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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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2022**

The board (the “**Board**”) of Directors (the “**Directors**”) of Kwan On Holdings Limited (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2022 (the “**Reporting Year**”), together with audited comparative figures for the corresponding preceding year, as follows:

## Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	4	515,361	538,732
Cost of sales		<u>(551,079)</u>	<u>(526,666)</u>
Gross (loss)/profit		(35,718)	12,066
Other income	4	5,984	13,748
Other gain	4	2,913	2,806
Administrative expenses		(37,921)	(44,003)
Share of profit/(loss) of an associate		54	(36)
Finance costs	5	<u>(6,310)</u>	<u>(6,979)</u>
Loss before tax		(70,998)	(22,398)
Income tax credit/(expense)	6	<u>2,144</u>	<u>(2,179)</u>
Loss for the year	7	<u>(68,854)</u>	<u>(24,577)</u>
<b>Other comprehensive (expense)/income</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value (loss)/gain on financial assets at fair value through other comprehensive income		<u>(13,367)</u>	<u>21,204</u>
		<u>(13,367)</u>	<u>21,204</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(12,789)</u>	<u>8,376</u>
		<u>(12,789)</u>	<u>8,376</u>
Other comprehensive (expense)/income for the year		<u>(26,156)</u>	<u>29,580</u>
Total comprehensive (expense)/income for the year		<u><u>(95,010)</u></u>	<u><u>5,003</u></u>

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(67,965)</b>	(24,405)
Non-controlling interests		<b>(889)</b>	(172)
		<u><b>(68,854)</b></u>	<u>(24,577)</u>
<b>Total comprehensive (expense)/income for the year attributable to:</b>			
Owners of the Company		<b>(94,174)</b>	5,184
Non-controlling interests		<b>(836)</b>	(181)
		<u><b>(95,010)</b></u>	<u>5,003</u>
<b>Loss per share</b>			
Basic and diluted (HK cents)	9	<u><b>(4.29)</b></u>	<u>(1.54)</u>

## Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		42,680	48,378
Right-of-use assets		13,916	14,560
Interests in associates		68	–
Financial assets at fair value through other comprehensive income		27,600	43,240
Other receivables	10	6,676	28,531
		<u>90,940</u>	<u>134,709</u>
<b>Current assets</b>			
Inventories	11	167,929	174,078
Trade and other receivables	10	184,729	166,836
Contract assets		133,832	223,103
Amount due from a related company		–	1,211
Amount due from an associate		–	27,878
Amounts due from other partners of joint operations		–	209
Pledged bank deposits		82,157	58,612
Bank balances and cash		149,353	172,429
		<u>718,000</u>	<u>824,356</u>
<b>Current liabilities</b>			
Contract liabilities		15,509	79,409
Trade and other payables	12	81,958	103,129
Amount due to a related company		15,969	–
Amount due to an associate		24	–
Amounts due to other partners of joint operations		10,685	4,369
Bank borrowings		199,706	173,764
Lease liabilities		6,305	8,655
Income tax payable		5,588	2,320
		<u>335,744</u>	<u>371,646</u>
<b>Net current assets</b>		<u>382,256</u>	<u>452,710</u>
<b>Total assets less current liabilities</b>		<u>473,196</u>	<u>587,419</u>

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Bank borrowings	<b>36,136</b>	54,013
Lease liabilities	<b>8,334</b>	6,950
Deferred tax liabilities	<b>2,583</b>	5,303
	<u><b>47,053</b></u>	<u>66,266</u>
<b>NET ASSETS</b>	<u><b>426,143</b></u>	<u>521,153</u>
<b>Capital and Reserves</b>		
Share capital	<b>15,840</b>	15,840
Reserves	<b>411,687</b>	505,861
	<u><b>427,527</b></u>	<u>521,701</u>
Equity attributable to owners of the Company	<b>427,527</b>	521,701
Non-controlling interests	<b>(1,384)</b>	(548)
	<u><b>426,143</b></u>	<u>521,153</u>
<b>TOTAL EQUITY</b>	<u><b>426,143</b></u>	<u>521,153</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2022*

## 1. GENERAL INFORMATION

Kwan On Holdings Limited (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 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The principal place of business is Unit 3401, 118 Connaught Road West, Hong Kong.

The Company is an investment holding company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in the construction related business, property development in Hong Kong and Southeast Asia and trading of construction and chemical materials.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### **Amendments to HKFRS 3 “Reference to the Conceptual Framework”**

The amendments:

- update a reference in HKFRS 3 “Business Combinations” so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “Conceptual Framework”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC)-Int 21 “Levies”, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 April 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

#### **Amendments to HKFRS 10 and HKAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”**

The amendments to HKFRS 10 “Consolidated Financial Statements” and HKAS 28 “Investments in Associates and Joint Ventures” deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

#### **Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)”**

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 March 2022, the application of the amendments will not result in reclassification of the Group’s liabilities.



## **Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”**

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

## **Amendments to HKAS 8 “Definition of Accounting Estimates”**

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

### **Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”**

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 “Income Taxes” so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

In addition, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the provisions for decommissioning and restoration and the corresponding amounts recognised as part of the cost of the related assets.

The amendments are effective for annual reporting periods beginning on or after 1 April 2023, with early application permitted. As at 31 March 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$13,916,000 and HK\$14,639,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

### **Amendments to HKAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”**

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### **3. SEGMENT INFORMATION**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company that makes strategic decisions.

The following summary describes the operations in each of the Group’s reportable segments:

Construction – the provision of construction and maintenance works on civil engineering contracts and building works contracts;

Property development – property development for sales of residential units, commercial units and car parking spaces; and

Trading – trading of construction and chemical materials.

The accounting policies of the operating segments are the same as the Group’s accounting policies. The Chief Executive Officer assesses the performance of the operating segments based on the segment results, which represent the profit/loss before income tax earned by each segment without allocation of interest income, net exchange gain, finance costs from lease liabilities, finance costs from bank borrowings and central administrative costs and directors’ emoluments. Segment assets consist of all operating assets and exclude financial assets at fair value through other comprehensive income and other corporate assets, which are managed on a central basis.

## Segment revenue and results

The information of segment revenue and segment results are as follows:

### For the year ended 31 March 2022

	Construction <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>				
External sales	<u>335,347</u>	<u>–</u>	<u>180,014</u>	<u>515,361</u>
<b>RESULTS</b>				
Segment results	<u>(56,844)</u>	<u>(415)</u>	<u>1,594</u>	<u>(55,665)</u>
Interest income				3,471
Exchange gain – net				1,110
Finance costs arisen from lease liabilities				(754)
Finance costs arisen from bank borrowings				(5,556)
Share of profit of an associate				54
Central administrative costs and directors' emoluments				<u>(13,658)</u>
				<u>(70,998)</u>

### For the year ended 31 March 2021

	Construction <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>				
External sales	<u>472,764</u>	<u>–</u>	<u>65,968</u>	<u>538,732</u>
<b>RESULTS</b>				
Segment results	<u>(7,426)</u>	<u>(704)</u>	<u>1,060</u>	<u>(7,070)</u>
Interest income				5,566
Exchange gain – net				4,052
Finance costs arisen from lease liabilities				(917)
Finance costs arisen from bank borrowings				(6,062)
Share of loss of an associate				(36)
Central administrative costs and directors' emoluments				<u>(17,931)</u>
				<u>(22,398)</u>

**Other information**

Amounts included in the measure of segment results:

**For the year ended 31 March 2022**

	<b>Construction</b> <i>HK\$'000</i>	<b>Property development</b> <i>HK\$'000</i>	<b>Trading</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	(1,008)	–	–	(1,008)
Gain on lease modification	(21)	–	–	(21)
Depreciation of right-of-use assets	9,495	–	–	9,495
Depreciation of property, plant and equipment	7,468	–	–	7,468
Reversal of impairment loss of other receivables under ECL model	(774)	–	–	(774)
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

**For the year ended 31 March 2021**

	<b>Construction</b> <i>HK\$'000</i>	<b>Property development</b> <i>HK\$'000</i>	<b>Trading</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	(566)	–	–	(566)
Reversal of impairment loss of contract assets under ECL model	(20)	–	–	(20)
Depreciation of right-of-use assets	8,031	–	–	8,031
Depreciation of property, plant and equipment	6,137	–	–	6,137
Impairment loss of other receivables under ECL model	1,832	–	–	1,832
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

## Segment assets and liabilities

As at 31 March 2022

	Construction <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	<u>456,163</u>	<u>180,353</u>	<u>105,161</u>	<u>741,677</u>
Reportable segment liabilities	<u>328,536</u>	<u>40,732</u>	<u>477</u>	<u>369,745</u>
Other segment information:				
Additions to non-current assets	<u>12,572</u>	<u>–</u>	<u>–</u>	<u>12,572</u>

Segment assets consist primarily of property, plant and equipment, right-of-use assets, inventories, trade and other receivables, contract assets, pledged bank deposits and bank balances and cash.

Segment liabilities consist primarily of contract liabilities, trade and other payables, amount due to a related company, amount due to an associate, amounts due to other partners of joint operations, bank borrowings, lease liabilities, income tax payable and deferred tax liabilities.

As at 31 March 2021

	Construction <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	<u>598,575</u>	<u>186,870</u>	<u>48,045</u>	<u>833,490</u>
Reportable segment liabilities	<u>321,006</u>	<u>58,925</u>	<u>47,223</u>	<u>427,154</u>
Other segment information:				
Additions to non-current assets	<u>16,182</u>	<u>–</u>	<u>–</u>	<u>16,182</u>

Segment assets consist primarily of property, plant and equipment, right-of-use assets, inventories, trade and other receivables, contract assets, amount due from a related company, amount due from an associate, amounts due from other partners of joint operations, pledged bank deposits and bank balances and cash.

Segment liabilities consist primarily of contract liabilities, trade and other payables, amounts due to other partners of joint operations, bank borrowings, lease liabilities, income tax payable and deferred tax liabilities.

Reconciliation of reportable segment assets to total assets is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total reportable segment assets	741,677	833,490
Financial assets at fair value through other comprehensive income	27,600	43,240
Unallocated corporate assets – property, plant and equipment	29,645	30,577
Unallocated corporate assets – bank balances and cash	3,590	2,509
Other unallocated corporate assets	6,428	49,249
	<u>808,940</u>	<u>959,065</u>

Reconciliation of reportable segment liabilities to total liabilities is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total reportable segment liabilities	369,745	427,154
Unallocated corporate liabilities – bank borrowings	9,176	9,684
Other unallocated corporate liabilities	3,876	1,074
	<u>382,797</u>	<u>437,912</u>

### Geographical information

All of the Group's revenue was derived from Hong Kong, the People's Republic of China (the "PRC") and Malaysia, based on the location of the customers. Information about the Group's non-current assets other than interests in associates, financial assets at fair value through other comprehensive income and other receivables is presented based on the geographical location of the assets.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from external customers		
– Hong Kong (city of domicile)	386,590	472,764
– The PRC	127,637	65,968
– Malaysia	1,134	–
	<u>515,361</u>	<u>538,732</u>

	<b>Non-current Assets</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
– Hong Kong (city of domicile)	<b>53,156</b>	62,938
– New Zealand	<b>3,440</b>	–
	<u><b>56,596</b></u>	<u>62,938</u>

#### **Information about major customers**

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
– Customer A	<b>60,940</b>	92,054
– Customer B	<b>114,269</b>	164,037
– Customer C	<b>75,802</b>	64,367
– Customer D	<b>66,604</b>	105,950
	<u><b>66,604</b></u>	<u>105,950</u>

#### **4. REVENUE, OTHER INCOME AND OTHER GAIN**

##### **Revenue**

The Group's revenue represents amount received and receivable from contract works performed and trading of construction and chemical materials.

##### *(i) Disaggregation of revenue from contracts with customers*

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
– Provision of construction and maintenance works on civil engineering contracts and building works contracts, recognised over time	<b>335,347</b>	472,764
– Trading of construction and chemical materials, recognised at a point in time	<b>180,014</b>	65,968
	<u><b>515,361</b></u>	<u>538,732</u>



(ii) **Performance obligations for contracts with customers**

*Construction*

The Group provides construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on input method.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones or the value of construction work has to be agreed with the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables when the Group issues invoice to the customers based on the value of work certified by independent quantity surveyors.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which range from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

*Trading of construction and chemical materials*

The Group sells construction and chemical materials directly to corporate customers. Revenue is recognised when control of the goods has been transferred, being at the point in time when the goods are delivered to the customer's specific location.

(iii) **Transaction price allocated to remaining performance obligations for contracts with customers**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at 31 March 2022 and 2021 and the expected timing of recognising revenue are as follows:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>Construction services</b>		
Within one year	<b>458,946</b>	606,989
More than one year	<b>256,554</b>	163,511
	<b>715,500</b>	770,500

The construction period varies from one to four years. The amounts disclosed above represent the Group's expectation on the timing of construction services provided.

### Other income and other gain

An analysis of the Group's other income and other gain recognised during the year is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	17	137
Other interest income	3,454	5,429
Government grants (Note a)	–	6,196
Sundry income	2,513	1,986
	<u>5,984</u>	<u>13,748</u>
<b>Other gain</b>		
Gain on disposal of property, plant and equipment	1,008	566
Gain on lease modification	21	–
Reversal of/(provision for) impairment loss of other receivables under ECL model	774	(1,832)
Reversal of impairment loss of contract assets under ECL model	–	20
Exchange gain	1,110	4,052
	<u>2,913</u>	<u>2,806</u>

*Note:*

- (a) The government grants recognised in other income represent the employment support scheme paid by the Government of the Hong Kong Special Administrative Region.

### 5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	10,089	11,823
Interest on lease liabilities	754	917
	<u>10,843</u>	<u>12,740</u>
Less: Amount capitalised in inventories	(4,533)	(5,761)
	<u>6,310</u>	<u>6,979</u>

Specific borrowing costs are capitalised for the development of qualifying assets.

## 6. INCOME TAX (CREDIT)/EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong	980	712
The PRC	—	264
	<u>980</u>	<u>976</u>
Over-provision in prior years:		
Hong Kong	(129)	(544)
The PRC	(275)	—
	<u>(404)</u>	<u>(544)</u>
Deferred tax		
Current year	(2,720)	1,747
Income tax (credit)/expense for the year	<u>(2,144)</u>	<u>2,179</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The PRC subsidiary is subject to income tax at 25% for both years under Enterprise Income Tax Law (“**EIT law**”).

The Corporate Income Tax in the Republic of the Philippines is calculated at 30% of assessable profit for both years.

## 7. LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs	<b>551,079</b>	526,666
Auditor's remuneration	<b>1,050</b>	1,020
Depreciation of property, plant and equipment	<b>7,468</b>	7,170
Depreciation of right-of-use assets	<b>9,495</b>	8,031
Short-term lease expenses	<b>4,295</b>	4,364
Emoluments of directors and chief executive	<b>1,608</b>	2,010
Salaries, wages and other benefits (excluding directors' emoluments)	<b>76,726</b>	87,577
Retirement benefits schemes contributions (excluding directors)	<b>2,611</b>	3,220
Total staff costs	<b>80,945</b>	92,807

## 8. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

## 9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

### Loss

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the purpose of basic loss per share	<u>(67,965)</u>	<u>(24,405)</u>

### Number of shares

	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,584,000</u>	<u>1,584,000</u>

Since there were no potential dilutive shares in issue during the years ended 31 March 2022 and 2021, basic and diluted loss per share are the same for both years.

## 10. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<u>23,770</u>	<u>14,485</u>
Performance deposit (Note (a))	29,782	31,797
Other receivables in relation to a transferred construction project (Note (b))	25,590	46,906
Other receivables (Note (c))	8,308	3,512
VAT recoverable	12,355	12,770
Receivables from subcontractors (Note (d))	<u>57,917</u>	<u>56,299</u>
	133,952	151,284
Less: impairment loss recognised of other receivables under ECL model	<u>(3,615)</u>	<u>(4,389)</u>
Net other receivables	<u>130,337</u>	<u>146,895</u>
Prepayments and deposits	<u>37,298</u>	<u>33,987</u>
Total trade and other receivables	191,405	195,367
Less: classified under non-current assets	<u>(6,676)</u>	<u>(28,531)</u>
	<u>184,729</u>	<u>166,836</u>

*Notes:*

- (a) The amount represented the performance deposit amounted to PHP198,545,576 (equivalent to approximately HK\$29,782,000 (2021: HK\$31,797,000)) paid to the land owner for construction project in the Republic of the Philippines. The balance was interest-free, repayable upon the completion of construction project, secured by the pledge of entire equity interests in the land owner and guaranteed by a substantial shareholder of the Company.
- (b) During the year ended 31 March 2019, the Group entered into a subcontracting agreement with an independent overseas main contractor for a construction project in Thailand and the certified value of works completed by the Group amounted to THB477,318,232 (equivalent to approximately HK\$116,600,000) (the “**Receivable**”). Following certain changes in the development progress, the Group, after completing partial works, transferred the subcontracting agreement to an independent third party company registered in Thailand (the “**Successor**”). Pursuant to the tripartite agreement entered between the Group, the main contractor and the Successor, all the Group’s obligations and liabilities under the subcontracting agreement were transferred to the Successor on 29 November 2018. As stipulated in the tripartite agreement, the main contractor would return the Receivable together with an interest at 5% per annum to the Group on completion of the project.

During the year ended 31 March 2020, the main contractor informed the Group that the expected completion date of the project was delayed. On 15 October 2019, the Group and the main contractor entered into a repayment agreement, pursuant to which, the main contractor should repay to the Group the receivable of THB477,318,232 (equivalent to approximately HK\$118,129,000) and underlying interest in the manner of (i) THB205,620,283 (equivalent to approximately HK\$48,721,000) of the Receivable and underlying interest for the year would be repaid on or before 31 March 2020; and (ii) the remaining Receivable of THB271,697,949 (equivalent to approximately HK\$69,408,000) and underlying interest at 8% per annum would be repaid in 3 equal installments on 31 March 2021, 31 March 2022 and 31 March 2023 respectively. The amount for each installment should be THB90,565,983 (equivalent to approximately HK\$23,136,000). As at 31 March 2020, the first repayment of THB205,620,283 (equivalent to approximately HK\$48,721,000) had been received by the Group.

During the year ended 31 March 2021, the first installment of THB90,565,983 (equivalent to approximately HK\$22,501,000) and underlying interest of THB21,735,836 (equivalent to approximately HK\$5,429,000) had been received by the Group. As at 31 March 2021, the remaining Receivable amounted to THB181,131,966 (equivalent to approximately HK\$46,906,000) and the interest thereon were guaranteed by a substantial shareholder of the Company, who was also the beneficial owner of the project.

During the year ended 31 March 2022, the second installment of THB90,565,983 (equivalent to approximately HK\$21,315,000) and underlying interest of THB14,490,557 (equivalent to approximately HK\$3,454,000) had been received by the Group. As at 31 March 2022, the remaining Receivable amounted to THB90,565,983 (equivalent to approximately HK\$25,590,000) and the interest thereon were guaranteed by a substantial shareholder of the Company, who was also the beneficial owner of the project.

- (c) Included in other receivables of the Group was amount due from the non-controlling interest of a subsidiary, U-Tech Engineering Co. Ltd., amounting to HK\$1,965,000 as at 31 March 2022 (2021: HK\$16,000). The balance was unsecured, interest-free and repayable on demand.
- (d) The amount represented the expenses paid on behalf of the subcontractors and was expected to be settled upon completion of the related contracts.

### Trade receivables

The Group allows an average credit period of 21 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	<u>23,770</u>	<u>14,485</u>

### 11. INVENTORIES

Inventories represent property under development for sale on two parcels of freehold land located in the Republic of the Philippines. There is no write-down of inventories to net realisable value nor the reversal of such a write-down during the year (2021: Nil).

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate direct cost of development, direct tax and borrowing costs capitalised.

As at 31 March 2022, the Group's freehold land, amounting to approximately HK\$152,316,000 (2021: HK\$162,067,000) was pledged to secure banking facilities granted to the Group.

### 12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	37,323	42,301
Retention payables	29,369	44,092
Amount due to non-controlling interest of a subsidiary (Note)	4,048	4,321
Other payables and accruals	<u>11,218</u>	<u>12,415</u>
	<u>81,958</u>	<u>103,129</u>

*Note:* The balance is unsecured, non-interest bearing and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>25,446</b>	20,809
More than 30 days but within 90 days	<b>3,890</b>	3,816
More than 90 days	<b>7,987</b>	17,676
	<b><u>37,323</u></b>	<u>42,301</u>

The credit period on purchases of goods is 30 to 45 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.



## BUSINESS REVIEW AND OUTLOOK

The several waves of local epidemic and resultant restrictive measures dealt a severe blow to domestic economic activities and constrained the general economic sentiment. Epidemic-induced cross-boundary transportation and supply chain disruptions weighed heavily on stability of supply in wide range of construction materials, thus causing supply bottlenecks and inflating the material prices. The Group's performance in construction projects, particularly the civil engineering works in Hong Kong, saw a marked deterioration in the year. The operational difficulties caused by the epidemic control measures at construction sites and epidemic-induced temporary shortage in manpower and material posed unavoidable delay in certain projects of the Group.

Although the Development Bureau of the HKSAR government announced in March 2022 that the government would flexibly handle requests from contractors for extension of time for all government works contracts in progress in light of the latest COVID-19 development, the announcement was deliberately silent on the issue of time costs which can be very significant for certain projects. Our project teams estimated the delay in projects and precautionary measures for COVID-19 had already costed the Group additional fixed manpower cost, subcontracting fee and overhead expense, amounting to approximately HK\$83.3 million, which remained to be dealt with under the terms of the construction contract and to be discussed further with government departments concerned. However, the Group was not able to report these possible claims in its financial statements by considering the degree of uncertainty involved, therefore adversely impacting our financial results. The Group recorded a gross loss of approximately HK\$35.7 million in the Reporting Year.

International construction markets were still full of uncertainties mainly from unprecedented responses and lockdown measures for the epidemic situation by different local governments. Again, epidemic-induced temporary shortage in manpower and construction materials was the biggest challenge to the industry globally. The management has reviewed the businesses in our oversea segments in construction and property development and considered minimising the operational risk became the first priority of the Group. The Group had not entered into any significant construction contract in the oversea markets during the year.

The Group owns two contiguous parcels of land for development use. Each of the two parcels of land is located at 550 Jorge Bocobo Extension, Ermita, Manila, National Capital Region, the Philippines (the "**Property**"). The proposed development of the Property has a proposed gross floor area ("**GFA**") of approximately 128,132.00 sq.m and a proposed saleable area of approximately 104,294.00 sq.m. According to the current plan, the Property will be developed into two 55-storey apartment towers accommodating over 2,000 residential units, with a shopping mall and over 400 carparking spaces. Nevertheless, the global epidemic posed severe disruptions to various processes of taking the proposed development forward. These processes are closely intertwined, including from project design, manpower deployment, supply of materials to implementation of construction works along with the time cost in financing these activities. The management is closely monitoring the epidemic-induced situation and will endeavour to finalise the construction plan and building design that is yet to be approved by the local authority.

Looking forward, the epidemic control measures may continue to weight pressure on the Group's performance in construction-related segment. Nevertheless, cross-boundary supply chain disruptions may gradually ease alongside receding local epidemic situation and progressive relaxation of epidemic control measures. The management is cautiously optimistic about the recovery of the construction industry and economy in Hong Kong and China as a whole after the second quarter of 2022. As at 31 March 2022, the Group had 16 Hong Kong government contracts on hand, including contracts of our own and joint venture with business partners, with an aggregate outstanding contract sum of approximately HK\$715.5 million (31 March 2021: approximately HK\$770.5 million). The Group had been awarded 2 new government contracts during the Reporting year, with an aggregate original contract sum attributed to the Group of approximately HK\$275.7 million. The management expected the civil engineering contracts will continue to provide a stable income source for the Group in a foreseeable future.

By leveraging the support from the business network of our largest shareholder while engaging our experienced project management team, the Group will continue to explore the potential business opportunity, particularly in China which has grown into the world's second largest economy and destined to remain an engine of global economy for the next decade despite near-term challenges due to the effect of the global pandemic.

Set out below are the list of material contracts on hand as at 31 March 2022:

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated contract sum HK\$ million	Cumulative revenue recognised HK\$ million	Further revenue expected to be recognised HK\$ million
<b>Tendered by Kwan On Construction Company Limited</b>						
KL/2012/03	Civil Engineering and Development Department	Kai Tak Development – Stage 4 infrastructure at former north apron area	2/9/2017 <sup>(1)</sup>	994.8	914.8	80.0
CV/2015/01	Civil Engineering and Development Department	Provision of Universal Access Facilities for Highway Structures – Package 1 Contract 2	8/11/2019 <sup>(1)</sup>	225.8	222.1	3.7
NE/2016/05	Civil Engineering and Development Department	Development of Anderson Road Quarry Site - Pedestrian Connectivity Facilities Works Phase 1	30/3/2020 <sup>(1)</sup>	298.1	268.8	29.3
GE/2018/03	Civil Engineering and Development Department	Landslip Prevention and Mitigation Programme, 2012, Package C, Landslip Prevention and Mitigation Works in Lantau and Hong Kong Island	25/12/2020	113.8	104.4	9.4
DC/2018/10	Drainage Services Department	Condition Survey and Rehabilitation of Underground Sewers and Stormwater Drains – Stage 1	13/4/2022	200.8	165.4	35.4
20170102	Housing Authority	Road Improvement Works at Ma On Shan, Sha Tin	15/12/2021	210.6	175.5	35.1
GE/2018/01	Civil Engineering and Development Department	Landslip Prevention and Mitigation Programme, 2017, Package K	7/10/2022	75.5	36.6	38.9
20189126	Housing Authority	Slope Maintenance and Improvement Works for Region B	20/10/2022	44.8	25.0	19.8
HY/2018/12	Highways Department	Provision of Universal Accessibility Facilities at Footbridges, Elevated Walkways and Subways – Package 4	21/5/2024	261.0	103.3	157.7
Total				<u>2,425.2</u>	<u>2,015.9</u>	<u>409.3</u>

Contract number	Customer	Particular of contract	Original/extended date for completion	Estimated contract sum <i>HK\$ million</i>	Estimated total revenue to be received by our Group <i>HK\$ million</i>	Cumulative revenue recognised by our Group <i>HK\$ million</i>	Further revenue expected to be recognised by our Group <i>HK\$ million</i>
<b>Tendered by the Group's joint operations</b>							
HY/2013/19	Highways Department ("HyD")	Retrofitting of Noise Barriers on Tuen Mun Road – Town Centre Section	27/12/2019 <sup>(1)</sup>	585.0	298.4	272.7	25.7
HY/2014/14	HyD	Retrofitting of Noise Barriers on Tuen Mun Road – Fu Tei Section	27/6/2020	462.8	236.0	226.5	9.5
CV/2015/08	Civil Engineering and Development Department	Provision of Universal Access Facilities for Highway Structure – Package 1, Contract 3	28/1/2020 <sup>(1)</sup>	188.1	122.3	113.5	8.8
1/WSD/17(L)	WSD	Term contract for Waterworks District L – Lantau and the Outlying Islands	31/8/2020	300.0	153.0	144.3	8.7
2/WSD/21	WSD	Term contract for Risk-Based Improvement of Water Mains – Hong Kong & Islands	22/3/2026	406.3	207.2	7.1	200.1
ED/2019/02	Civil Engineering and Development Department	Development of Anderson Road Quarry Site – Remaining Pedestrian Connectivity Facilities Works	29/3/2024	139.9	68.5	15.1	53.4
Total					1,085.4	779.2	306.2

*Note* (1): The extended completion date was the date previously agreed with the customer. We had applied to the customer for a further extension of time and such application was being considered by the customer as at the date of this Reporting Year.

## FINANCIAL REVIEW

### Construction related business

The local epidemic in Hong Kong and resultant restrictive measures dealt a severe blow to the construction related business. The segment reported a revenue of approximately HK\$335.3 million for the Reporting Year, representing a significant 29.1% decrease from approximately HK\$472.8 million in the Previous Year.

The revenue analysis by category is shown as follows:

	Year ended 31 March	
	2022 <i>HK\$000</i>	2021 <i>HK\$000</i>
Waterworks	5,256	42,075
Road works and drainage and site formation work ("Road Work")	257,502	361,782
LPM Services	60,920	64,137
Private sector	10,536	4,770
Oversea sector	1,133	–
	<u>335,347</u>	<u>472,764</u>

The revenue from Road Works contracts fell 28.8% from a year earlier, but remained as the largest source of revenue to the Group in the Reporting Year, representing 76.8% of the total revenue in the segment. The impact brought by the epidemic was not only causing disruption to the progress of the projects, but also adversely affecting the expected profitability of a couple of projects which were particularly obvious to the contracts with significant time overrun costs. Therefore, Road Work contracts NE201605 and HA20170102 worsened abruptly in the Reporting Year with their reported revenue turning to a sharp fall of 66.1% year-on-year from approximately HK\$177.0 million in the Previous Year.

Revenue in the LPM works for the Reporting Year decreased by 5.0% to approximately HK\$61.0 million. The contracts GE201803 and GE201801 reported a fall in revenue of approximately HK\$14.3 million, down 26.8% year-on-year, however, such decline in revenue was partially offset by the income arisen from the variations or claims for completed contract GE201021, GE201306, GE201317 and GE201316 eventually being recognised by the government consultants during Reporting Year, amounting to approximately HK\$6.2 million. The contract HA20189126 also contributed an additional revenue of approximately HK\$5.0 million during the Reporting Year.

Revenue in the waterworks contracts for the Reporting Year decreased by 87.5% from approximately HK\$42.1 million in the Previous Year. Such decline in revenue was mainly caused by the substantial completion of the contract work 1WSD17 in the Previous Year. The new contract 2WSD21 was just commenced in the third quarter of the Reporting Year and yet to provide a substantial income to the Group.

The private contract of tram track maintenance works was substantially completed in the year and contributed a revenue of approximately HK\$10.5 million.

**The gross profit margins by categories of work performed are set out below:**

	<b>Year ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
Waterworks	<b>-127.5%</b>	1.0%
Road works and drainage and site formation work	<b>-12.1%</b>	0.2%
LPM Services	<b>-0.4%</b>	5.6%
Private sector	<b>9.5%</b>	26.8%
Oversea sector	<b>7.9%</b>	0.0%

The epidemic-induced impacts in shortage in manpower and material have seriously disrupted the scheduling of our contract works. The ripple effects of delay in project and implementation of precautionary measures for COVID-19 had costed the Group additional time cost. Anticipated completion dates of our Road Work contracts, NE201605 and HA20170102, of which the original completion date was scheduled in March 2020 and December 2021 respectively, have been further postponed to the final quarter of 2022. The project teams estimated the additional time cost for concluding these two Road Work contracts was approximately HK\$83.3 million, in which substantial cost was mainly the monthly fixed manpower cost in the project team assigned to the projects of approximately HK\$38.3 million and the monthly fixed cost for our subcontractors of approximately HK\$42.0 million. The Group was in the view that the recovery of these unexpected cost would require further discussion with the representative of government department concerned and thus the possible income associated with time cost was not reported in the financial statements in the Reporting Year. The Group reported a gross loss of approximately HK\$31.3 million or negative gross profit margin of 12.1% from our Road Works contracts.

For the waterworks contracts, the Group reported a gross loss of approximately HK\$6.7 million or negative gross profit margin of 127.5%. Such gross loss was mainly caused by fixed manpower cost incurred in our waterwork project team during the year while the waterwork contract 1WSD17 was substantially completed in the preceding year. Our new waterwork contract 2WSD21 was just commenced in the third quarter of our financial year and yet to provide a substantial income.

### **Trading business**

The Group engaged in the business of trading of construction and chemical materials and reported a revenue and profit amounted to approximately HK\$180.0 million and approximately HK\$1.6 million respectively.

### **Other income and other gain**

Other income and other gain for the Reporting Year was amounted to approximately HK\$8.9 million (2021: approximately HK\$16.6 million), representing a decrease of 46.4% compared with last year that was mainly due to an absence of income from the HKSAR Government subsidy under the employment support scheme of approximately HK\$6.2 million recorded in the Previous Year.

### **Administrative expenses**

Administrative expenses for the Reporting Year decreased approximately HK\$6.1 million to approximately HK\$37.9 million (2021: approximately HK\$44.0 million), thanks to a reduction in staff cost and professional fee of approximately HK\$4.5 million.

### **Finance costs**

Finance costs for the Reporting Year was approximately HK\$6.3 million (2021: approximately HK\$7.0 million), maintaining a stable borrowing rate compared with the Previous Year.

### **Loss for the year**

Loss for the year was amounted to approximately HK\$68.9 million (2021: approximately HK\$24.6 million) and increased by 180% over a year earlier amid the gross loss of approximately HK\$35.7 million recorded from our core business under the local epidemic, while the Group reported a gross profit of approximately HK\$12.1 million in the preceding year.

### **Other comprehensive (expense)/income**

Other comprehensive expense for the Reporting Year was amounted to approximately HK\$26.2 million (2021: other comprehensive income of approximately HK\$29.6 million). The adverse change was mainly due to the exchange loss of approximately HK\$12.8 million arising on translation of foreign operation (2021: exchange gain of approximately HK\$8.4 million) and fair value loss of approximately HK\$13.4 million on the investment in common shares of a company listed on the Philippine Stock Exchange, Inc. during the Reporting Year (2021: fair value gain of approximately HK\$21.2 million).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2022, the Group had net current assets of approximately HK\$382.3 million (2021: approximately HK\$452.7 million). Current ratio of the Group as at 31 March 2022 was approximately 2.14 times (2021: approximately 2.22 times).

As at 31 March 2022, the gearing ratio, calculated based on the net debt (including trade and other payables, amounts due to other partners of joint operations, amount due to an associate, amount due to a related company, bank borrowings and lease liabilities, less bank balances and cash and pledged bank deposits) divided by total equity, was approximately 29.9% (2021: approximately 23.0%).

## **CAPITAL STRUCTURE**

There has been no change in the capital structure of the Group during the Reporting Year.

## **COMMITMENTS**

As at 31 March 2022, the Group did not have any significant capital commitments (2021: Nil).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group did not have any future plans for material investments and capital assets.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Year.

## **CONTINGENT LIABILITIES**

Save for certain litigations involved, the Group did not have any material contingent liabilities as at 31 March 2022 (2021: Nil).



## **TREASURY POLICIES**

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to other receivables in relation to a transferred construction project, trade and retention receivables and deposits with banks. As set out in the Note 10(b) to the consolidated financial statements, the Group entered into a repayment agreement in October 2019. The repayments have been received by the Group and the remaining receivable and the interest thereon are guaranteed by a substantial shareholder of the Company. Hence, the Directors consider the credit risk of the other receivables in relation to a transferred construction project is significantly reduced. The credit risk of the Group's trade and retention receivables is concentrated since 71% of which was derived from five major customers as at 31 March 2022 (2021: 95%). The Group's major bank balances are deposited with banks with good reputation and hence the management does not expect any losses from non-performance by these banks. In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

## **SIGNIFICANT INVESTMENTS HELD**

As at 31 March 2022, the Group did not hold any significant investment with a value of 5 per cent. or more of the Group's total assets.

## **CHARGE OF GROUP'S ASSETS AND SECURITIES FOR BANKING FACILITIES**

As at 31 March 2022, the Group pledged book deposits amounted to approximately HK\$82.2 million (2021: approximately HK\$58.6 million) as securities for banking facilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2022, the Group employed a total of 211 employees, comprising 189 staff employed on a full-time basis and 22 casual workers. Staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$80.9 million for the Reporting Year (2021: approximately HK\$92.8 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

## **LITIGATIONS**

As at 31 March 2022, the Group was involved in certain litigations. In the opinion of the Directors, based on the advice of the Group's legal counsels, the possibility of any outflow of resources in settling these claims was remote and/or sufficient insurance policies are maintained to cover the loss, if any, and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

## **PRIOR YEAR ADJUSTMENT**

There is no prior year adjustment made in the consolidated financial statements of the Group for the Reporting Year.

## **SUBSEQUENT EVENTS**

There is no subsequent event after the Reporting Year which has a material impact to the Group.

## **OTHER INFORMATION**

### **Corporate Governance Practice**

The Board recognised that the transparency and accountability are important to a listed company. Therefore, Company is committed to establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's stakeholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly stringent regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company. In the opinion of the Board, the Company has complied with the code provisions of the CG Code for the Reporting Year except for the following deviation.

CG Code Provision A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 March 2022, only two regular board meetings were convened. However, the management have regularly updated the Board for the Group's business development with performance review through electronic means of communication. All the Board members are encouraged to express their opinions on the Company's matters. The Board was consulted for every crucial decision and the written resolutions were also circulated to all the Directors to obtain the board consents. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code. However, the Company will consider to hold regularly board meetings at approximately quarterly intervals in the future.

### **Directors' Securities Transactions**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. The Company periodically issues notices to its Directors reminding them to the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiries with the Directors, our Directors have confirmed that they have complied with the required standard of dealings regarding securities transactions by the Directors throughout the Reporting Year.

### **Purchase, Sale or Redemption of Listed Securities**

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

### **Interests in Competing Business**

As at the date of this announcement, none of the Directors nor their respective associates (as defined in the Listing Rules) had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

The independent non-executive Directors have also reviewed the compliance by each of the covenators with the undertaking during the Reporting Year. The Independent Non-Executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the covenators of the undertaking given by them.

### **Sufficiency of Public Float**

As at the date of this announcement, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company has maintained public float as required under the Listing Rules.

### **Scope of Work of the External Auditor**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Year as set out in the preliminary announcement have been agreed by the Group's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on the preliminary announcement.

### **Audit Committee**

The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group, discussed internal controls and financial reporting matters and the audited consolidated financial statements for the Reporting Year.

### **Publication of 2022 Annual Report**

The 2022 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at <http://www.kwanonconstruction.com> and the website of the Stock Exchange at <http://www.hkexnews.hk>.

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

Hong Kong, 28 June 2022

*As at the date of this announcement, the Executive Directors are Mr. Chen Zhenghua, Mr. Zhang Fangbing and Mr. Cao Lei, and the Independent Non-Executive Directors are Professor Lam Sing Kwong, Simon, Mr. Lum Pak Sum and Mr. Gong Zhenzhi.*

*This announcement will remain on the “Latest Company Announcements” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for 7 days from the date of its posting. This announcement will also be posted on the Company’s website at [www.kwanonconstruction.com](http://www.kwanonconstruction.com).*