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KWAN ON HOLDINGS

均安控股

## **KWAN ON HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8305)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

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

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

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

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

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

## INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2015, together with the unaudited comparative figures for the corresponding period in 2014, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the three and six months ended 30 September 2015*

		Three months ended 30 September		Six months ended 30 September	
		2015	2014	2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenue	5	<b>198,441</b>	213,303	<b>352,592</b>	332,363
Cost of services		<b>(180,168)</b>	(204,973)	<b>(319,440)</b>	(313,087)
Gross profit		<b>18,273</b>	8,330	<b>33,152</b>	19,276
Other income	5	<b>796</b>	1,314	<b>1,116</b>	1,636
Other gains and losses	5	<b>(171)</b>	92	<b>(474)</b>	164
Administrative expenses		<b>(6,750)</b>	(6,106)	<b>(12,784)</b>	(11,554)
Operating profit	6	<b>12,148</b>	3,630	<b>21,010</b>	9,522
Finance costs		<b>(765)</b>	(499)	<b>(1,590)</b>	(906)
Profit before income tax expense		<b>11,383</b>	3,131	<b>19,420</b>	8,616
Income tax expense	8	<b>(1,031)</b>	(53)	<b>(1,894)</b>	(1,181)
Profit and total comprehensive income for the period		<b>10,352</b>	3,078	<b>17,526</b>	7,435
<b>Attributable to:</b>					
Owners of the Company		<b>11,732</b>	395	<b>17,629</b>	4,186
Non-controlling interests		<b>(1,380)</b>	2,683	<b>(103)</b>	3,249
		<b>10,352</b>	3,078	<b>17,526</b>	7,435
<b>Earnings per share</b>					
– Basic and diluted					
( <i>HK cents</i> )	7	<b>1.22</b>	0.05	<b>1.84</b>	0.50

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2015*

	<i>Notes</i>	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>10,955</b>	11,753
Prepayments	10	<b>8,421</b>	8,040
		<hr/> <b>19,376</b> <hr/>	<hr/> 19,793 <hr/>
<b>Current assets</b>			
Inventories		<b>24,920</b>	17,632
Trade and other receivables	10	<b>121,638</b>	130,896
Tax recoverable		<b>2,356</b>	3,268
Amounts due from shareholders		–	9,492
Amounts due from other partners of joint operations		<b>105</b>	241
Pledged bank deposits		<b>61,708</b>	53,689
Cash and cash equivalents		<b>80,574</b>	78,781
		<hr/> <b>291,301</b> <hr/>	<hr/> 293,999 <hr/>
Total assets		<hr/> <b>310,677</b> <hr/>	<hr/> 313,792 <hr/>
<b>Current liabilities</b>			
Amounts due to customers for contract work		<b>14,407</b>	23,354
Trade and other payables	11	<b>155,320</b>	138,742
Borrowings	12	<b>43,655</b>	73,624
Finance lease payables		<b>123</b>	121
Current tax liabilities		<b>1,847</b>	38
		<hr/> <b>215,352</b> <hr/>	<hr/> 235,879 <hr/>
Net current assets		<hr/> <b>75,949</b> <hr/>	<hr/> 58,120 <hr/>
Total assets less current liabilities		<hr/> <b>95,325</b> <hr/>	<hr/> 77,913 <hr/>

		<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Finance lease liabilities		<b>53</b>	115
Deferred tax liabilities		<b>381</b>	433
		<b>434</b>	548
Total liabilities		<b>215,786</b>	236,427
<b>NET ASSETS</b>		<b>94,891</b>	77,365
<b>Capital and reserves</b>			
Share capital	13	<b>9,600</b>	9,600
Reserves		<b>79,711</b>	62,082
		<b>89,311</b>	71,682
<b>Non-controlling interests</b>		<b>5,580</b>	5,683
<b>TOTAL EQUITY</b>		<b>94,891</b>	77,365

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2015*

	Attributable to owners of the Company						Total	Non- controlling interests	Total
	Share capital	Share premium	Merger reserve	Contributed surplus	Capital Reserve	Accumulated losses			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2014	32,733	-	-	-	5,091	(24,406)	13,418	4,413	17,831
Profit and total comprehensive income for the period	-	-	-	-	-	4,186	4,186	3,249	7,435
<b>As at 30 September 2014 (audited)</b>	<b><u>32,733</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,091</u></b>	<b><u>(20,220)</u></b>	<b><u>17,604</u></b>	<b><u>7,662</u></b>	<b><u>25,266</u></b>
As at 1 April 2015	9,600	23,811	9,755	22,968	12,544	(6,996)	71,682	5,683	77,365
Profit and total comprehensive income for the period	-	-	-	-	-	17,629	17,629	(103)	17,526
<b>As at 30 September 2015 (unaudited)</b>	<b><u>9,600</u></b>	<b><u>23,811</u></b>	<b><u>9,755</u></b>	<b><u>22,968</u></b>	<b><u>12,544</u></b>	<b><u>10,633</u></b>	<b><u>89,311</u></b>	<b><u>5,580</u></b>	<b><u>94,891</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Net cash generated from operating activities	<b>80,538</b>	73,587
Net cash used in investing activities	<b>(9,942)</b>	4,378
Net cash generated from/(used in) financing activities	<b>(68,803)</b>	12,068
Net increase in cash and cash equivalents	<b>1,793</b>	90,033
Cash and cash equivalents at beginning of the period	<b>78,781</b>	(22,992)
Cash and cash equivalents at end of the period	<b>80,574</b>	67,041
Represented by:		
Cash and bank balances and short-term deposits	<b>142,282</b>	91,732
Less: Pledged bank deposits	<b>(61,708)</b>	(24,691)
	<b>80,574</b>	67,041

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2015*

## 1. GENERAL INFORMATION

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

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

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2015 has been prepared by the Directors in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations.

## 3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those adopted in the Group's consolidated financial statements for the year ended 31 March 2015.

The unaudited condensed consolidated financial information for the six months ended 30 September 2015 have not been audited by the Company's independent auditors, but have been reviewed by the audit committee (the "**Audit Committee**") of the Company.

The unaudited condensed consolidated financial information for the six months ended 30 September 2015 are presented in Hong Kong dollars ("**HK\$**"), which is the same functional currency of the Company.

## 4. SEGMENT INFORMATION

### **Operating segments**

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

### Geographical information

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

### 5. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

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

An analysis of the Group's other income and other gains and losses recognised during the reporting period are as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
<b>Other income</b>				
Bank interest income	22	9	43	17
Income from sale of scrape materials	–	98	–	98
Imputed interest on non-current retention receivables	70	78	139	141
Refund from insurance claims	–	91	–	91
Ex-gratia payment from the government for retirement of motor vehicles	–	508	–	508
Sundry income	704	530	934	781
	<u>796</u>	<u>1,314</u>	<u>1,116</u>	<u>1,636</u>
<b>Other gains and losses</b>				
(Loss)/gain on disposal of property, plant and equipment	(171)	92	(474)	164
	<u>(171)</u>	<u>92</u>	<u>(474)</u>	<u>164</u>



## 6. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Depreciation	1,165	410	2,290	2,167
Write-down of inventories	112	124	112	124
Staff costs	30,212	21,561	51,810	41,145

## 7. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
<b>Earnings</b>				
Profit attributable to owners of the Company	11,732	395	17,629	4,186
<b>Number of shares</b>				
Weighted average number of ordinary shares ( <i>Note</i> )	960,000	840,000	960,000	840,000

*Note:*

Weighted average of 840,000,000 ordinary shares for the three months and six months ended 30 September 2014, being the number of shares in issue immediately after the completion of capitalisation issue as disclosed in Note 27(d) to the Group's consolidated financial statements for the year ended 31 March 2015, deemed to have been issued throughout the respective periods.

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the three months and six months ended 30 September 2015 and 2014.

## 8. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong profits tax	<u>1,031</u>	<u>53</u>	<u>1,894</u>	<u>1,181</u>

Hong Kong profits tax is calculated at 16.5% (Six months ended 30 September 2014: 16.5%) of the estimated assessable profits during the reporting period.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired property, plant and equipment amounting to approximately HK\$2,216,000 (Six months ended 30 September 2014: approximately HK\$3,664,000).

## 10. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2015	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables ( <i>Note (a)</i> )	76,547	91,427
Retention receivables ( <i>Note (b)</i> )	18,628	15,743
Other receivables	14,246	8,014
Prepayments and deposits	<u>20,638</u>	<u>23,752</u>
	130,059	138,936
Less: Prepayments classified under non-current assets	<u>(8,421)</u>	<u>(8,040)</u>
	<u>121,638</u>	<u>130,896</u>

- (a) Trade receivables were mainly derived from provision of construction work on civil engineering contracts, and non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The Group grants an average credit period of 21 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
Less than 1 month	<b>63,102</b>	66,345
1 to 3 months	<b>13,329</b>	25,040
More than 3 months but less than one year	<b>116</b>	42
	<u><b>76,547</b></u>	<u>91,427</u>

- (b) Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

#### 11. TRADE AND OTHER PAYABLES

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
Trade payables ( <i>Note (a)</i> )	<b>97,077</b>	79,239
Retention payables ( <i>Note (b)</i> )	<b>31,270</b>	27,191
Other payables and accruals	<b>26,973</b>	32,312
	<u><b>155,320</b></u>	<u>138,742</u>

- (a) An ageing analysis of trade payables as at the end of each of the reporting period, based on the invoice dates, is as follows:

	<b>30 September</b>	31 March
	<b>2015</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Current or less than 1 month	<b>82,579</b>	62,782
1 to 3 months	<b>12,522</b>	14,693
More than 3 months but less than one year	<b>1,976</b>	1,764
	<u><b>97,077</b></u>	<u>79,239</u>

The Group's trade payables are non-interest bearing and generally have payment terms of 30 to 45 days.

- (b) Retention monies withheld from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

## 12. BORROWINGS

Movements in borrowings during the reporting period is analysed as follows:

	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Opening amount as at 1 April	<b>73,624</b>	41,490
Proceeds from drawdowns	<b>169,124</b>	55,962
Repayments of borrowings	<b>(199,093)</b>	(38,659)
	<u><b>43,655</b></u>	<u>58,793</u>

Borrowings and other banking facilities as at 30 September 2015 are secured by:

- (a) bank deposits amounting to approximately HK\$61,708,000;
- (b) proceeds on certain civil engineering contracts undertaken by the Group;
- (c) corporate guarantees given by the Company and certain entities within the Group;
- (d) proceeds on insurance policy of a civil engineering contract undertaken by the Group.

### 13. SHARE CAPITAL

	<b>The Company</b>	
	<b>Number</b>	<b>Amount</b> <i>HK\$'000</i>
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 31 March 2015 and 1 April 2015 and 30 September 2015	2,000,000,000	20,000
	<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 31 March 2015 and 1 April 2015 and 30 September 2015	960,000,000	9,600
	<u>960,000,000</u>	<u>9,600</u>

### 14. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions during the reporting period:

<b>Name of related parties</b>	<b>Nature of transactions</b>	<b>Six months ended</b>	
		<b>2015</b>	<b>2014</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Ms. Chiu Gar Man ("Ms. Chiu") (a)	Rental expense (d)	140	128
Shiu Mau Development Limited (b)	Rental expense (d)	450	450
U-Tech Engineering Company Limited (c)	Subcontracting fee (d)	30,333	1,973
		<u>30,333</u>	<u>1,973</u>

*Notes:*

- (a) Ms. Chiu is the spouse of Mr. Wong Yee Tuny, Tony ("Mr. Tony Wong").
- (b) The company is partially and beneficially owned by Mr. Tony Wong, of which Mr. Tony Wong is a director.
- (c) U-Tech Engineering Company Limited is a minority partner of the Company's subsidiary, Kwan On – U-Tech Joint Venture.
- (d) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

Key management compensation amounted to approximately HK\$2,133,000 for the six months ended 30 September 2015 (Six months ended 30 September 2014: approximately HK\$1,740,000).

## 15. LITIGATIONS

The Group has been defending in number of labour claims arising from the normal course of business being lodged against the Group. In the opinion of the Directors, the possibility of any outflow of resources in settling the claims was remote and/or sufficient insurance policies are maintained to cover the loss, if any, arising from these claims and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group. Accordingly, no provision has been recognised in this condensed interim financial information.

- (a) In about May 2014, an employee of the Group sued against the subsidiaries of the Group in respect of a claim for employees' compensation under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) for personal injury sustained by the employee in an accident happened on or about July 2012 arising out of and in the course of his employment. According to the Certificate of Assessment of the Employees' Compensation (Ordinary Assessment) Board dated 12 March 2014, the loss of earning capacity permanently caused by the injury is 3.5%. Accordingly, it is estimated that the compensation payable under the said action to be approximately HK\$59,000. In about April 2015, the employee further sued against the Group for personal injury in high court in relation to the aforesaid accident. No judgements have been made against the Group in respect of the aforesaid actions. In the opinion of the Directors, the Group has taken out the necessary employees' compensation policy to cover its liability against the said proceedings.
- (b) In about June 2015, an employee of a subcontractor of the Group commenced a District Court Action against a subcontractor of the Group as the first respondent and the Group as the second respondent for personal injury sustained by the employee in an accident happened on about January 2014. No specific amount was stated in the claim and no settlement has been reached or judgement has been entered against the Group. The Group has taken out necessary employees' compensation policy to cover its liability against the said proceeding.
- (c) In about August 2015, an employee of the Group's subcontractor initiated an action against the subcontractor and the Group for personal injury by an accident arising of and in the course of employment. No specific amount was stated in the claim and no settlement has been reached or judgement has been entered against the Group. The Group has taken out necessary employees' compensation policy to cover its liability against the said proceeding.
- (d) In about March 2015, an employee of the Group sued against the Group in the District Court for personal injury by accident arising out of and in the course of employment. No specific amount was stated in the claim. No settlement has been reached or judgement has been entered against the Group.

The Group is also a defendant in a legal claim of approximately HK\$9,516,000 initiated by a subcontractor of the Group, alleged for breach of certain oral agreement made by the Group. The action has been put in abeyance since September 2009. Based on the advice from the Group's legal counsel, the Directors believe that the Group has a valid defence against the claim and accordingly no provision is made for the claim.

## 16. SUBSEQUENT EVENTS

There are no significant events which have taken place subsequent to 30 September 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group is engaged as a contractor in the provision of (i) waterworks engineering services; (ii) road works and drainage services; (iii) landslip preventive and mitigation works to slopes and retaining walls services (“**LPM Services**”); and (iv) building works in Hong Kong. Kwan On Construction Company Limited, a member of the Group, is one of the Group C contractors (confirmed) for waterworks engineering services and one of the Group C contractors (confirmed) for road works and drainage services.

With the continuing forecasts of works tenders published by the government, the Directors consider that the outlook for the construction industry in Hong Kong remains optimistic. During the six months ended 30 September 2015, the Group, jointly with a partner of which the Group holds 51% interest, was awarded one new contract by Highways Department with original contract sum of approximately HK\$215 million. The Group has further been awarded a contract with Civil Engineering and Development Department with contract sum of approximately HK\$254 million in October 2015.

Going forward, the Group will continue to pursue the following key business strategies: (i) expanding the business scale and diversifying the source of income; (ii) further strengthening the manpower; and (iii) acquisition of additional equipment and machinery to strengthen the ability of project implementation.

### FINANCIAL REVIEW

#### Revenue

Revenue for the six months ended 30 September 2015 (“**2015 Interim**” or “**Reporting Period**”) amounted to approximately HK\$352.6 million, represented a surge of approximately 6.1% as compared to the six months ended 30 September 2014 (“**2014 Interim**”) of approximately HK\$332.4 million. The increase in revenue was mainly attributable to additional contributions from the works completed and certified for the Group’s site formation, slope maintenance and building works projects during 2015 Interim.

#### Cost of services

Cost of services increased from approximately HK\$313.1 million for 2014 Interim to approximately HK\$319.4 million for 2015 Interim, representing a growth of 2.0% as a result of increase in materials purchased and consumed.

**Gross profit**

Gross profit for 2015 Interim recorded was approximately HK\$33.2 million (2014 Interim: approximately HK\$19.3 million) while gross profit margin for 2015 Interim was approximately 9.4% (2014 Interim: approximately 5.8%). The increase in gross profit margin was the result of recovery of costs in relation to certain works completed during the year ended 31 March 2015 where revenue had not been previously recognised because customer's certification was pending. The negotiations with customer for certification has been finalised and the customer has accepted and agreed to pay in late October 2015.

**Other income**

Other income amounted to approximately HK\$1.1 million (2014 Interim: approximately HK\$1.6 million). The drop was mainly due to decrease in government grant received from the Transport Department for ex-gratia payment for retirement of vehicles.

**Other gains and losses**

The Group recorded net other losses, approximately HK\$0.5 million for 2015 Interim while there were other gains of approximately HK\$0.2 million during 2014 Interim. The other losses arose during 2015 Interim mainly from disposal of a defective motor vehicle.

**Administrative expenses**

Administrative expenses for 2015 Interim were approximately HK\$12.8 million (2014 Interim: approximately HK\$11.6 million), representing an increase by 10.7%. The increase was mainly attributable to salaries increment to staff and increase in rental expense for the Group's headoffice.

**Finance costs**

Finance costs for 2015 Interim amounted to approximately HK\$1.6 million (2014 Interim: approximately HK\$0.9 million). The increase was mainly due to higher average outstanding borrowings during 2015 Interim. As at 31 March 2015, the outstanding loans amounted to approximately HK\$73.6 million and the Group had a net repayment of approximately HK\$30.0 million during 2015 Interim with proceeds from listing and internal funds.

**Income tax expense**

Income tax expense increased to approximately HK\$1.9 million for 2015 Interim (2014 Interim: approximately HK\$1.2 million) and the effective tax rate dropped to approximately 9.75% (2014 Interim: approximately 13.7%). The reason for the lower effective tax rate than the statutory tax rate of 16.5% was the result of utilisation of tax loss brought forward to offset against taxable profits generated.



## **Profit and total comprehensive income**

Profit and total comprehensive income for 2015 Interim amounted to approximately HK\$17.5 million (2014 Interim: approximately HK\$7.4 million), representing a surge of approximately 135.7%. The surge is mainly attributable to increase in gross profit margin as discussed above.

## **Liquidity and Financial Resources**

The current ratio as at 30 September 2015 was approximately 1.4 times (31 March 2015: approximately 1.3 times). Net current assets amounted to approximately HK\$76.0 million (31 March 2015: approximately HK\$58.1 million), with cash and cash equivalents of approximately HK\$80.6 million (31 March 2015: approximately HK\$78.8 million).

The unutilised banking facilities as at 30 September 2015 amounted to approximately HK\$72.1 million (31 March 2015: HK\$53.5 million).

## **Gearing Ratio**

Gearing ratio, calculated based on the total debt (including borrowings and finance lease payables) divided by total equity, was approximately 46.1% as at 30 September 2015 (31 March 2015: approximately 95.5%).

## **Capital Structure**

There had been no change in the capital structure of the Group during the Reporting Period. As at 30 September 2015, the Company's issued share capital was HK\$9.6 million (31 March 2015: HK\$9.6 million) and the number of ordinary shares issued was 960,000,000 of HK\$0.01 each.

## **Commitments**

The Group was committed to make future minimum lease payments in respect of properties under non-cancellable operating leases, amounted to approximately HK\$4.5 million as at 30 September 2015 (31 March 2015: approximately HK\$5.3 million). As at 30 September 2015, the Group did not have any significant capital commitments (31 March 2015: Nil).

## **Human Resources Management**

As at 30 September 2015, the Group had a total of 540 (31 March 2015: 609) employees, including Directors. The Group remunerates its employees based on their work performance, professional qualifications and the prevailing market practice.

## **Significant Investment Held**

Except for investment in its subsidiaries, the Group did not hold any significant investment in equity interest in any other company during 2015 Interim.

### **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries and/or affiliated companies.

### **Foreign Exchange Exposure**

The Group was not exposed to foreign exchange risk during the Reporting Period.

### **Treasury Policy**

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to trade and retention receivables and deposits with banks. The credit risk of the Group's trade and retention receivables is concentrated since approximately 92.5% of which was derived from two major customers as at 30 September 2015 (31 March 2015: 93.0%). As the customers of the Group are mainly government departments/organisation, the credit risk is considered to be low. 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.

### **Pledge of Assets**

As at 30 September 2015, the Group had pledged bank deposits of approximately HK\$61.7 million (31 March 2015: approximately HK\$53.7 million). Further details for securities held for borrowings and banking facilities of the Group as at 30 September 2015 are set out in Note 12 to this condensed interim financial information.

### **Contingent Liabilities**

Save as any contingent liabilities which may arise from any of the litigations disclosed herein, the Group had no other material contingent liabilities as at 30 September 2015 (31 March 2015: Nil).

### **Future Plans for Material Investments or Capital Assets**

Save as disclosed in the Company's prospectus dated 23 March 2015 (the "**Prospectus**"), the Group did not have other plans for material investments and capital assets as at 30 September 2015.

## Comparison of Business Objectives with Actual Business Progress

Business objectives up to 30 September 2015 as stated in the Prospectus	Actual business progress up to 30 September 2015
• Assuming Kwan On successfully obtains any projects with terms of around 24 months and estimated contract sum of HK\$450 million from the Government (the “ <b>New Projects</b> ”), prepare the kick-off of project implementation (including analysing the requirements on plant, project management and technical personnel)	The Group, jointly with a partner, was awarded a contract from Highways Department with original contract sum of approximately HK\$215 million. The Group continued to tender for projects from the Government.
• Recruit required staff for project management and technical personnel (including one project manager, one site agent, two quantity surveyors and two safety officers)	The Group has recruited one project manager and one quantity surveyor and is in progress of recruiting high caliber staff upon awarded for new projects.
• Commence the engagement of subcontractors and enter into bulk purchase agreements with suppliers of major materials	The Group commenced the engagement of subcontractors and entered into bulk purchase agreements with suppliers of major materials.
• Form the project management team from existing staff and recruit new staff where necessary and compile master program for the Ongoing Contracts (as defined in the Prospectus)	The Group formed the project management team from existing staff and recruited new staff and compiled master program for the Ongoing Contracts.
• Monitor the progress of implementation by the subcontractors for the Ongoing Contracts	The Group monitored the progress of implementation by the subcontractors for the Ongoing Contracts during the reporting period.
• Purchase equipment and machinery (including two motor vehicles amounted to approximately HK\$0.1 million)	The Group purchased 6 motor vehicles during the Reporting Period to satisfy the need for current projects on hand and to replace retired vehicles.

## Use of Proceeds

During Reporting Period, the net proceeds from placing were applied as follows:

	<b>Planned use of proceeds as stated in the Prospectus up to 30 September 2015 HK\$'000</b>	<b>Actual use of proceeds up to 30 September 2015 HK\$'000</b>
Recruitment of staff for project management and technical personnel	1,086	219
Purchase of required equipment and machinery	100	100
Repayment of bank loans	18,164	18,164

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

## DISCLOSURE OF INTERESTS

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

As at 30 September 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO were as follows:

#### *Long Position in Ordinary Shares in the Company*

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

*Notes:*

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

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

### **Substantial Shareholders’ and Other Persons’ Interests and Short Positions in Shares, Underlying Shares and Debentures**

As at 30 September 2015, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

#### *Ordinary Shares in the Company*

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

L: Long positions

*Notes:*

1. The issued share capital of our Company is legally and beneficially owned as to approximately 40.41% by Fortune Decade and as to approximately 34.59% by Twilight Treasure.
2. The entire issued share capital of Twilight Treasure is legally and beneficially owned as to 87.5% by Success Ally and as to 12.5% by Decade Success.
3. The entire issued share capital of Success Ally is legally and beneficially owned by Mr. Tony Wong.
4. The entire issued share capital of Fortune Decade is legally and beneficially owned by Mr. Tony Wong.
5. Ms. Chiu is deemed to be interested in the 720,000,000 Shares held by Mr. Tony Wong pursuant to the SFO by virtue of her being the spouse of Mr. Tony Wong.

Save as disclosed above, the Directors are not aware of any other persons, other than Directors or the chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company as at 30 September 2015 which required to be recorded pursuant to Section 336 of SFO.

### **COMPETING INTERESTS**

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

### **INTEREST OF COMPLIANCE ADVISOR**

As at 30 September 2015, as notified by the Company's compliance advisor, Messis Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 31 July 2014, neither the Compliance Adviser nor its directors, employees or associates had any interest in the securities to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the six months ended 30 September 2015.

## **CORPORATE GOVERNANCE CODE**

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

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **DIVIDENDS**

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

## **SHARE OPTION SCHEME**

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

## **AUDIT COMMITTEE**

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

The Audit Committee has reviewed the unaudited condensed interim financial information of the Group for the Reporting Period.

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float during the Reporting Period as required under the GEM Listing Rules.

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

Hong Kong, 11 November 2015

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