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KWAN ON HOLDINGS

均安控股

KWAN ON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8305)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Kwan On Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.kwanonconstruction.com.

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 30 June 2016 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2015 (the “**Prior Period**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2016

	<i>Notes</i>	Three months ended	
		30 June	2015
		2016	2015
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	4	199,963	154,151
Cost of services		(185,588)	(139,977)
Gross profit		14,375	14,174
Other income		261	320
Other gains and losses		(2)	(303)
Administrative expenses		(5,867)	(5,329)
Operating profit		8,767	8,862
Finance costs		(673)	(825)
Profit before income tax expense		8,094	8,037
Income tax expense		(1,301)	(863)
Profit and total comprehensive income for the period		6,793	7,174
Attributable to:			
Owners of the Company		6,322	5,897
Non-controlling interests		471	1,277
		6,793	7,174
Earnings per share			
– Basic and diluted (HK cents)	5	0.66	0.61

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2016

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Contributed surplus HK\$'000	Capital Reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000			
As at 1 April 2015	9,600	23,811	9,755	22,968	12,544	(6,996)	71,682	5,683	77,365
Profit and total comprehensive income for the period	-	-	-	-	-	5,897	5,897	1,277	7,174
As at 30 June 2015 (unaudited)	9,600	23,811	9,755	22,968	12,544	(1,099)	77,579	6,960	84,539
As at 1 April 2016	9,600	23,811	9,755	22,968	12,544	20,007	98,685	4,659	103,344
Profit and total comprehensive income for the period	-	-	-	-	-	6,322	6,322	471	6,793
As at 30 June 2016 (unaudited)	9,600	23,811	9,755	22,968	12,544	26,329	105,007	5,130	110,137

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 6 December 2012, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business was at 5/F., So Hong Commercial Building, 41, 43, 45 and 47 Jervois Street, Hong Kong. The Company's shares were listed on the GEM of the Stock Exchange on 27 March 2015.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading in Hong Kong.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2016 have been prepared by the Directors in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The accounting policies and basis of preparation adopted in the preparation of the financial statements for the three months ended 30 June 2016 are consistent with those adopted in the Group's consolidated financial statements for the year ended 31 March 2016.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2016 have not been audited by the Company's independent auditors, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2016 are presented in Hong Kong dollars (“**HK\$**”), which is the same functional currency of the Company.

3. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in the provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading in Hong Kong. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The Group's revenue was derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

4. REVENUE

The Group's revenue represents amount received and receivable from contract work performed and recognised during the period, which is also the Group's turnover, being revenue generated from its principal activities.

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Three months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company	6,322	5,897
	=====	=====
	Number of shares	
	2016	2015
Number of shares	'000	'000
Weighted average number of ordinary shares	960,000	960,000
	=====	=====

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the three months ended 30 June 2016 and 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is engaged in the provision of (i) waterworks engineering services; (ii) road works and drainage services and site formation works; (iii) landslip preventive and mitigation works to slopes and retaining walls services (“**LPM Services**”); and (iv) building works as a contractor in Hong Kong.

Kwan On Construction Company Limited (“**KOCCL**”), an operating subsidiary of the Group, is one of the Group C contractors (confirmed) for waterworks engineering services, Group C contractors (confirmed) for roads and drainage services, Group B contractors (confirmed) for site formation services, and Group A contractors (probationary) for buildings services on the list of approved contractors for public works maintained by the Works Branch of the Development Bureau of the Government of Hong Kong.

BUSINESS REVIEW AND OUTLOOK AND PROSPECT

The Directors consider that the continuous increase in government spending for infrastructure and construction works, and the prospects for private development projects in Hong Kong had led to a general increase in the demand for construction services and thus providing more business opportunities to the Group.

FINANCIAL REVIEW

Revenue

Revenue for the three months ended 30 June 2016 (“**Q1 2016**”) amounted to approximately HK\$200.0 million, represented a surge of approximately 29.7% as compared to the three months ended 30 June 2015 (“**Q1 2015**”) of approximately HK\$154.2 million. The increase was mainly due to (i) additional contributions from five new projects and (ii) enhancement in progress for project KL/2012/03.

Three of the five new projects, namely CV/2015/01, GW/2015/05/038 and CDO2015034, were tendered by KOCCL and the remaining two, namely HY/2014/12 and HY/2013/19 were undertaken under joint operations formed by KOCCL and joint venture partners. These five new projects contributed approximately HK\$27.5 million (Q1 2015: Nil) to revenue in aggregate during the Q1 2016, net of the decrease in revenue as a result of three projects completed, including 24/WSD/09, GE/2010/21 and 6/WSD/11. These three completed projects had no revenue contribution during Q1 2016 (Q1 2015: approximately HK\$14.7 million).

With the completion of the aforesaid three projects, the Group reallocated resources and enhanced the progress for project KL/2012/03. As a result, revenue generated from KL/2012/03 recorded approximately HK\$78.9 million for Q1 2016 (Q1 2015: approximately HK\$46.7 million), representing a surge of approximately 69.0%.

Cost of services

Cost of services increased to approximately HK\$185.6 million for Q1 2016 (Q1 2015: approximately HK\$140.0 million), representing an increase of approximately 32.6%, due to increase in subcontracting fees paid.

Gross profit

Gross profit for Q1 2016 was approximately HK\$14.4 million (Q1 2015: approximately HK\$14.2 million) while gross profit margin for Q1 2016 was approximately 7.2% (Q1 2015: approximately 9.2%). The decrease in gross profit margin was mainly due to higher subcontracting rate for the new projects, under joint operations, including, HY/2014/12 and HY/2013/09. In the subcontracting agreements with the respective subcontractors of HY/2014/12 and HY/2013/19, the subcontractors are responsible for the entire works of the respective contracts and provide all the labour, plant, materials and bear all the costs for the completion of the projects. Accordingly, the subcontractors for HY/2014/12 and HY/2013/19 are paid for a higher subcontracting fee.

Other income

Other income for Q1 2016 recorded approximately HK\$0.3 million (Q1 2015: approximately HK\$0.3 million).

Other gains and losses

The Group recorded a loss of approximately HK\$2,000 during Q1 2016 (Q1 2015: approximately HK\$0.3 million loss), arisen from the disposal of a defective motor vehicle.

Administrative expenses

Administrative expenses for Q1 2016 were approximately HK\$5.9 million (Q1 2015: approximately HK\$5.3 million), representing an increase by 10.1%. The increase was mainly attributable to additional legal fee incurred for annual retainership after listing of approximately HK\$0.2 million for Q1 2016 (Q1 2015: Nil) and the legal cost paid for settlement of an employee compensation claim amounted to approximately HK\$0.2 million during Q1 2016 (Q1 2015: Nil).

Finance costs

Finance costs for Q1 2016 amounted to approximately HK\$0.7 million (Q1 2015: approximately HK\$0.8 million). The decrease was mainly due to decrease in bank borrowings by approximately \$15.3 million during Q1 2016.

Income tax expense

Income tax expense increased to approximately HK\$1.3 million for Q1 2016 (Q1 2015: approximately HK\$0.9 million) and the effective tax rate increased to approximately 16.1% (Q1 2015: approximately 10.7%). The increase in the effective tax rate was mainly due to the decrease in tax losses brought forward available for set-off against taxable profits generated during Q1 2016.

Profit and total comprehensive income

Profit and total comprehensive income for Q1 2016 amounted to approximately HK\$6.8 million (Q1 2015: approximately HK\$7.2 million). The decrease was mainly attributable to increase in income tax expense as discussed above.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO were as follows:

Long Position in Ordinary Shares in the Company

Name	Capacity and nature of interests	Number of shares held (Note 1)	Approximate percentage of shareholding involved
Mr. Wong Yee Tung, Tony (“Mr. Tony Wong”) (Notes 1 to 3)	Interest of controlled corporation	720,000,000	75.00%
Mr. Kwong Wing Kie (“Mr. Kwong”) (Notes 2 to 4)	Interest of controlled corporation	332,028,000	34.59%

Notes:

1. The issued share capital of the Company is legally and beneficially owned as to approximately 40.41% by Fortune Decade Investments Limited (“**Fortune Decade**”) and as to approximately 34.59% by Twilight Treasure Limited (“**Twilight Treasure**”).
2. The entire issued share capital of Twilight Treasure is legally and beneficially owned as to 87.5% by Success Ally Investments Limited (“**Success Ally**”) and as to 12.5% by Decade Success Investments Limited (“**Decade Success**”).
3. The entire issued share capital of Success Ally is legally and beneficially owned by Mr. Tony Wong.
4. The entire issued share capital of Decade Success is legally and beneficially owned by Mr. Kwong.

Saved as disclosed above, none of the Directors and chief executive of the Company had any other interests or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Ordinary Shares in the Company

Name	Capacity and nature of interests	Number of shares held	Approximate percentage of shareholding involved
Twilight Treasure (Notes 1 and 2)	Beneficial owner	332,028,000 (L)	34.59%
Success Ally (Notes 2 and 3)	Interest of controlled corporation	332,028,000 (L)	34.59%
Fortune Decade (Notes 1 and 4)	Beneficial owner	387,972,000 (L)	40.41%
Ms. Chiu Gar Man (“ Ms. Chiu ”) (Note 5)	Interests of spouse	720,000,000 (L)	75.00%

L: Long positions

Notes:

1. The issued share capital of our Company is legally and beneficially owned as to approximately 40.41% by Fortune Decade and as to approximately 34.59% by Twilight Treasure.
2. The entire issued share capital of Twilight Treasure is legally and beneficially owned as to 87.5% by Success Ally and as to 12.5% by Decade Success.
3. The entire issued share capital of Success Ally is legally and beneficially owned by Mr. Tony Wong.

4. The entire issued share capital of Fortune Decade is legally and beneficially owned by Mr. Tony Wong.
5. Ms. Chiu is deemed to be interested in the 720,000,000 Shares held by Mr. Tony Wong pursuant to the SFO by virtue of her being the spouse of Mr. Tony Wong.

Save as disclosed above, the Directors are not aware of any other persons, other than Directors or the chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company as at 30 June 2016 which required to be recorded pursuant to Section 336 of SFO.

COMPETING INTERESTS

During the Reporting Period, none of the Directors, the controlling shareholders and substantial shareholders, neither themselves nor their respective associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

INTEREST OF COMPLIANCE ADVISER

As at 30 June 2016, as notified by the Company's compliance adviser, Dakin Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 1 February 2016, neither the Compliance Adviser nor its directors, employees or associates had any interest in the securities to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

PURCHASE, SALES OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the Reporting Period.

CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Reporting Period.

DIVIDENDS

The Board did not recommend any payment of dividend for the Reporting Period.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 16 March 2015 (the “**Scheme**”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2016.

AUDIT COMMITTEE

The Company established the Audit Committee on 16 March 2015 with written terms of reference in compliance with the GEM Listing Rules which are available on the websites of the Stock Exchange and the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Ho Ho Ming, Prof. Lam Sing Kwong Simon and Mr. Chan Chung Kik, Lewis. The chairman of the Audit Committee is Mr. Chan Chung Kik Lewis, who has appropriate professional qualifications and experience in accounting matters.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Reporting Period.

By order of the Board
Kwan On Holdings Limited
Wong Yee Tung Tony
Managing Director

Hong Kong, 28 July 2016

As at the date of this announcement, the executive Directors are Mr. Wong Yee Tung Tony, Mr. Kwong Wing Kie and Mr. Chung Chi Ngong; and the independent non-executive Directors are Mr. Ho Ho Ming, Prof. Lam Sing Kwong Simon and Mr. Chan Chung Kik Lewis.