



Kwan On Holdings Limited

均安控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1559



INTERIM REPORT

2024



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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the financial period under review, the Group continued to accelerate progress on existing contracts and withdrew from contracts HA20170102, GE201801, and HY201812 through supplementary agreements to address identified defects and fulfill specific agreed-upon works. The project sites were successfully handed over to the government during the reporting period.

While maintaining efforts to complete ongoing government contracts, the Directors of the Company (the “**Directors**”) acknowledge that the civil engineering industry in Hong Kong remains challenging due to intense competition in the construction sector. To navigate these challenges and optimize resources, management remains committed to divesting from loss-making contracts or businesses and pursuing new opportunities in private construction markets in Hong Kong, Malaysia, and Mainland China.

FINANCIAL REVIEW

Revenue

For the construction-related segment, the Group’s revenue declined to approximately HK\$134.0 million, down from HK\$187.7 million in the same period last year. This decrease was primarily due to a HK\$44.5 million reduction in revenue from government construction projects in Hong Kong and a HK\$30.7 million decrease in revenue from private construction projects in Malaysia. This impact was partially offset by a HK\$21.5 million increase in revenue from private construction projects in Hong Kong and Mainland China.

In the trading segment, the Group recorded revenue of approximately HK\$55.4 million (2023: Nil).

Cost of Services

The cost of services for the reporting period in the construction-related segment decreased to approximately HK\$136.5 million from HK\$207.0 million, in line with the decline in revenue. The cost for the trading segment amounted to HK\$54.1 million.

Gross Loss

The Group reported a gross loss of approximately HK\$1.2 million for the reporting period, a significant improvement compared to a gross loss of approximately HK\$19.3 million for the six months ended 30 September 2023. This reduction was largely due to the substantial completion of most civil engineering projects in Hong Kong, which led to lower costs associated with accelerating contract progress. Additionally, private contracts in Mainland China, Malaysia, and Hong Kong contributed a profit of HK\$2.1 million during the current reporting period.

Administrative Expenses

Administrative expenses for the reporting period were approximately HK\$19.4 million, down from HK\$27.6 million in the six months ended 30 September 2023. This decrease was mainly due to a reduction in staff costs for the Hong Kong office, which fell by approximately HK\$3.9 million compared to the same period last year as a result of management's efficiency-improving measures.

Finance Costs

Finance costs for the reporting period totaled approximately HK\$4.2 million, compared to approximately HK\$5.8 million in the six months ended 30 September 2023. This reduction was primarily due to a decrease in the balance of bank loans during the reporting period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities provided by banks. As at 30 September 2024, the Group had bank balances and cash of approximately HK\$36.6 million (31 March 2024: approximately HK\$26.5 million), while outstanding borrowings amounted to approximately HK\$69.3 million (31 March 2024: approximately HK\$85.1 million). The change in bank balances and cash was mainly attributable to (i) net cash inflow from other operating activities approximately of HK\$10.6 million; (ii) cash inflow from net decrease of pledged bank deposits amounted to approximately HK\$5.2 million; (iii) cash outflow from net decrease of bank borrowings amounted to approximately HK\$15.7 million; (iv) net cash outflow from interest and finance charge paid of approximately HK\$3.8 million; and (v) net cash inflow from advance from a related company approximately HK\$13.8 million. As at 30 September 2024, the Group had pledged bank deposits of approximately HK\$61.7 million (31 March 2024: approximately HK\$56.5 million). The current ratio, calculated based on current assets divided by current liabilities, was approximately 1.11 times as at 30 September 2024 (31 March 2024: approximately 1.15 times). Gearing ratio, calculated based on the net debt divided by total capital plus net debt, was approximately 75.0% (31 March 2024: approximately 72.5%). Net debt is calculated as the total of trade and other payables, amount due to a related company, amount due to an associate, bank borrowings and lease liabilities and less unpledged bank balances and cash, Capital includes equity attributable to owners of the Company.

The Group mainly operates in Hong Kong, Philippines, Mainland China and Malaysia with most of the transactions originally denominated in the respective local currency. Foreign exchange risk arises when future commercial transactions or recognised financial assets or liabilities are denominated in a currency that is not the entity's functional currency. As at 30 September 2024, the Group is exposed to foreign exchange risk from various currencies, primarily with respect to Philippine peso ("**PHP**"), Renminbi ("**RMB**") and Malaysian Ringgit ("**MYR**").

Except for receivables in relation to a performance deposit paid to land owners and certain contract assets denominated in RMB, deposit paid to land owners and certain receivables denominated in PHP, which is approximately HK\$41.4 million, HK\$216.1 million, HK\$27.6 million and HK\$19.0 million respectively, the Group would not be exposed to any other significant exchange risk. Also, the Group currently does not use derivatives to hedge against the interest rate risk. However, the Group will monitor interest rate exposure and consider hedging significant interest rate exposure should the need arise.

As at 30 September 2024, the Group did not have any capital commitments (31 March 2024: Nil). As at 30 September 2024, the Group had no material contingent liabilities (31 March 2024: Nil).

CAPITAL STRUCTURE

The share capital of the Group only comprises of ordinary shares. There has been no change in the capital structure of the Group during the Reporting Period.

As at 30 September 2024, the Company's issued share capital was approximately HK\$18.7 million and the number of its issued ordinary shares was 1,869,159,962 of HK\$0.01 each.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 September 2024, the Group had a total of 97 (31 March 2024: 255) employees, including the Directors. Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. Staff costs for the Reporting Period were approximately HK\$26.3 million (six months ended 30 September 2023: approximately HK\$53.4 million). 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The board of directors (the “**Board**”) has adopted and complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company has complied with the code provisions in the CG Code during the Reporting Period.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Company established an Audit Committee and the written terms of reference are available on the websites of the Stock Exchange and the Company. The Audit Committee consists of three Independent Non-executive Directors, namely Mr. Lum Pak Sum, Prof. Lam Sing Kwong Simon and Mr. Gong Zhenzhi. Mr. Lum Pak Sum is the chairman of the Audit Committee and has appropriate professional qualifications and experience in accounting matters.

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

The Audit Committee has also reviewed this report, which was based on (i) the accounting policies and practices adopted by the Group, and (ii) the unaudited condensed consolidated financial statements of the Group for the Reporting Period.

DISCLOSURE OF INTERESTS

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

As at 30 September 2024, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO were as follows:

Name	Capacity	Number of issued shares interested	Approximate percentage of the issued share capital of the Company
Mr. Chen Zhenghua (“Mr. Chen”) (Note 1)	Interest of controlled corporation	1,039,456,250 (L)	55.61%

Note:

1. The interests of Mr Chen was held by Sino Coronet Group Limited (“Sino Coronet”), which is a wholly-owned subsidiary of Jiangsu Provincial Construction Group Co., Ltd.* (江蘇省建築工程集團有限公司) (“Jiangsu Construction”), which in turn is owned as to 50% by Greenland Infrastructure Group Co., Ltd.* (綠地大基建集團有限公司) (“Greenland Infrastructure”), 35% by Jiangsu Huayuan Investment Group Ltd.* (江蘇華遠投資集團有限公司) (“Jiangsu Huayuan”) and 15% by Nanjing Urban Development & Equity Investment Partnership Corporation Ltd. (Limited Partnership)* (南京城開股權投資合夥企業(有限合夥)) (“Nanjing Urban Development”). Jiangsu Huayuan is owned as to 99% by Mr. Chen and 1% by Ms. Dou Zhenghong.

* The English name is for identification purpose only.

Save as disclosed above, none of the Directors or chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to as Appendix C3 to the Listing Rules.

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

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 30 September 2024, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executives of the Company.

Name	Capacity	Number of issued shares interested	Approximate percentage of the issued share capital of the Company
Sino Coronet Group Limited	Beneficial owner (Note 1)	1,039,456,250	55.61
Jiangsu Provincial Construction Group Co., Ltd.* 江蘇省建築工程集團有限公司	Interest of controlled corporation (Note 1)	1,039,456,250	55.61
Jiangsu Huayuan Investment Group Ltd.* 江蘇華遠投資集團有限公司	Interest of controlled corporation (Note 1)	1,039,456,250	55.61
Greenland Infrastructure Group Co., Ltd.* 綠地大基建集團有限公司	Interest of controlled corporation (Note 1)	1,039,456,250	55.61
Greenland Holding Group Co., Ltd.* 綠地控股集團有限公司	Interest of controlled corporation (Note 1)	1,039,456,250	55.61
Greenland Holdings Corporation Ltd.* 綠地控股集團股份有限公司 ("Greenland Holdings")	Interest of controlled corporation (Note 1)	1,039,456,250	55.61
Mr. Chen Zhenghua 陳正華 ("Mr. Chen")	Interest of controlled corporation (Note 1)	1,039,456,250	55.61

Notes:

1. The 1,039,456,250 Shares were held by Sino Coronet, which is wholly-owned by Jiangsu Construction, which in turn is owned as to 50% by Greenland Infrastructure, 35% by Jiangsu Huayuan and 15% by Nanjing Urban Development.

Greenland Infrastructure is wholly-owned by Greenland Holding Group Co., Ltd.* (綠地控股集團有限公司), which in turn is owned as to 95% by Greenland Holdings, a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600606). Greenland Holdings is owned as to 25.88% by Shanghai Greenland Investment Corporation (Limited Partnership)* (上海格林蘭投資企業(有限合夥)), 25.82% by Shanghai Land (Group) Co., Ltd.* (上海地產(集團)有限公司) and 20.55% by Shanghai Municipal Investment (Group) Corporation* (上海城投(集團)有限公司).

Jiangsu Huayuan is owned as to 99% by Mr. Chen and 1% by Ms. Dou Zhenghong.

* The English name is for identification purpose only.

Save as disclosed above, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as at 30 September 2024.

SPECIFIC PERFORMANCE COVENANT ON CONTROLLING SHAREHOLDERS

- (i) On 30 April 2024, the Company as guarantor and through its wholly-owned subsidiary as borrower entered into a HK\$22 million loan facility agreement with a bank for a term of one year subjected to be reviewed (“**2024 Facility Agreement – 1**”).

Under the 2024 Facility Agreement – 1, unless with the bank’s written consent, Sino Coronet Group Limited shall remain to be the single major shareholder of the Company with shareholding interest, directly or indirectly, of not less than 25%.

- (ii) On 1 August 2024, the Company as guarantor and through its wholly-owned subsidiary as borrower entered into a HK\$23 million loan facility agreement with a bank for a term of one year subjected to be reviewed (“**2024 Facility Agreement – 2**”).

Under the 2024 Facility Agreement – 2, unless with the bank’s written consent, Sino Coronet Group Limited shall remain as the single largest shareholder of the Company.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

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

CHANGES IN INFORMATION OF DIRECTORS

Based on the confirmations obtained from the Directors, during the reporting period, there was no change in, and update to, the information regarding the Directors required to be disclosed pursuant to Rule 13.51B(1) of Listing Rules as at the date of this report.

DIVIDENDS

The Board has resolved not to declare an interim dividend for the Reporting Period (six months ended 30 September 2023: Nil).

SHARE OPTION SCHEME

Shareholders of the Company have approved and adopted a share option scheme (the “**Scheme**”) on 16 March 2015.

A summary of the Scheme is set out below:

The Scheme became effective for a period of 10 years commencing on 16 March 2015. Under the Scheme, the directors of the Company shall, in its absolute discretion select, make an offer to any eligible participants to subscribe for shares of the Company at a subscription price being not less than the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange’s daily quotation sheet on the offer date; or (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date. The offer of a grant of options may be accepted within 21 days from the date of the offer grant.

The maximum number of shares to be issued upon the exercise of all outstanding options granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of the shareholders’ approval of the option limit. No options have been granted since the adoption of the share option scheme.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, business partners, banks, professional parties and employees of the Group for their continuous support.

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

Hong Kong, 28 November 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Notes	Six months ended 30 September 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	5	189,396	187,737
Cost of services		(190,580)	(206,994)
Gross loss		(1,184)	(19,257)
Other income		1,571	2,926
Other gains and losses		393	–
Administrative expenses		(19,839)	(27,582)
Finance costs	6	(4,153)	(5,842)
Loss before tax		(23,212)	(49,755)
Income tax expense	7	(78)	(2,050)
Loss for the period	8	(23,290)	(51,805)
Other comprehensive expense			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on financial assets at fair value through other comprehensive income		(4,783)	(11,374)
		(4,783)	(11,374)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		370	(9,684)
		370	(9,684)
Other comprehensive expense for the period		(4,413)	(21,058)

		Six months ended	
		30 September	
	<i>Notes</i>	2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Total comprehensive expense for the period		(27,703)	(72,863)
Loss for the period attributable to:			
Owners of the Company		(23,431)	(51,535)
Non-controlling interests		141	(270)
		(23,290)	(51,805)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(28,453)	(72,639)
Non-controlling interests		750	(224)
		(27,703)	(72,863)
Loss per share			
– Basic and diluted (HK cents)	9	(1.25)	(2.76)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	Notes	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	27,425	29,148
Right-of-use assets	11	2,155	3,245
Interest in associates		68	68
Financial assets at fair value through other comprehensive income	12	11,660	16,442
Other receivables and prepayments	13	3,849	4,339
Deferred tax assets		3,810	3,730
		48,967	56,972
Current assets			
Trade and other receivables	13	92,399	133,429
Amount due from other partners of joint operations		–	1,903
Contract assets		404,402	375,387
Pledged bank deposits		61,686	56,510
Bank balances and cash		36,587	26,535
		595,074	593,764
Current liabilities			
Contract liabilities		63,519	29,748
Trade and other payables	14	327,453	337,398
Amount due to a immediately holding company		63,305	49,481
Amount due to an associate		24	24
Amount due to other partners of joint operations		4	–
Bank borrowings	15	69,320	85,058
Lease liabilities		1,636	3,172
Income tax payable		4,326	4,123
Provision		7,200	7,200
		536,787	516,204
Net current assets		58,287	77,560
Total assets less current liabilities		107,254	134,532

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Non-current liabilities		
Provisions	229	229
Lease liabilities	569	234
Deferred tax liabilities	479	469
	1,277	932
NET ASSETS	105,977	133,600
Capital and Reserves		
Share capital	16	18,692
Reserves	122,946	151,319
Equity attributable to owners of the Company	141,638	170,011
Non-controlling interests	(35,661)	(36,411)
TOTAL EQUITY	105,977	133,600

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Merger reserve	Translation reserve	Contributed surplus	Capital reserve	Revaluation reserve	Reserve fund	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2024 (audited)	18,692	394,285	9,755	(22,291)	22,968	12,544	(25,908)	245	(240,279)	170,011	(36,411)	133,600
Loss for the period	-	-	-	-	-	-	-	-	(23,431)	(23,431)	141	(23,290)
Other comprehensive income:												
Exchange difference on translating foreign operations	-	-	-	(159)	-	-	-	-	-	(159)	609	450
Fair value change on financial asset at fair value through other comprehensive income	-	-	-	-	-	-	(4,783)	-	-	(4,783)	-	(4,783)
At 30 September 2024 (unaudited)	18,692	394,285	9,755	(22,450)	22,968	12,544	(30,691)	245	(263,710)	141,638	(35,661)	105,977
At 1 April 2023 (audited)	18,692	394,285	9,755	(16,315)	22,968	12,544	(15,780)	223	(84,854)	341,518	(1,862)	339,656
Loss for the period	-	-	-	-	-	-	-	-	(51,535)	(51,535)	(270)	(51,805)
Other comprehensive expense:												
Fair value change on financial asset at fair value through other comprehensive income	-	-	-	-	-	-	(11,374)	-	-	(11,374)	-	(11,374)
Exchange difference on translating foreign operations	-	-	-	(9,730)	-	-	-	-	-	(9,730)	46	(9,684)
At 30 September 2023 (unaudited)	18,692	394,285	9,755	(26,045)	22,968	12,544	(27,154)	223	(136,389)	268,879	(2,086)	266,793

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2024

	Six months ended 30 September 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	10,594	(39,476)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(51)	(217)
Cash received for disposal of property, plant and equipment	403	–
Placement of pledged bank deposits	5,176	(10,642)
Bank interest received	237	276
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	5,765	(10,583)
FINANCING ACTIVITIES		
Capital element of lease rentals paid	(1,749)	(4,076)
Interest element of lease rentals paid	(57)	(254)
New bank loans raised	50,513	252,413
Repayment of bank loans	(66,251)	(250,589)
Interest and finance charges paid	(4,096)	(5,588)
Advance from a related company	13,824	43,774
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(7,816)	35,680
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8,543	(14,379)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	1,509	(369)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	26,535	47,624
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	36,587	32,876

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 6 December 2012, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The principal place of business is at Unit 3401, 118 Connaught Road West, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the construction related business, property development and trading of chemical materials in Hong Kong and mainland China.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Reporting Period have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

The unaudited condensed consolidated financial statements for the Reporting Period have not been audited by the Company’s independent auditors, but have been reviewed by the Audit Committee of the Company.

The unaudited condensed consolidated financial statements for the Reporting Period are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

The preparation of an interim report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2024.

Application of new and amendments of HKFRSs

The Group has applied the following amendments to HKFRSs for the current accounting period:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. 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 Group has three reportable segments. 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 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 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 six months ended 30 September 2024

	Construction HK\$'000	Property development HK\$'000	Trading HK\$'000	Total HK\$'000
REVENUE				
External sales	134,004	–	55,392	189,396
RESULTS				
Segment results	(13,927)	329	1,374	(12,224)
Interest income				237
Exchange gain – net				1,668
Finance costs arisen from lease liabilities				(57)
Finance costs arisen from bank borrowings				(4,096)
Central administrative costs and directors' emoluments				(8,740)
				(23,212)

For the six months ended 30 September 2023

	Construction HK\$'000	Property development HK\$'000	Trading HK\$'000	Total HK\$'000
REVENUE				
External sales	187,737	–	–	187,737
RESULTS				
Segment results	(35,142)	(345)	–	(35,487)
Interest income				276
Exchange gain – net				(294)
Finance costs arisen from lease liabilities				(254)
Finance costs arisen from bank borrowings				(5,588)
Central administrative costs and directors' emoluments				(8,408)
				(49,755)

Other information

Amounts included in the measure of segment results:

For the six months ended 30 September 2024

	Construction HK\$'000	Property development HK\$'000	Trading HK\$'000	Total HK\$'000
Gain on disposal of property, plant and equipment	393	-	-	393
Depreciation of right-of-use assets	1,681	-	-	1,681
Depreciation of property, plant and equipment	1,346	-	-	1,346

For the six months ended 30 September 2023

	Construction HK\$'000	Property development HK\$'000	Trading HK\$'000	Total HK\$'000
Depreciation of right-of-use assets	3,829	-	-	3,829
Depreciation of property, plant and equipment	2,147	-	-	2,147

Segment assets and liabilities

As at 30 September 2024

	Construction HK\$'000	Property development HK\$'000	Trading HK\$'000	Total HK\$'000
Reportable segment assets	607,155	32	-	607,187
Reportable segment liabilities	512,577	12,908	-	525,485
Other segment information: Additions to non-current assets	51	-	-	51

Segment assets consist primarily of property, plant and equipment, right-of-use assets, 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 2024

	Construction HK\$'000	Property development HK\$'000	Trading HK\$'000	Total HK\$'000
Reportable segment assets	570,619	25,636	–	596,255
Reportable segment liabilities	471,196	13,397	–	484,593
Other segment information:				
Additions to non-current assets	1,528	–	–	1,528

Segment assets consist primarily of property, plant and equipment, right-of-use assets, inventories, trade and other receivables, contract assets, deferred tax 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.

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

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Total reportable segment assets	607,187	596,255
Financial assets at fair value through other comprehensive income	11,660	16,442
Unallocated corporate assets – property, plant and equipment	23,523	23,767
Unallocated corporate assets – bank balance and cash	66	426
Unallocated corporate assets – pledged bank deposits	1,479	1,403
Other unallocated corporate assets	126	12,443
Total assets	644,041	650,736

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

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Total reportable segment liabilities	525,485	484,593
Unallocated corporate liabilities – bank borrowings	7,917	8,168
Other unallocated corporate liabilities	4,662	24,375
Total liabilities	538,064	517,136

Geographical information

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

	Six months ended 30 September 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (unaudited)
Revenue from external customers		
– Hong Kong (city of domicile)	125,170	99,524
– The PRC	17,911	11,192
– Malaysia	46,315	77,021
	189,396	187,737

	Non-current Assets 30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
– Hong Kong (city of domicile)	28,084	30,983
– Malaysia	1,496	1,410
– Thailand	68	68
	29,648	32,461

Information about major customers

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

	Six months ended 30 September 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
– Customer A	50,293	94,837
– Customer B	33,179	77,021
– Customer C	55,392	–

5. REVENUE

During the periods, the Group's revenue represents amount received and receivable from contract works performed and trading of chemical materials.

	Six months ended 30 September 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
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	134,004	187,737
– Trading of chemical materials, recognised at a point in time	55,392	–
	189,396	187,737

6. FINANCE COSTS

	Six months ended 30 September 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Interest on:		
Bank borrowings	4,096	6,478
Lease liabilities	57	254
	4,153	6,732
Less: Amount capitalised in inventories	–	(890)
	4,153	5,842

Specific borrowing costs are capitalised for the development of qualifying assets. The capitalisation rate of borrowings for the Reporting Period is nil (six months ended 30 September 2023: 7.5%).

7. INCOME TAX EXPENSES

Current tax

	Six months ended 30 September	
	2024	2023
	HK\$'000	<i>HK\$'000</i>
PRC Corporate Income Tax	78	121
Malaysia Corporate Income Tax	–	990
	78	1,111
Deferred tax	–	939
	78	2,050

No provision for Hong Kong Profits Tax for the six months ended 30 September 2024 and 2023 as the Group sustained a loss for both periods.

The PRC subsidiary is subject to income tax at 25% for both years under Enterprise Income Tax Law.

The Corporate Income Tax in Malaysia is calculated at 24% of assessable profit.

8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2024	2023
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	<i>(Unaudited)</i>
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	1,956	3,149
Depreciation of right-of-use assets	1,681	3,829

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:

	Six months ended 30 September	
	2024	2023
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	<i>(Unaudited)</i>
Loss for the purpose of calculation of basic loss per share	(23,431)	(51,535)
	Number of shares	<i>'000</i>
	'000	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	1,869,159	1,869,159

Since there were no potential dilutive ordinary shares in issue during both periods, basic and diluted loss per share are the same for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
At 1 April 2023	32,882	1,340	5,489	19,065	19,615	78,391
Additions	-	-	180	137	324	641
Disposals	-	-	(640)	(2,232)	(3,637)	(6,509)
Exchange adjustments	-	-	(7)	(8)	(73)	(88)
At 31 March 2024	32,882	1,340	5,022	16,962	16,229	72,435
Additions	-	-	-	-	51	51
Disposals	-	-	-	-	(1,071)	(1,071)
Exchange adjustments	-	-	20	25	173	218
At 30 September 2024	32,882	1,340	5,042	16,987	15,382	71,633
ACCUMULATED DEPRECIATION						
At 1 April 2023	3,948	1,340	4,909	14,406	14,533	39,136
Charge for the year	658	-	117	2,535	2,823	6,133
Eliminated on disposals	-	-	(640)	(2,232)	(3,584)	(6,456)
Exchange adjustments	-	-	-	(1)	(4)	(5)
At 31 March 2024	4,606	1,340	4,386	14,708	13,768	38,808
Charge for the period	276	-	66	953	661	1,956
Eliminated on disposals	-	-	-	-	(1,071)	(1,071)
Exchange adjustments	-	-	5	7	24	36
At 30 September 2024	4,882	1,340	4,457	15,668	13,382	39,729
ACCUMULATED IMPAIRMENT						
At 1 April 2022, 31 March 2023 and 1 April 2023	-	-	-	-	-	-
Impairment loss for the year	4,479	-	-	-	-	4,479
At 31 March 2024	4,479	-	-	-	-	4,479
Impairment loss for the period	-	-	-	-	-	-
At 30 September 2024	4,479	-	-	-	-	4,479
CARRYING VALUES						
At 30 September 2024	23,521	-	585	1,319	2,000	27,425
At 31 March 2024	23,797	-	636	2,254	2,461	29,148

The above items of property, plant and equipment, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building	50 years or over the lease terms, whichever is shorter
Leasehold improvements	38% or over the lease terms, whichever is shorter
Furniture and fixtures	20% – 25%
Machinery	15% – 25%
Motor vehicles	25%

As at 30 September 2024, the Group's leasehold land and building with carrying amount amounting to approximately HK\$23,521,000 (31 March 2024: HK\$23,797,000) was pledged to secure banking facilities granted to the Group.

As at 30 September 2024, included in the property, plant and equipment is the Group's leasehold land and building under long lease located in Hong Kong of HK\$23,521,000 (31 March 2024: HK\$23,797,000) of which the Group is the registered owner of this properties interest, including the underlying leasehold land. Lump sum payments were made upfront to acquire the properties interest. The leasehold land component of this property interest is presented separately only if the payments made can be allocated reliably.

11. RIGHT OF USE ASSETS

	Leasehold properties <i>HK\$'000</i>
COST	
At 1 April 2023	29,055
Additions	887
Termination of lease	(1,712)
Exchange adjustments	(225)
	<hr/>
At 31 March 2024	28,005
Additions	1,154
Terminate of lease	(8,494)
Exchange adjustments	(2)
	<hr/>
At 30 September 2024	20,663
<hr/>	
ACCUMULATED DEPRECIATION	
At 1 April 2023	19,826
Charge for the year	6,043
Termination of lease	(1,281)
Exchange adjustments	(157)
	<hr/>
At 31 March 2024	24,431
Charge for the period	1,681
Terminate of lease	(7,599)
Exchange adjustments	(5)
	<hr/>
At 30 September 2024	18,508
<hr/>	
CARRYING VALUES	
At 30 September 2024	2,155
	<hr/>
At 31 March 2024	3,245
	<hr/>

The Group has obtained the right to use other properties as its office premises through tenancy agreements. These leases typically run for an initial period of 2 to 5 years.

As at 30 September 2023 and 31 March 2023, the Group had no lease with variable lease payment. The lease agreements do not impose any extension and termination options which are exercisable only by the Group and not by the respective lessors.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Equity investments designated at fair value through other comprehensive income		
Common shares listed on The Philippine Stock Exchange, Inc., at market value	11,660	16,442

On 9 May 2018 (after trading hours), Jovial Elm Limited, a wholly-owned subsidiary of the Company, entered into a share sale agreement to acquire 200,000,000 common shares in Philippine Infradev Holdings, Inc., a company listed on The Philippine Stock Exchange Inc. (Stock Code: IRC) ("IRC") at a consideration of PHP280,000,000 (equivalent to approximately HK\$42,351,000), represented approximately 13.3% equity interest in IRC at the acquisition date.

Further details are set out in the Company's announcements dated 10 May 2018 and 24 May 2018.

During the year ended 31 March 2019, IRC had increased its number of issued common shares to 6,061,578,964. Accordingly, the equity interest of IRC held by the Group was immediately diluted. As at 30 September 2024 and 31 March 2024, the Group held the equity interest of IRC was approximately 3.3%.

13. TRADE AND OTHER RECEIVABLES

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Trade receivables	8,239	53,945
Less: impairment loss recognised of trade receivable under ECL model	(661)	(590)
Net trade receivables	7,578	53,355
Performance deposits (Note (a))	74,163	72,763
Other receivables (Note (b))	22,684	26,771
	96,847	99,534
Less: impairment loss recognised of other receivables under ECL model	(27,410)	(27,346)
Net other receivables	69,437	72,188
Other tax receivables	80	60
Prepayments to subcontractors (Note (c))	10,383	2,955
Other prepayments	5,695	4,715
Other deposits	3,075	4,495
Total trade and other receivables	96,248	137,768
Less: classified under non-current assets	(3,849)	(4,339)
	92,399	133,429

Notes:

- (a) Included in the performance deposit amounted to PHP198,545,576 (equivalent to approximately HK\$27,559,000) (31 March 2024: approximately HK\$27,665,000) 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 interest in the land owner and guaranteed by a substantial shareholder of the Company.

Included in the performance deposit amounted to RMB37,350,000 (equivalent to approximately HK\$41,350,000) (31 March 2024: approximately HK\$40,480,000) paid to the land owners for construction projects in the People's Republic of China. The balance was unsecured, interest-free, repayable upon the completion of construction projects.

Included in the performance deposit amounted to MYR2,787,000 (equivalent to approximately HK\$5,253,000) (31 March 2024: approximately HK\$4,618,000) paid to a financial institution in Malaysia for the provision of the guarantee for the construction projects in Malaysia. The balance was unsecured, interest free payable upon the completion of construction projects.

- (b) Included in other receivables of the Group was amount due from a sub-contractor of the Group amounting to approximately HK\$22,684,000 as at 30 September 2024 (31 March 2024: approximately HK\$22,684,000). The balance represented construction and material purchase cost paid on behalf of the sub-contractor. This sub-contractor had worked for the Group since July 2022. However, the sub-contractor failed to perform the sub-contracting work up to the Group's satisfaction. Accordingly the Group terminates the sub-contracting arrangement with the sub-contractor. As at 30 September 2024, the Group is in a litigation with the sub-contractor which it claimed the Group for the sub-contracting fee payable to it and compensation upon the termination of sub-contracting whereas the Group will counter-claim the amount due by the sub-contractor.
- (c) The amount represented the prepayments made to subcontractors for the construction and material purchase cost and was expected to be settled against the sub-contracting fee payable by the Group upon performance of the related contracts by the sub-contractors.

Trade receivables

The Group allows an average credit period of 30 to 45 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.

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within 45 days	7,545	53,362
Over 1 year	694	583
	8,239	53,945

As at 30 September 2024, the Group had approximately HK\$1,000 past due and impaired (31 March 2024: approximately HK\$1,000).

14. TRADE AND OTHER PAYABLES

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Trade payables	89,898	117,009
Retention payables	40,604	40,421
Amount due to non-controlling interest of a subsidiary – Note	12,879	12,929
Accrued construction cost	163,789	141,013
Other payables and accruals	14,415	17,549
Other tax payable	2,014	4,623
Delay damages payable	3,854	3,854
	327,453	337,398

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.

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within 30 days	29,054	48,217
More than 30 days but within 90 days	806	5,222
More than 90 days	60,038	63,570
	89,898	117,009

The credit period on purchases of goods is 30 to 45 days.

15. BANK BORROWINGS

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Unsecured bank loans	11,890	23,390
Secured bank loans	57,430	61,668
	69,320	85,058

Carrying amount repayable based on scheduled repayment dates set out in the loan agreements:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within one year or repayable on demand	61,922	77,399
More than one year, but not exceeding two years	535	527
More than two years, but not exceeding five years	1,719	1,690
More than five years	5,144	5,442
	69,320	85,058
Less: Amounts due within one year shown under current liabilities		
– Carrying amount of bank borrowings that are not repayable within one year but contain a repayment on demand clause	(7,398)	(7,659)
– Carrying amount of bank borrowings repayable within one year and contain a repayable on demand clause	(61,922)	(77,399)
	(69,320)	(85,058)
Amounts classified as non-current portion	–	–

During the Reporting Period, secured bank borrowings bore floating interest rates of 3.13% to 9.43% (six months ended 30 September 2023: 2.63% to 9.15%) per annum.

Certain bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the draw down facilities would become repayable on demand. In addition, the Group's certain loan agreements contain clauses which give the lenders the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The management regularly monitors its compliance with these covenants and does not consider that it is probable that the banks will exercise their discretionary rights to demand immediate repayment for so long as the Group continues to meet these requirements.

As at 30 September 2024, the Group's bank borrowings and other banking facilities are secured by:

- (a) Bank borrowings of HK\$30,000,000 (31 March 2024: HK\$30,000,000) are secured by deposits of HK\$30,000,000 (31 March 2024: HK\$30,000,000) and guaranteed by the Company;
- (b) Bank borrowings of HK\$19,513,000 (31 March 2024: HK\$23,500,000) are secured by leasehold land and building with carrying amount of approximately HK\$23,521,000 (31 March 2024: approximately HK\$23,797,000) (Note 10) and corporate guarantee executed by the Company;
- (c) Bank borrowings of HK\$7,916,000 (31 March 2024: HK\$8,168,000) are secured by the leasehold land and building with carrying amount of HK\$23,521,000 (2024: HK\$23,797,000) (Note 10);

The unutilised banking facilities as at 30 September 2024 amounted to approximately HK\$17,280,000 (31 March 2024: HK\$26,510,000).

16. SHARE CAPITAL

	Number	Amount HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
At 31 March 2024 and 30 September 2024	10,000,000,000	100,000
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
At 31 March 2024 and 30 September 2024	1,869,159,962	18,692

17. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions during the Reporting Period:

Name of related parties	Nature of transactions	Six months ended 30 September	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Jiangsu Provincial Construction Group Co. Ltd.* 江蘇省建築工程集團有限公司	Financial Guarantee (a)	27,559	28,670
	Amount due to related company (a)	63,305	72,930

* The English name is for identification purpose only

(a) Jiangsu Provincial Construction Group Co. Ltd. is a substantial shareholder of the Group. The amount due to related company is unsecured, interest free and repayable on demand.

Key management compensation amounted to approximately HK\$4,162,000 for the Reporting Period (six months ended 30 September 2023: HK\$5,565,000).

18. DIVIDENDS

No interim dividend was declared by the Company for the six months ended 30 September 2024 (six months ended 30 September 2023: Nil).

19. LITIGATIONS

During the period ended 30 September 2024, various parties have filed litigation against the Group for the settlement of outstanding construction-related services and daily operation payables. Among them, there were more than 10 cases with individual claim amounts exceeding HK\$1 million, and the aggregated claim amounts of these cases amounted to approximately HK\$184 million. The Directors have considered the advice of the Group's legal counsels, and have assessed the impact of the litigation on the consolidated financial statements for the period ended 30 September 2024, by assessing the possibility of any outflow of resources in settling these claims and/or sufficiency of the insurance policies are maintained to cover the loss, if any. The Directors concluded that accrued provisions for litigations of HK\$7,200,000 was made as at 30 September 2024.

20. SUBSEQUENT EVENTS

There are no significant events which have taken place subsequent to 30 September 2024.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Zhenghua (*Chairman*)
Mr. Zhang Fangbing

Independent Non-Executive Directors

Prof. Lam Sing Kwong, Simon
Mr. Lum Pak Sum
Mr. Gong Zhenzhi

COMPANY SECRETARY

Mr. Fung Kwok Wai

COMPLIANCE OFFICER

Mr. Zhang Fangbing

AUTHORISED REPRESENTATIVES

Mr. Zhang Fangbing
Mr. Fung Kwok Wai

AUDIT COMMITTEE

Mr. Lum Pak Sum (*Chairman*)
Prof. Lam Sing Kwong, Simon
Mr. Gong Zhenzhi

REMUNERATION COMMITTEE

Prof. Lam Sing Kwong, Simon (*Chairman*)
Mr. Lum Pak Sum
Mr. Zhang Fangbing

NOMINATION COMMITTEE

Mr. Gong Zhenzhi (*Chairman*)
Prof. Lam Sing Kwong, Simon
Mr. Chen Zhenghua

RISK MANAGEMENT COMMITTEE

Mr. Lum Pak Sum (*Chairman*)
Mr. Gong Zhenzhi
Prof. Lam Sing Kwong, Simon

AUDITORS

Crowe (HK) CPA Limited

LEGAL ADVISER

Iu, Lai & Li Solicitors

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Citic Bank International Limited

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STOCK CODE

1559