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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 2024

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 2024 (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 2024

	Notes	**2024** **HK$'000**	2023 HK$'000
Revenue	*4*	**654,452**	624,187
Cost of sales and services rendered		**(772,707)**	(655,780)
Gross loss		**(118,255)**	(31,593)
Net impairment losses on financial and contract assets		**(3,420)**	(35,060)
Provision for litigations		**(7,200)**	–
Impairment loss for property, plant and equipment		**(4,479)**	–
Other income	*4*	**9,003**	12,797
Other loss	*4*	**(276)**	(7,973)
Administrative expenses		**(54,804)**	(41,299)
Finance costs	*5*	**(17,381)**	(9,222)
Loss before tax		**(196,812)**	(112,350)
Income tax credit	*6*	**6,614**	128
Loss for the year	*7*	**(190,198)**	(112,222)
Other comprehensive expense			
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		**(10,128)**	(850)
		(10,128)	(850)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(5,730)**	(15,074)
		(5,730)	(15,074)
Other comprehensive expense for the year, net of nil income tax		**(15,858)**	(15,924)
Total comprehensive expense for the year		**(206,056)**	(128,146)

	Notes	**2024** *HK$'000*	2023 *HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(155,403)**	(111,719)
Non-controlling interests		**(34,795)**	(503)
		(190,198)	(112,222)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(171,507)**	(127,668)
Non-controlling interests		**(34,549)**	(478)
		(206,056)	(128,146)
Loss per share			
Basic (HK cents)	*9*	**(8.31)**	(6.44)

Consolidated Statement of Financial Position
As at 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment		**29,148**	39,255
Right-of-use assets		**3,245**	9,229
Interests in associates		**68**	68
Equity instrument at fair value through other comprehensive income		**16,442**	25,703
Other receivables and prepayments	*10*	**4,339**	5,644
Deferred tax asset		**3,730**	3,181
		56,972	83,080
Current assets			
Inventories		**–**	164,787
Trade and other receivables	*10*	**133,429**	171,777
Amounts due from partners of joint operations		**1,903**	–
Contract assets		**375,387**	291,812
Pledged bank deposits		**56,510**	95,457
Cash and cash equivalents		**26,535**	47,624
		593,764	771,457
Current liabilities			
Contract liabilities		**29,748**	32,977
Trade and other payables	*11*	**337,398**	247,907
Amount due to immediate holding company		**49,481**	29,156
Amount due to an associate		**24**	24
Amounts due to other partners of joint operations		**–**	4,056
Bank borrowings		**85,058**	149,150
Provisions		**7,200**	8,269
Lease liabilities		**3,172**	8,170
Income tax payable		**4,123**	9,151
		516,204	488,860
Net current assets		**77,560**	282,597
Total assets less current liabilities		**134,532**	365,677

	2024	2023
	HK$'000	*HK$'000*
Non-current liabilities		
Bank borrowings	**–**	20,872
Provisions	**229**	–
Lease liabilities	**234**	2,836
Deferred tax liabilities	**469**	2,313
	932	26,021
NET ASSETS	**133,600**	339,656
Capital and Reserves		
Share capital	**18,692**	18,692
Reserves	**151,319**	322,826
Equity attributable to owners of the Company	**170,011**	341,518
Non-controlling interests	**(36,411)**	(1,862)
TOTAL EQUITY	**133,600**	339,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's reporting periods beginning on or after 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except for Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period and financial statements disclosures.

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

New HKICPA Guidance on the Accounting Implications of the Abolition of the MPF-LSP Offsetting Mechanism

In June 2022, the Government of the Hong Kong Special Administrative Region (the "**HKSAR Government**" or "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "**offsetting mechanism**"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19, *Employee Benefits*, that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its long service payment liability and has applied the above HKICPA guidance. This has no material impact on the Group's results and financial position for the prior periods, and the Group recognised total charges of HK$229,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2024.

Amendments to HKAS 1 and HKFRS Practice Statement 2: *Disclosure of Accounting Policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following revised HKFRSs that have been issued but are not yet effective. The Group anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 Effective for annual periods beginning on or after a date to be determined

The Group is currently assessing the impact of these amendments. The Group does not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

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/loss, 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 equity instrument 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 2024

	Construction *HK$'000*	Property development *HK$'000*	Trading *HK$'000*	Total *HK$'000*
REVENUE				
External sales	**473,413**	**108,967**	**72,072**	**654,452**
RESULTS				
Segment results	**(104,932)**	**(51,490)**	**28**	**(156,394)**

For the year ended 31 March 2023

	Construction *HK$'000*	Property development *HK$'000*	Trading *HK$'000*	Total *HK$'000*
REVENUE				
External sales	529,540	–	94,647	624,187
RESULTS				
Segment results	(85,617)	(702)	99	(86,220)

4. REVENUE, OTHER INCOME AND OTHER LOSS

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

	2024 *HK$'000*	2023 *HK$'000*
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	**473,413**	529,540
– Sales of properties, recognised at a point in time	**108,967**	–
– Trading of construction and chemical materials, recognised at a point in time	**72,072**	94,647
	654,452	624,187

(ii) ***Other income and other loss***

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

	2024	2023
	HK$'000	*HK$'000*
Other income		
Bank interest income	**644**	133
Other interest income	**–**	1,613
Government grants *(Note a)*	**–**	4,708
Sales of scrap materials	**3,810**	3,133
Insurance compensation	**1,084**	685
Write back of payables	**2,492**	–
Sundry income	**973**	2,525
	9,003	12,797
Other loss		
Gain on disposal of property, plant and equipment	**617**	406
Gain on lease modification	**18**	7
Impairment loss for prepayments	**–**	(6,500)
Impairment loss for right-of-use assets	**(336)**	–
Exchange loss	**(575)**	(1,886)
	(276)	(7,973)

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 under the Anti-epidemic Fund. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. There is no unfulfilled condition in relation to the government grant as at 31 March 2023.

5. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interest on bank borrowings	**16,969**	11,609
Interest on lease liabilities	**412**	740
Total interest expenses on financial liabilities not at fair value through profit or loss	**17,381**	12,349
Less: Amount capitalised in inventories	**–**	(3,127)
	17,381	9,222

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

6. INCOME TAX CREDIT

	2024	2023
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	2,509
The People's Republic of China (the "**PRC**")	**195**	814
Malaysia	**90**	–
The Republic of the Philippines (the "**Philippines**")	**483**	–
	768	3,323
Over-provision in prior years:		
Hong Kong	**(4,989)**	–
Deferred tax	**(2,393)**	(3,451)
Income tax credit for the year	**(6,614)**	(128)

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 Malaysia is calculated at 24% of assessable profit for both years.

The Corporate Income Tax in the Philippines is calculated at 25% of assessable profit for both years.

7. LOSS FOR THE YEAR

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

	2024	2023
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**231,812**	94,548
Auditor's remuneration		
– audit services	**1,200**	1,100
– other services	**180**	–
Depreciation of property, plant and equipment	**6,133**	6,735
Depreciation of right-of-use assets	**6,043**	9,097

8. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2024 and 2023, 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

	2024	2023
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	**(155,403)**	(111,719)

Number of ordinary shares:

	2024	2023
	'000	*'000*
Weighted average number of ordinary shares	**1,869,160**	1,734,038

Since there were no potential ordinary shares in issue during the years ended 31 March 2024 and 2023, no diluted loss per share is presented.

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (before impairment loss) of HK$53,945,000 (2023: HK$7,509,000) with aging analysis based on the invoice date at the end of the reporting period, is as follows:

	2024	2023
	HK$'000	*HK$'000*
Within 30 days	**53,362**	7,509
Over 1 year	**583**	–
	53,945	7,509

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$117,009,000 (2023: HK$73,526,000) and an aging analysis based on invoice date at the end of reporting period is as follows:

	2024	2023
	HK$'000	*HK$'000*
Within 30 days	**48,217**	6,897
More than 30 days but within 90 days	**5,222**	20,028
More than 90 days	**63,570**	46,601
	117,009	73,526

BUSINESS REVIEW

During the financial year under review, the civil engineering construction market in Hong Kong was marked by intensified competition, resulting in suppressed contract prices and challenges in tendering bids. Compounded by the lingering effect of the COVID-19 pandemic, particularly impactful in the civil engineering construction segment of our Group, our operations faced significant disruptions. The pandemic led to delays in the completion of various government contracts, eliciting increased pressure from government's representatives to expedite project timelines. Meanwhile, our costs for additional fixed manpower expenses, subcontracting fees, and overhead expenses caused by the pandemic are unlikely to be recovered under the existing contract terms, as per government's stance. Disputes in the certification of contract works have emerged between our Group and subcontractors, leading to several ongoing legal claims and necessitating a conservative provision of HK$7.2 million.

To mitigate potential penalties and further warnings from our employer regarding late project completion, the Group allocated additional resources to accelerate contract progress. Although most government contracts, including NE201605, GE201803, DC201810, and HA20189126, were substantially completed within the year, concerns were raised by government's representatives regarding the unsatisfactory progress and performance of contracts HA20170102, GE201801, and HY201812.

The management had actively engaged with the government to explore viable solutions. Consequently, supplementary agreements were either signed or in the process of being signed to withdraw from contracts HA20170102, GE201801, and HY201812. As per the withdrawal conditions, the Group is obligated to rectify identified defects and fulfill certain works as agreed upon in the supplementary agreements before handing over the incomplete works and project sites to the government. Furthermore, the government reserves the right to recover any additional costs incurred due to the completion of remaining works not undertaken by our Group. Our project teams studied the terms and provided necessary financial provisions. The Group recorded a gross loss of HK$50.0 million for these three contracts.

In the overseas market, the Group faced significant challenges with its property development projects in the Philippines amid a turbulent external economic landscape. Ongoing regional political tensions and a surge in trade protectionism heightened market uncertainties, casting a shadow over our operations. Additionally, escalating financing costs further dampened market sentiment. Given these formidable obstacles, along with the absence of a finalized financing plan with potential lenders and the Group's deteriorating financial performance, management encountered constraints in allocating substantial resources to the development project. A strategic decision was made to liquidate our investment in the Philippine property. An agreement was signed between our Group and the buyer, yielding sales proceeds (net of direct tax) of approximately HK$109.0 million. The disposal of our property under development, classified as inventory on our books, resulted in a gross loss of HK$50.8 million in the current financial year.

In response to the aforementioned challenges and to optimize the Group's resources, management remains committed to divesting loss-making contracts or businesses while exploring opportunities in the construction markets of Malaysia and Mainland China. Leveraging the extensive business network of our major shareholder, the Group successfully secured new engineering and pipework contracts with Samsung Engineering (Malaysia) Sdn Bhd and M.E.I Consultants Sdn Bhd in Malaysia in the current financial year, with total contract sum of approximately HK$187.8 million. Throughout the Reporting Year, construction contracts in Mainland China, the Philippines and Malaysia generated revenue of HK$300.2 million, with a gross profit of HK$11.0 million. This robust performance in the overseas market underscores the Group's adeptness in seizing emerging opportunities and reaffirms the management's confidence in navigating the Group towards sustained growth and success, notwithstanding recent setbacks.

FINANCIAL REVIEW

Construction and property development related business

The segment reported revenue of approximately HK$582.4 million for the Reporting Year, reflecting a HK$52.9 million or 10.0% increase compared to the previous year's revenue of approximately HK$529.5 million. This increase was mainly due to the net proceeds of HK$109.0 million received from the one-off sale of a property under development in the Philippines. However, excluding these net proceeds from one-off sale of the property under development, the segment revenue decreased by HK$56.1 million compared to last year. This decrease was primarily due to a HK$139.8 million drop in revenue from Hong Kong government projects and a HK$151.0 million decrease in revenue from PRC construction contracts, as most contracts approached substantial completion. However, this decline was partly offset by increased revenue from construction projects in Malaysia and the Philippines, contributing an increase of HK$194.1 million and HK$40.6 million respectively.

The revenue analysis by category is shown as follows:

	Year ended 31 March	
	2024	2023
	HK$000	*HK$000*
Waterworks	**31,567**	32,644
Road works and drainage and site formation work ("**Road Work**")	**111,228**	234,759
Landslip preventive and mitigation works to slopes and retaining walls services ("**LPM Services**")	**21,107**	30,841
Private sector in Hong Kong	**9,279**	14,763
Mainland China construction sector	**46,421**	197,410
Malaysia construction sector	**213,214**	19,123
Philippines construction sector	**40,597**	–
Philippines property development sector	**108,967**	–
	582,380	529,540

Revenue from Road Works contracts experienced a significant decrease of 52.6%, dropping to HK$111.2 million from HK$234.8 million in the previous year. This decrease was mainly attributed to the substantial completion of contracts NE201605 and DC201810, and the withdrawal from contracts HY201812 and 20170102. The combined revenue decrease from these contracts amounted to approximately HK$126.2 million. However, this decline was partially offset by an increase in revenue from contract ED201902, which actively pursued the project deadline.

Revenue in the LPM works for the Reporting Year decreased by 31.6% to approximately HK$21.1 million, compared to approximately HK$30.8 million in the previous year. This decline was primarily due to the withdrawal from contract GE201801, which resulted in a revenue decrease of HK$14.4 million. However, this decline was partially offset by an increase in revenue from contracts HA20189126 and HA20219051.

The Group recorded a significant revenue increase of approximately HK$234.7 million from construction contracts in Malaysia and the Philippines. This growth was achieved by leveraging the support of our major shareholder's business network, enabling us to successfully secure multiple construction contracts in both countries. However, revenue in Mainland China for the Reporting Year decreased by 76.5% to approximately HK$46.4 million, compared to approximately HK$197.4 million in the previous year, as the contract works approached final stage.

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

	Year ended 31 March	
	2024	2023
Waterworks	-12.9%	-18.4%
Road Work	-63.5%	-3.8%
LPM Services	-18.9%	-50.9%
Private sector in Hong Kong	2.7%	20.5%
Mainland China construction sector	1.7%	1.7%
Malaysia construction sector	3.9%	5.0%
Philippine construction sector	4.8%	N/A
Philippine property development sector	-46.6%	N/A

During the Reporting Year, the Group reported a gross loss of approximately HK$118.3 million (2023: gross loss of approximately HK$31.7 million) for the construction and property development related business. This significant increase in gross loss was mainly attributable to a HK$50.8 million loss recorded for the sales of property under development in the Philippines and the Group's performance in the Hong Kong civil engineering segment, which was significantly affected by inflationary trends in material and labor costs, as well as delays in the completion of various government contracts due to the past pandemic period.

Road works and LPM services contracts recorded a combined gross loss of HK$74.7 million in the current financial year due to government pressure to expedite project timelines. Supplementary agreements were being signed to withdraw from contracts HA20170102, GE201801, and HY201812 amid concerns over the progress of the contracts. The Group must rectify defects and complete specific works before handing over the projects. The government may recover additional costs for unfinished work. Our project teams have reviewed the terms and made the necessary financial provisions. As a result, the additional costs associated with rectifying defects and completing specific works, along with the financial provisions, have led to a gross loss of HK$50.0 million due to the withdrawal from these contracts. For other Road works and LPM services contracts, the Group also incurred additional manpower and subcontractor resources to accelerate contract progress, which further exacerbating our loss. Despite these challenges, contracts NE201605, GE201803, DC201810, and HA20189126 were substantially completed within the year.

In the waterwork contracts, the Group reported a gross loss of approximately HK$4.1 million, resulting in a negative gross profit margin of 12.9%. This loss was primarily due to inflationary trends in material and labor costs for ongoing contract 2WSD21, as well as additional overhead costs incurred from the extended time required to conclude the final account for contract 1WSD17 with the government representative, despite all contract works being completed in the previous financial year.

Private sector contracts in Hong Kong included projects with Hong Kong Tramways Ltd for tram track renewal and tram pole erection. These contracts generated revenue of approximately HK$9.3 million, with a gross profit of approximately HK$0.3 million.

Additionally, contracts awarded in mainland China, Malaysia, and the Philippines contributed revenues of approximately HK$46.4 million, HK$213.2 million, and HK$40.6 million, respectively. The gross profit from the mainland China contract was approximately HK$0.8 million, while the Malaysia and Philippines contracts yielded gross profits of approximately HK$8.3 million and HK$1.9 million, respectively.

Trading business

The Group is involved in the trading of chemical materials. During the Reporting Year, the Group recorded a revenue of approximately HK$72.1 million (2023: approximately HK$94.6 million) and a profit of approximately HK$0.03 million (2023: HK$0.1 million).

Net impairment losses on financial and contract assets

Net impairment loss on financial and contract assets for the Reporting Year was approximately HK$3.4 million (2023: impairment loss of HK$35.1 million). The change in provision for impairment loss was made after considering the credit portfolio of outstanding receivables and historical default rate.

Provision for litigations

A provision of HK$7.2 million has been made in the current financial year due to disputes arising between our Group and subcontractors over the certification of contract works. These disputes have led to several ongoing legal claims. After assessing the situation and consulting with external legal advisors, management has taken a conservative approach by making a provision of HK$7.2 million.

Impairment losses for property, plant and equipment

An impairment of property, plant and equipment amounting to HK$4.5 million (2023: Nil) was made after considering a decline in market prices within the property market during the current financial year.

Other income

Other income for the Reporting Year amounted to approximately HK$9.0 million, compared to HK$12.8 million in 2023. The decrease in other income was mainly due to the government grant of HK$4.7 million recorded in last reporting year, while no such income was recorded in current financial year.

Other loss

Other loss for the Reporting Year was approximately HK$0.3 million, compared to approximately HK$8.0 million in the previous reporting year. The loss in the previous year was primarily due to an impairment loss provision for prepaid expenses of HK$6.5 million. No such losses were recorded in the current financial year.

Administrative expenses

Administrative expenses for the Reporting Year increased by approximately HK$13.5 million, reaching a total of around HK$54.8 million (2023: approximately HK$41.3 million). This increase was mainly due to a rise in staff costs of approximately HK$9.3 million. The increase in staff costs was primarily attributable to an additional HK$4.0 million for back-office staff in our Malaysia operations and HK$5.3 million for our Hong Kong operations, driven by operational needs and rising costs.

Finance costs

The finance costs for the Reporting Year amounted to approximately HK$17.4 million, compared to approximately HK$9.2 million in 2023. This increase can be primarily attributed to the finance cost of HK$6.9 million for the property under development in the Philippines. In the previous financial year, this finance cost was capitalized as part of the property development cost. However, it was expensed in the current financial year due to management's decision to dispose of this property.

Other comprehensive expense

Other comprehensive expense for the Reporting Year amounted to approximately HK$15.9 million, compared to approximately HK$15.9 million in 2023. This change primarily resulted from a fair value loss on the investment in common shares of a company listed on the Philippine Stock Exchange, Inc., and the exchange difference arising from the translation of foreign operations. A fair value loss of approximately HK$10.1 million was reported in the current financial year, compared to approximately HK$0.9 million in the previous year. Additionally, an exchange loss of HK$5.7 million was recorded in the current financial year, while an exchange loss of HK$15.1 million was recorded in the last financial year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2024, the Group had net current assets of approximately HK$77.6 million (2023: approximately HK$282.6 million). Current ratio of the Group as at 31 March 2024 was approximately 1.15 times (2023: approximately 1.58 times).

As at 31 March 2024, the gearing ratio, calculated based on the net debt divided by total capital plus net debt, was approximately 73.3%. (2023: approximately 54.8%) Net debt is calculated as the total of 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 and lease liabilities and less unpledged bank balances and cash. Capital includes equity attributable to owners of the Company.

CAPITAL STRUCTURE

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

COMMITMENTS

As at 31 March 2024, the Group did not have any significant capital commitments (2023: 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 2024 (2023: 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. During the Reporting Year, the Group has received all remaining receivable and interest. The credit risk of the Group's trade and retention receivables is concentrated since 73% of which was derived from three major customers as at 31 March 2024 (2023: 79%). 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 2024, 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 2024, the Group's bank borrowings and other banking facilities are pledged by bank deposits amounting to approximately HK$56.5 million (2023: HK$95.5 million); leasehold land and building with an carrying value of approximately HK$23.8 million (2023: HK$28.9 million) ;and freehold land included in inventories with an carrying value of approximately HK$nil (2023: HK$164.8 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group employed a total of 100 employees, comprising 94 staff employed on a full-time basis and 6 casual workers. Staff costs, including Directors' emoluments, of the Group amounted to approximately HK$92.8 million for the Reporting Year (2023: approximately HK$90.0 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.

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 Part 2 of Appendix C1 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 C.5.1 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 2024, 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 C3 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 auditors, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Crowe (HK) CPA 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 2024 Annual Report

The 2024 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 2024

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 Listed Company Announcements" page of the website of the Stock Exchange at 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.