls service projects for each of the aforesaid three financial years.

In view of the poor results of the Target Group, the Company has to support the payment of the daily operation expenses, and the repayment of the Bank Facility and other borrowings of the Target Group by lending money to the Target Group. The aggregate amount of loan provided by the Company to the Target Group was approximately HK\$32.4 million (being the Sale Loan) as at the date of the Agreement.

The persistent losses suffered by the Target Group signals its deteriorating operational performance and uncertainty in future prospects. If such situation continues, the Company may face (i) further financial losses; and (ii) working capital pressure to inject further funds to sustain the business of the Target Group. Additionally, this may lead to significant pressure on cash flow and potentially hindering the development of other core businesses of the Group. If this happens, it will further weaken the Company's statement of financial position, erode investor confidence, and limit future financing options of the Company. In the worst case, there may be going concern issues for entire businesses of the Group.

In view of the dismal business prospect of the Target Group, and with prudent assessments on the above, the Disposal represents a good opportunity for the Company to divest its investment in the Target Group, mitigate continued loss and manage the potential financial risks, and given that subsequent to the Disposal, the Group will no longer record the operating losses and liabilities of the Target Group, the overall financial burden of the Group is anticipated to be alleviated.

During negotiation of the terms of the Disposal, the Purchaser requested the Group to repay the entire outstanding amount of the Bank Facility of the Target Group or change the borrower from the Target Group to the remaining Group in respect of the Bank Facility before Completion. The remaining Group financed the repayment of the Bank Facility of the Target Group in the past because of weak financial position of the Target Group. If the Company does not proceed with the Disposal, the Company has to repay the Bank Facility of the Target Group. In short, the remaining Group is responsible for the repayment of the Bank Facility no matter whether the Disposal is proceeded with or not. Accordingly, the request by the Purchaser is accepted by the Company. The Company discusses with the Bank for the remaining Group to become the borrower of the Bank Facility of the Target Group, and understands that the Bank has to take time to go through its internal procedures before reaching a decision. Moreover, it is uncertain how long the Bank has to take to reach a decision. Therefore, the Company proposes to the Purchaser for the Company to continue to provide the Guarantee after Completion, and repay the Bank Facility before the change of lender to the remaining Group. This is accepted by the Purchaser. The Company considers the Guarantee and the continued repayment of the Bank Facility after Completion to be fair and reasonable to the Company because (i) it facilitates the agreement between the Purchaser and Company to agree on the Disposal; and (ii) the Guarantee can delay the repayment of the Bank Facility by the remaining Group.

Taking into consideration of the aforesaid and coupled with the favourable financial effect of the Disposal as set out in the section headed "Financial Effect of the Disposal and Intended Use of Proceeds" in this announcement, the Directors are of the view that the Disposal and the terms of the Agreement are fair and reasonable and on normal commercial terms, and the Disposal and the provision of the Guarantee are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

As at the date of this announcement, the Target Company is a direct wholly-owned subsidiary of the Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company, and the financial results of the Target Group will cease to be consolidated by the Group. Therefore, the remaining Group will focus its resources primarily on (i) construction related business in the PRC and Southeast Asia, and (ii) trading of chemical materials in the PRC immediately after Completion.

Subject to final audit, it is expected that the Group will record a gain on the Disposal of approximately HK\$19.6 million, which is calculated by reference to (i) the total consideration for the Disposal of HK\$100; (ii) the total net deficits value of the Target Group of approximately HK\$69.3 million as at 28 February 2025; (iii) the Sale Loan of approximately HK\$32.4 million; (iv) the Guarantee of HK\$17 million; and (v) the related estimated transaction costs and expenses of the Disposal of approximately HK\$0.3 million. The actual gain on the Disposal to be recorded by the Group, which will be calculated by reference to the net deficits of the Target Group and the amount of the Sale Loan at the time of Completion and related transaction costs and expenses incurred by the remaining Group, may be different from the above figure. Moreover, the actual amount of gain will be subject to audit by the auditors of the Company and therefore may be different from the aforementioned amount. Such gain is non-recurring in nature and will be reflected in the profit and loss account of the Group for the financial year in which Completion takes place. Having taken into consideration the reasons for the Disposal as stated in the section headed “Reasons and Benefits for the Disposal and the Guarantee” in this announcement, the Company is of the view that the Disposal is in the interests of the Company and the Shareholders as a whole as it will lower the Group’s gearing ratio.

As the consideration for the Disposal is HK\$100, no proceeds are expected to be received by the Company after deducting the transaction costs and expenses.

LISTING RULES IMPLICATIONS

The Disposal and the Guarantee

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal and the Guarantee exceed 25% but all relevant percentage ratios are less than 75%, the Disposal and the Guarantee constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

The Guarantee

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Guarantee on a standalone basis exceeds 5% but all relevant percentage ratios are less than 25%, the Guarantee on a standalone basis constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder; and (b) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at the general meeting to approve the Agreement, the Guarantee and the transactions contemplated thereunder.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Agreement, the Guarantee and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder.

As no Shareholder is interested in the Agreement, the Guarantee and the transactions contemplated thereunder, and is required to abstain from voting at the general meeting (if the Company were to convene a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder), the Company has obtained the written approval of Sino Coronet, a Shareholder holding 1,039,456,250 Shares, representing approximately 55.61% of the issued share capital of the Company as at the date of the Agreement, pursuant to Rule 14.44 of the Listing Rules, and is exempted from convening a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder.

Given none of the Directors has any material interest in the Agreement and the transactions contemplated thereunder, no Directors were required to abstain from voting on the relevant Board resolutions in approving the Agreement, the Guarantee and the transactions contemplated thereunder.

A circular containing, among other things, further information of the Agreement, the Disposal, the Guarantee and other information as required under the Listing Rules will be despatched to the Shareholders on or before 22 April 2025.

As Completion is subject to and conditional upon fulfilment of the relevant approvals and requirements set out in the Agreement and Completion may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Agreement”	the sale and purchase agreement dated 27 March 2025 entered into between the Purchaser and the Company in relation to the Disposal
“Bank”	a licensed bank in Hong Kong
“Bank Facility”	the provision of an uncommitted fixed term loan by the Bank to Kwan On Construction with the outstanding amount of HK\$14,512,879 under the Bank Facility Agreements, secured with a second legal charge over a property owned by a wholly-owned subsidiary of the Company, along with a corporate guarantee from the Company
“Bank Facility Agreements”	the two facility agreements dated 6 September 2019 and 19 December 2022 entered into between the Bank and Kwan On Construction with respect to the Bank Facility
“Board”	the board of Directors
“Business Day”	any day on which banks in Hong Kong and the PRC are open for business (excluding Saturday or Sunday, and in the case of Hong Kong, excluding any day on which a Tropical Cyclone Warning Signal No. 8 or above or a Black Rainstorm Warning Signal is hoisted between 9:00 a.m. and 5:00 p.m.)
“Company”	Kwan On Holdings Limited (均安控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1559)
“Completion”	completion of the Disposal

“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Sale Loan Transfer”	the deed of the Sale Loan transfer to be executed and delivered by and among the Company, the Purchaser and the Target Company on the Completion Date
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan under the Agreement
“Group”	the Company and its subsidiaries
“Guarantee”	the limited guarantee to be provided by the Company to the Purchaser for the purpose of the Bank Facility after Completion in a maximum amount of HK\$17,000,000
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kwan On Construction”	Kwan On Construction Company Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	7 April 2025 or such other date as mutually agreed between the Purchaser and the Company
“Jiangsu Chengbiao Construction”	江蘇成彪建設工程有限公司 (Jiangsu Chengbiao Construction Engineering Co., Ltd.*), a company established under the laws of the PRC
“PRC”	The People’s Republic of China
“Purchaser”	Ming Jia Investment Holdings Limited (名家投資控股有限公司), a company incorporated in Hong Kong with limited liability

“Sale Loan”	the unsecured and interest-free loan in an aggregate amount of HK\$32,430,219 currently provided by the Company to the Target Company together with any rights attaching thereto
“Sale Shares”	10,014 ordinary shares of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of the Company
“Shareholders”	holders of the Shares
“Sino Coronet”	Sino Coronet Group Limited, a company incorporated in the British Virgin Islands with limited liability, and a controlling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Win Vision Holdings Limited, a company established in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“%”	per cent.

By order of the Board
Kwan On Holdings Limited
Chen Zhenghua
Chairman

Hong Kong, 27 March 2025

As at the date of this announcement, the executive Directors are Chen Zhenghua (Chairman), Mr. Zhang Fangbing (Chief Executive Officer); the non-executive director is Ms. Li Yuping; and the independent non-executive Directors are Prof. Lam Sing Kwong, Simon, Mr Lum Pak Sum and Mr. Gong Zhenzhi.

* For identification purposes only