



KWAN ON HOLDINGS

均安控股

Kwan On Holdings Limited

均安控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8305

Third Quarterly Report

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

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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.

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*This report, 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 report misleading.*

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

THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 31 December 2015 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2015

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	4	147,491	134,120	500,083	466,483
Cost of services		(131,659)	(123,064)	(451,099)	(436,151)
Gross profit		15,832	11,056	48,984	30,332
Other income		940	640	2,056	2,276
Other gains and losses		(20)	89	(494)	253
Administrative expenses		(5,399)	(4,584)	(18,183)	(16,138)
Operating profit		11,353	7,201	32,363	16,723
Finance costs		(493)	(862)	(2,083)	(1,768)
Profit before income tax expense		10,860	6,339	30,280	14,955
Income tax expense		(2,938)	(952)	(4,832)	(2,133)
Profit and total comprehensive income for the period		7,922	5,387	25,448	12,822
Attributable to:					
Owners of the Company		8,177	7,008	26,889	11,194
Non-controlling interests		(255)	(1,621)	(1,441)	1,628
		7,922	5,387	25,448	12,822
Earnings per share					
– Basic and diluted (HK cents)	5	0.85	0.83	2.80	1.33

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2015

	Attributable to owners of the Company								
	Share capital	Share premium	Merger reserve	Contributed surplus	Capital Reserve	Retained profits/ losses (accumulated)	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-	-	-	-	-	11,194	11,194	1,628	12,822
As at 31 December 2014 (unaudited)	32,733	-	-	-	5,091	(13,212)	24,612	6,041	30,653
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	-	-	-	-	-	26,889	26,889	(1,441)	25,448
Distribution paid to non-controlling interests	-	-	-	-	-	-	-	(1,800)	(1,800)
As at 31 December 2015 (unaudited)	9,600	23,811	9,755	22,968	12,544	19,893	98,571	2,442	101,013

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 is 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, road works and drainage and landslip preventive and mitigation works to slopes and retaining walls services ("**LPM Services**") in Hong Kong.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2015 have been prepared by the Directors in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The accounting policies and basis of preparation adopted in the preparation of the financial statements for the nine months ended 31 December 2015 are consistent with those adopted in the Group's consolidated financial statements for the year ended 31 March 2015.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 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 statements for the nine months ended 31 December 2015 are presented in Hong Kong dollars ("**HK\$**"), which is the same functional currency of the Company.

3. SEGMENT INFORMATION

Operating segments

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

Geographical information

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

4. REVENUE

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

5. EARNINGS PER SHARE

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

	Nine months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company	26,889	11,194
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	Number of shares	
	2015	2014
	'000	'000
Weighted average number of ordinary shares (Note)	960,000	840,000

Note:

Weighted average of 840,000,000 ordinary shares for the nine months ended 31 December 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 nine months ended 31 December 2014.

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the nine months ended 31 December 2015 and 2014.

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) 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 increasing government budget for infrastructure, the outlook for the construction industry in Hong Kong remains optimistic. 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 Reporting Period amounted to approximately HK\$500.1 million, represented a surge of approximately 7.2% as compared to the nine months ended 31 December 2014 (“**Q3 2014**”) of approximately HK\$466.5 million. The increase was mainly due to increase in revenue was mainly attributable to additional contributions from the works completed and certified for the Group’s site formation, slop maintenance and building works projects during the Reporting Period.

Cost of services

Cost of services increased from approximately HK\$436.1 million for Q3 2014 to approximately HK\$451.1 million for the Reporting Period, representing an increase of approximately 3.4%.

Gross profit

Gross profit for the Reporting Period recorded was approximately HK\$49.0 million (Q3 2014: approximately HK\$30.3 million) while gross profit margin for the Reporting Period was approximately 9.8% (Q3 2014: approximately 6.5%). 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 the payment in late October 2015.

Other income

Other income for the Reporting Period recorded approximately HK\$2.1 million (Q3 2014: approximately HK\$2.3 million), represented a drop of approximately 9.7%. The decrease was attributable to decrease in government grant received from Transport Department for ex-gratia payment for retirement of vehicles during the Reporting Period.

Administrative expenses

Administrative expenses for the Reporting Period were approximately HK\$18.2 million (Q3 2014: approximately HK\$16.1 million), representing an increase by 12.7%. The increase was mainly attributable to salaries increment to administrative staff costs.

Finance costs

Finance costs for the Reporting Period amounted to approximately HK\$2.1 million (Q3 2014: approximately HK\$1.8 million). The increase was mainly due to increase in bank borrowings during the Reporting Period to finance the costs incurred for LPM Services projects.

Income tax expense

Income tax expense increased to approximately HK\$4.8 million for the Reporting Period and the effective tax rate increased to approximately 16.0% (Q3 2014: approximately 14.3%). 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 for the Reporting Period.

Profit and total comprehensive income

Profit and total comprehensive income for the Reporting Period amounted to approximately HK\$25.4 million (Q3 2014: approximately HK\$12.8 million). The increase was mainly attributable to increase in gross profit margin as discussed above.

DISCLOSURE OF INTERESTS

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

As at 31 December 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

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

Notes:

1. The issued share capital of the Company is legally and beneficially owned as to approximately 40.41% by Fortune Decade Investments Limited ("Fortune Decade") and as to approximately 34.59% by Twilight Treasure Limited ("Twilight Treasure").
2. The entire issued share capital of Twilight Treasure is legally and beneficially owned as to 87.5% by Success Ally Investments Limited ("Success Ally") and as to 12.5% by Decade Success Investments Limited ("Decade Success").

3. The entire issued share capital of Success Ally is legally and beneficially owned by Mr. Tony Wong.
4. The entire issued share capital of Decade Success is legally and beneficially owned by Mr. Kwong.

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

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

As at 31 December 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

Name	Capacity and nature of interests	Number of shares held	Approximate percentage of shareholding involved
Twilight Treasure <i>(Notes 1 and 2)</i>	Beneficial owner	332,028,000 (L)	34.59%
Success Ally <i>(Notes 2 and 3)</i>	Interest of controlled corporation	332,028,000 (L)	34.59%
Fortune Decade <i>(Notes 1 and 4)</i>	Beneficial owner	387,972,000 (L)	40.41%
Ms. Chiu Gar Man ("Ms. Chiu") <i>(Note 5)</i>	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 31 December 2015 which required to be recorded pursuant to Section 336 of SFO.

COMPETING INTERESTS

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

INTEREST OF COMPLIANCE ADVISER

As at 31 December 2015, as notified by Messis Capital Limited (“**MCL**”) except for the compliance adviser agreement entered into between the Company and the MCL dated 31 July 2014, neither MCL 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.

CHANGE IN COMPLIANCE ADVISER

The Company and MCL have mutually agreed to terminate the compliance adviser agreement dated 31 July 2014 entered into between the Company and MCL with effect from 1 February 2016 (the “**Termination**”) due the consideration of fee levels. Subsequent to the Termination, Dakin Capital Limited has been appointed as the new compliance adviser to the Company pursuant to Rule 6A.27 of the GEM Listing Rules. For further details, please refer to the announcement of the Company dated 1 February 2016.

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

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

CORPORATE GOVERNANCE CODE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

DIVIDENDS

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 16 March 2015 (the “**Scheme**”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 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 consolidated financial statements of the Group for the Reporting Period.

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

Hong Kong, 5 February 2016

As at the date of this report, 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.