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均安控股

Kwan On Holdings

KWAN ON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2021**

The board (the “**Board**”) of Directors (the “**Directors**”) of Kwan On Holdings Limited (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2021 (the “**Reporting Year**”), together with audited comparative figures for the corresponding preceding year, as follows:

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	538,732	599,912
Cost of sales		<u>(526,666)</u>	<u>(533,905)</u>
Gross profit		12,066	66,007
Other income	4	13,748	7,494
Other gain/(loss)	4	2,806	(15)
Administrative expenses		(44,003)	(46,787)
Share of (loss)/profit of an associate		(36)	12
Finance costs	5	<u>(6,979)</u>	<u>(8,922)</u>
(Loss)/profit before tax		(22,398)	17,789
Income tax expenses	6	<u>(2,179)</u>	<u>(3,218)</u>
(Loss)/profit for the year	7	<u>(24,577)</u>	<u>14,571</u>
Other comprehensive income/(expense)			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income		<u>21,204</u>	<u>(30,776)</u>
		<u>21,204</u>	<u>(30,776)</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>8,376</u>	<u>3,036</u>
		<u>8,376</u>	<u>3,036</u>
Other comprehensive income/(expense) for the year		<u>29,580</u>	<u>(27,740)</u>
Total comprehensive income/(expense) for the year		<u><u>5,003</u></u>	<u><u>(13,169)</u></u>

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the year attributable to:			
Owners of the Company		(24,405)	16,223
Non-controlling interests		(172)	(1,652)
		<u>(24,577)</u>	<u>14,571</u>
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		5,184	(11,516)
Non-controlling interests		(181)	(1,653)
		<u>5,003</u>	<u>(13,169)</u>
(Loss)/earnings per share			
Basic and diluted (HK cents)	9	<u>(1.54)</u>	<u>1.28</u>

Consolidated Statement of Financial Position

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		48,378	45,265
Right-of-use assets		14,560	17,186
Interests in associates		–	36
Financial assets at fair value through other comprehensive income		43,240	20,578
Other receivables	<i>10</i>	28,531	53,635
		<u>134,709</u>	<u>136,700</u>
Current assets			
Inventories	<i>11</i>	174,078	161,284
Trade and other receivables	<i>10</i>	166,836	181,103
Contract assets		223,103	222,950
Amount due from a related company		1,211	–
Amount due from an associate		27,878	69,306
Amounts due from other partners of joint operations		209	3,184
Pledged bank deposits		58,612	43,745
Bank balances and cash		172,429	109,532
		<u>824,356</u>	<u>791,104</u>
Current liabilities			
Contract liabilities		79,409	21,298
Trade and other payables	<i>12</i>	103,129	103,030
Amounts due to other partners of joint operations		4,369	11,127
Bank borrowings		173,764	185,001
Lease liabilities		8,655	6,400
Income tax payable		2,320	3,050
		<u>371,646</u>	<u>329,906</u>
Net current assets		<u>452,710</u>	<u>461,198</u>
Total assets less current liabilities		<u>587,419</u>	<u>597,898</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Bank borrowings	54,013	66,563
Lease liabilities	6,950	11,629
Deferred tax liabilities	5,303	3,556
	<u>66,266</u>	<u>81,748</u>
NET ASSETS	<u>521,153</u>	<u>516,150</u>
Capital and Reserves		
Share capital	15,840	15,840
Reserves	505,861	500,677
	<u>521,701</u>	<u>516,517</u>
Equity attributable to owners of the Company	521,701	516,517
Non-controlling interests	(548)	(367)
	<u>521,153</u>	<u>516,150</u>
TOTAL EQUITY	<u>521,153</u>	<u>516,150</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL INFORMATION

Kwan On Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 6 December 2012 as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The principal place of business is Unit 2801, 118 Connaught Road West, Hong Kong.

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

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

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31 March 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 37 Onerous Contracts - Cost of Fulfilling a Contract

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

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

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

3. SEGMENT INFORMATION

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

During the year, the Group commenced the business engaging in trading of chemical materials, and it is considered as a new operating and reportable segment by the CODM.

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 commercial building works;

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

Trading – trading of chemical materials.

The accounting policies of the operating segments are the same as the Group’s accounting policies. The Chief Executive Officer assesses the performance of the operating segments based on the segment results, which represent the profit 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 year ended 31 March 2021

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

For the year ended 31 March 2020

	Construction <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE			
External sales	599,912	–	599,912
RESULTS			
Segment results	43,824	(98)	43,726
Interest income			6,163
Exchange loss – net			(827)
Finance costs arisen from lease liabilities			(621)
Finance costs arisen from bank borrowings			(8,301)
Share of profit of an associate			12
Central administrative costs and directors' emoluments			(22,363)
			17,789

Other information

Amounts included in the measure of segment results:

For the year ended 31 March 2021

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

For the year ended 31 March 2020

	Construction <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Loss on disposal of property, plant and equipment	15	–	15
Depreciation of right-of-use assets	4,902	–	4,902
Depreciation of property, plant and equipment	3,850	–	3,850
	<u> </u>	<u> </u>	<u> </u>

Segment assets and liabilities

As at 31 March 2021

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

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

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

As at 31 March 2020

	Construction <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	<u>644,578</u>	<u>174,199</u>	<u>818,777</u>
Reportable segment liabilities	<u>315,523</u>	<u>84,509</u>	<u>400,032</u>
Other segment information:			
Additions to non-current assets	<u>29,102</u>	<u>–</u>	<u>29,102</u>

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

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total reportable segment assets	833,490	818,777
Financial assets at fair value through other comprehensive income	43,240	20,578
Unallocated corporate assets – property, plant and equipment	30,577	31,643
Unallocated corporate assets – bank balances and cash	2,509	52,930
Other unallocated corporate assets	49,249	3,876
	<hr/>	<hr/>
Total assets	959,065	927,804
	<hr/> <hr/>	<hr/> <hr/>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total reportable segment liabilities	427,154	400,032
Unallocated corporate liabilities – bank borrowings	9,684	10,182
Other unallocated corporate liabilities	1,074	1,440
	<hr/>	<hr/>
Total liabilities	473,912	411,654
	<hr/> <hr/>	<hr/> <hr/>

Geographical information

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from external customers		
– Hong Kong (city of domicile)	472,764	501,692
– The PRC	65,968	–
– Thailand	–	98,220
	<u>538,732</u>	<u>599,912</u>
	Non-current Assets	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
– Hong Kong (city of domicile)	62,938	62,451
– The PRC	–	–
– Thailand	–	–
	<u>62,938</u>	<u>62,451</u>

Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
– Customer A	92,054	139,921
– Customer B	164,037	225,574
– Customer C	N/A	65,819
– Customer D	105,950	N/A
– Customer E	–	98,220
– Customer F	64,367	N/A

4. REVENUE, OTHER INCOME AND OTHER GAIN/(LOSS)

Revenue

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

(i) Disaggregation of revenue from contracts with customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
– Provision of construction and maintenance works on civil engineering contracts and building works contracts, recognised over time	472,764	501,692
– Supply of construction materials, recognised at a point in time	–	98,220
– Trading of chemical materials, recognised at a point in time	65,968	–
	<u>538,732</u>	<u>599,912</u>

(ii) Performance obligations for contracts with customers

Construction

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

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

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

Supply of construction materials

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

Trading of chemical materials

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income		
Bank interest income	137	508
Other interest income	5,429	5,655
Government grants (<i>Note a</i>)	6,196	–
Sundry income	1,986	1,331
	<u>13,748</u>	<u>7,494</u>
Other gain/(loss)		
Gain/(loss) on disposal of property, plant and equipment (<i>Note b</i>)	566	(15)
Impairment loss of other receivables under ECL model	(1,832)	–
Reversal of impairment loss of contract assets under ECL model	20	–
Exchange gain	4,052	–
	<u>2,806</u>	<u>(15)</u>

Notes:

- (a) The government grants recognised in other income represent the employment support scheme paid by the Government of the Hong Kong Special Administrative Region.
- (b) Included in the amount for the year ended 31 March 2021 is ex-gratia payment from the Government of the Hong Kong Special Administrative Region for retirement of motor vehicles of HK\$491,000.

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	11,823	11,911
Interest on lease liabilities	917	621
	<u>12,740</u>	<u>12,532</u>
Less: Amount capitalised in inventories	(5,761)	(3,610)
	<u>6,979</u>	<u>8,922</u>

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

6. INCOME TAX EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong	712	1,242
The PRC	264	–
Thailand	–	2,619
	<u>976</u>	<u>3,861</u>
Over provision in prior years:		
Hong Kong	(544)	(3,735)
Deferred tax		
Current year	1,747	3,092
	<u>2,179</u>	<u>3,218</u>
Income tax expenses for the year	<u>2,179</u>	<u>3,218</u>

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

The PRC subsidiary is subject to income tax at 25% for the year ended 31 March 2021 under Enterprise Income Tax Law (“**EIT law**”).

The Corporate Income Tax in Thailand is calculated at 20% of assessable profit for the year ended 31 March 2020.

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

7. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year has been arrived at after charging:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs	526,666	533,905
Auditor's remuneration	1,020	900
Depreciation of property, plant and equipment	7,170	4,883
Depreciation of right-of-use assets	8,031	4,902
Exchange loss	–	827
Short-term lease expenses	4,364	5,591
Emoluments of directors and chief executive	2,010	3,454
Salaries, wages and other benefits (excluding directors' emoluments)	87,577	91,493
Retirement benefits scheme contributions (excluding directors)	3,220	3,325
	<hr/>	<hr/>
Total staff costs	92,807	98,272
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

9. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/earnings for the purpose of basic (loss)/earnings per share	(24,405)	16,223

Number of shares

	2021	2020
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,584,000	1,265,421

Since there were no potential dilutive shares in issue during the years ended 31 March 2021 and 2020, basic and diluted (loss)/earnings per share are the same for both years.

10. TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	14,485	11,609
Performance deposit (<i>Note (a)</i>)	31,797	29,782
Receivables in respect of construction materials procurement (<i>Note (b)</i>)	–	15,589
Other receivables in relation to a transferred construction project (<i>Note (c)</i>)	46,906	69,408
Other receivables (<i>Note (d)</i>)	3,512	4,374
VAT recoverable	12,770	12,201
Receivables from subcontractors (<i>Note (e)</i>)	56,299	61,469
Less: impairment loss recognised of other receivables under ECL model	(4,389)	(2,557)
Net other receivables	146,895	190,266
Prepayments and deposits	33,987	32,863
Total trade and other receivables	195,367	234,738
Less: Classified under non-current assets	(28,531)	(53,635)
	166,836	181,103

Notes:

- (a) The amount represented the performance deposit amounted to PHP198,545,576 (equivalent to approximately HK\$31,797,000 (2020: HK\$29,782,000)) paid to the land owner for construction project in the Republic of the Philippines. The balance was interest-free, repayable upon the completion of construction project, secured by the pledge of entire equity interests in the land owner and guaranteed by a substantial shareholder of the Company.
- (b) During the year ended 31 March 2020, the Group entered into a construction materials procurement agreement with a third-party supplier for the Group's civil engineering projects in Hong Kong. A prepayment of US Dollar 2 million (equivalent to approximately HK\$15,589,000) was paid to the supplier in December 2019, which represented 40% of the total contract sum. The first batch of materials was expected to be delivered to the Group before March 2020. However, due to the outbreak of COVID-19 virus globally, the delivery of the materials was delayed. After negotiation with the supplier, the Group agreed to cancel the transaction and the prepayment had been fully refunded to the Group during the year ended 31 March 2021.

- (c) During the year ended 31 March 2019, the Group entered into a subcontracting agreement with an independent overseas main contractor for a construction project in Thailand and the certified value of works completed by the Group amounted to THB477,318,232 (equivalent to approximately HK\$116,600,000) (the “**Receivable**”). Following certain changes in the development progress, the Group, after completing partial works, transferred the subcontracting agreement to an independent third party company registered in Thailand (the “**Successor**”). Pursuant to the tripartite agreement entered between the Group, the main contractor and the Successor, all the Group’s obligations and liabilities under the subcontracting agreement were transferred to the Successor on 29 November 2018. As stipulated in the tripartite agreement, the main contractor would return the Receivable together with an interest at 5% per annum to the Group on completion of the project.

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

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

- (d) Included in other receivables of the Group was amount due from the non-controlling interest of a subsidiary, U-Tech Engineering Co. Ltd., amounting to HK\$16,000 as at 31 March 2021 (2020: HK\$1,901,000). The balance was unsecured, interest-free and repayable on demand.
- (e) The amount represented the expenses paid on behalf of the subcontractors and was expected to be settled upon completion of the related contracts.

Trade receivables

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

	2021	2020
	HK\$'000	HK\$'000
Within 30 days	14,485	11,609

11. INVENTORIES

Inventories represent property under development for sale on two parcels of freehold land located in the Republic of the Philippines. There is no write-down of inventories to net realisable value nor the reversal of such a write-down during the year (2020: Nil).

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

As at 31 March 2021, the Group's freehold land, amounting to approximately HK\$162,067,000 (2020: HK\$155,339,000) was pledged to secure banking facilities granted to the Group.

12. TRADE AND OTHER PAYABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	42,301	45,332
Retention payables	44,092	41,075
Amount due to non-controlling interest of a subsidiary – Note	4,321	2,647
Other payables and accruals	12,415	13,976
	103,129	103,030

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.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	20,809	18,971
More than 30 days but within 90 days	3,816	1,460
More than 90 days	17,676	24,901
	42,301	45,332

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

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in construction related business, property development and trading of chemical materials in Hong Kong, Mainland China and Southeast Asia. During the year ended 31 March 2021 (the “**Reporting Year**”), the construction industry, particularly the civil engineering works in Hong Kong, was full of challenges. The widespread of global pandemic has caused unprecedented disruptions in business operations and the Hong Kong economy as a whole, which resulted in delays in the work schedule of construction projects of the Group. The prolonged retention of the workforce on-site and implement of a strict preventive measure for COVID-19 increased the cost for direct labours and subcontractors. Increasing competition in civil engineering contracts also drove down the tender price and added pressure to the profitability of the civil engineering contracts of the Group.

In view of the uncertainties related to the possible impact of the COVID-19 pandemic, the Group adopted a more conservative approach in submitting tender and has not entered into any new construction projects in overseas market during the Reporting Year. As all the construction related projects in overseas market have been completed during the year ended 31 March 2020 (the “**Previous Year**”), no revenue was reported from the overseas construction related business segment for the Reporting Year as compared with the revenue and profit of HK\$98.2 million and HK\$13.1 million reported for the Previous Year respectively.

The management had been actively monitoring the situation and had taken appropriate measures to reduce costs and improve efficiency by enhancing artificial intelligence project management. Despite of the efforts, the Directors are still in the view that the civil engineering industry and the overseas construction market will continue to be tough in the year of 2021. In response to the condition, the Group has committed to diversify its business portfolio by engaging in other profitable business opportunities.

Leveraging on the huge experience in project management and advantages of the business network of our largest shareholder, the Group continued to explore the business opportunity in different markets. During the Reporting Year, the Group identified another profitable business and expanded into a new business of trading of chemical materials in Mainland China. The management adhered to the principle of prudent, orderly and steady advancement to the new business. The new trading business contributed a revenue of approximately HK\$66.0 million and a profit of approximately HK\$1.1 million to the Group in the Reporting Year.

The Directors believed the result from the new business was encouraging and the Group shall continue the development strategy of expanding into new markets and eventually achieving our goal of business diversification and sustainable development.

For the property development segment, the Group owns two contiguous parcels of land for development use. Each of the two parcels of land is located at 550 Jorge Bocobo Extension, Ermita, Manila, National Capital Region, the Philippines (the “**Property**”). The proposed development of the Property has a proposed gross floor area (“**GFA**”) of approximately 128,132.00 sq.m and a proposed saleable area of approximately 104,294.00 sq.m. According to the current plan, the Property will be developed into two 55-storey apartment towers accommodating over 2,000 residential units, with a shopping mall and over 400 carparking spaces. The start of the construction work was delay due to quarantine and other preventive measures against the COVID-19 pandemic in the Philippines. The management are closely monitoring the situation and work to finalise the construction and building design plan that is yet to be approved by the local authority.

Set out below are the list of material contracts on hand as at 31 March 2021:

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated contract sum HK\$ million	Cumulative revenue recognised HK\$ million	Further revenue expected to be recognised HK\$ million
Tendered by Kwan On Construction Company Limited						
KL/2012/03	Civil Engineering and Development Department	Kai Tak Development – Stage 4 infrastructure at former north apron area	2/9/2017 ⁽¹⁾	995.8	908.7	87.1
CV/2015/01	Civil Engineering and Development Department	Provision of Universal Access Facilities for Highway Structures – Package 1 Contract 2	8/11/2019 ⁽¹⁾	216.2	209.4	6.8
NE/2016/05	Civil Engineering and Development Department	Development of Anderson Road Quarry Site - Pedestrian Connectivity Facilities Works Phase 1	30/3/2020 ⁽¹⁾	295.0	200.8	94.2
GE/2018/03	Civil Engineering and Development Department	Landslip Prevention and Mitigation Programme, 2012, Package C, Landslip Prevention and Mitigation Works in Lantau and Hong Kong Island	25/12/2020	87.2	78.1	9.1
DC/2018/10	Drainage Services Department	Condition Survey and Rehabilitation of Underground Sewers and Stormwater Drains – Stage 1	13/4/2022	210.1	85.2	124.9
20170102	Housing Authority	Road Improvement Works at Ma On Shan, Sha Tin	15/12/2021	187.3	107.1	80.2
GE/2018/01	Civil Engineering and Development Department	Landslip Prevention and Mitigation Programme, 2017, Package K	7/10/2022	78.1	16.6	61.5
20189126	Housing Authority	Slope Maintenance and Improvement Works for Region B	20/10/2022	45.1	8.5	36.6
HY/2018/12	Highways Department	Provision of Universal Accessibility Facilities at Footbridges, Elevated Walkways and Subways – Package 4	21/5/2024	261.0	67.4	193.6
Total				<u>2,375.8</u>	<u>1,681.8</u>	<u>694.0</u>

Contract number	Customer	Particular of contract	Original/extended date for completion	Estimated contract sum <i>HK\$ million</i>	Estimated total revenue to be received by our Group <i>HK\$ million</i>	Cumulative revenue recognised by our Group <i>HK\$ million</i>	Further revenue expected to be recognised by our Group <i>HK\$ million</i>
Tendered by the Group's joint operations							
HY/2014/12	Highways Department ("HyD")	Provision of Barrier-free Access Facilities for Highways Structures – Phase 3 Contract 6	15/7/2019 ⁽¹⁾	215.2	109.8	109.8	–
HY/2013/19	HyD	Retrofitting of Noise Barriers on Tuen Mun Road – Town Centre Section	27/12/2019 ⁽¹⁾	585.0	298.4	264.4	34.0
HY/2014/14	HyD	Retrofitting of Noise Barriers on Tuen Mun Road – Fu Tei Section	27/6/2020	462.8	236.0	220.0	16.0
CV/2015/08	Civil Engineering and Development Department	Provision of Universal Access Facilities for Highway Structure – Package 1, Contract 3	28/1/2020 ⁽¹⁾	171.7	111.6	107.6	4.0
1/WSD/17(L)	WSD	Term contract for Waterworks District L – Lantau and the Outlying Islands	31/8/2020	300.0	153.0	130.5	22.5
Total					908.8	832.3	76.5

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

FINANCIAL REVIEW

Construction related business – Hong Kong

Hong Kong construction related business reported approximately HK\$472.8 million in revenue for the Reporting Year, a 5.8% decrease from approximately HK\$501.7 million in the Previous Year.

The revenue analysis by category is shown as follows:

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Waterworks	42,075	65,819
Road works and drainage and site formation work	361,782	388,849
LPM Services	64,137	47,024
Private sector	4,770	–
	<u>472,764</u>	<u>501,692</u>

The category of road works and drainage and site formation work was still the largest source of revenue to the Group in the Reporting Year, representing 76.5% of the total revenue in Hong Kong. Revenue in the LPM works for the Reporting Year increased by 36.4% to approximately HK\$64.1 million, thanks to several contracts progressing into a main execution stage. The revenue contributed by contracts GE/2018/01 and HA/20189126 increased by HK\$25.5 million when compared with that in the Previous Year, though such increase was partially offset by a decrease in revenue of contract GE/2018/03 which was substantially completed during the Reporting Year.

Revenue in the waterworks contracts for the Reporting Year decreased by 36.1% from approximately HK\$65.8 million in the Previous Year. Such decrease was mainly due to substantial completion of the contract works under waterworks category in the middle of the Reporting Year.

With effort in exploring different source of business to encounter the keen competition in civil engineering contracts, the Group entered into two private contracts for carpark roadworks and tram track maintenance works during the Reporting Year. These contracts contributed approximately HK\$4.8 million in revenue for the Reporting Year.

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

	Year ended 31 March	
	2021	2020
Waterworks	1.0%	-0.7%
Road works and drainage and site formation works	0.2%	12.0%
LPM Services	5.6%	24.9%
Private sector	<u>26.8%</u>	<u>—</u>

The negative impact caused by the outbreak of COVID-19 was obvious to the Group. The disruptions to construction operation led to delays in the work schedule of construction projects, while additional cost was incurred for the COVID-19 prevention period. The Group recorded a substantial decrease in gross profit margin for LPM services, dropping to 5.6% in the Reporting Year from 24.9% in the Previous Year. The gross profit margin for road works and drainage and site formation works also decreased to 0.2% in the Reporting Year from 12.0% in the Previous Year.

Construction related business – Thailand

In view of the uncertainties related to the possible impact of the COVID-19 pandemic, the Group adopted a more conservative approach in submitting tender and has not entered into any new construction project in overseas market during the Reporting Year. As all the construction related projects in overseas market have been completed in the Previous Year, no revenue was reported from the overseas construction related business segment for the Reporting Year as compared with the revenue and profit of approximately HK\$98.2 million and approximately HK\$13.1 million reported in the Previous Year respectively.

Trading business – Mainland China

Following the strict implementation of effective measures to prevent the pandemic of COVID-19, Mainland China had gradually resumed steady economic and social development in the third quarter of the Reporting Year. The Group expanded into a new business of trading of chemical materials in Mainland China in the third quarter of the Reporting Year and recorded a revenue and profit amounted to approximately HK\$66.0 million and approximately HK\$1.1 million respectively.

Other income and other gain

Other income and other gain for the Reporting Year amounted to approximately HK\$16.6 million (2020: approximately HK\$7.5 million). The significant increase was mainly due to a gain of exchange difference of approximately HK\$4.1 million and additional income of approximately HK\$6.2 million contributed from the HKSAR Government subsidy under the employment support scheme during the Reporting Year.

Administrative expenses

Administrative expenses for the Reporting Year decreased by 6% to approximately HK\$44.0 million (2020: approximately HK\$46.8 million). The decrease was mainly due to a reduction in staff cost of approximately HK\$5.5 million.

Finance costs

Finance cost for the Reporting Year decreased to approximately HK\$7.0 million (2020: approximately HK\$8.9 million), following to a decrease in bank borrowing level during the Reporting Year.

(Loss)/profit for the year

Loss for the year amounted to approximately HK\$24.6 million (2020: profit of approximately HK\$14.6 million). The loss recognised was mainly due to the decreasing gross profit recorded in the civil engineering contracts in Hong Kong and no revenue generated from overseas construction projects during the Reporting Year.

Other comprehensive income/(expense)

Other comprehensive income for the Reporting Year amounted to approximately HK\$29.6 million (2020: other comprehensive expense of approximately HK\$27.7 million). The increase was mainly attributable to the fair value gain of approximately HK\$21.2 million on the investment in common shares of a company listed on the Philippine Stock Exchange, Inc. during the Reporting Year (2020: fair value loss of approximately HK\$30.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group had net current assets of approximately HK\$452.7 million (2020: approximately HK\$461.2 million). Current ratio of the Group as at 31 March 2021 was approximately 2.22 times (2020: approximately 2.40 times).

As at 31 March 2021, the gearing ratio, calculated based on the net debt (including contract liabilities, trade and other payables, amounts due to other partners of joint operations, bank borrowings and lease liabilities, less bank balances and cash and pledged bank deposits) divided by total equity, was approximately 38.2% (2020: approximately 48.8%).

CAPITAL STRUCTURE

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

COMMITMENTS

As at 31 March 2021, the Group did not have any significant capital commitments (2020: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

Save for certain litigations involved, the Group did not have any material contingent liabilities as at 31 March 2021 (2020: Nil)

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to other receivables in relation to a transferred construction project, trade and retention receivables and deposits with banks. As set out in the note 10(c) of this announcement, the Group entered into a repayment agreement in October 2019. The first and second repayments have been received by the Group and the remaining receivable and the interest thereon are guaranteed by a substantial shareholder of the Company. Hence, the Directors consider the credit risk of the other receivables in relation to a transferred construction project is significantly reduced. The credit risk of the Group's trade and retention receivables is concentrated since 95% of which was derived from five major customers as at 31 March 2021 (2020: 97%). The Group's major bank balances are deposited with banks with good reputation and hence the management does not expect any losses from nonperformance 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.

CHARGE OF GROUP'S ASSETS AND SECURITIES FOR BANKING FACILITIES

As at 31 March 2021, the Group pledged bank deposits amounted to approximately HK\$58.6 million (2020: approximately HK\$43.7 million) as securities for banking facilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group employed a total of 270 employees, comprising 242 staff employed on a full-time basis and 28 casual workers. Staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$92.8 million for the Reporting Year (2020: approximately HK\$98.3 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

SHARE OPTION SCHEME

The Group has adopted a share option scheme pursuant to which the Company may grant options to individuals including employees, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company and any subsidiary to acquire shares of the Company. The Directors consider that the share option scheme assists in recruiting and retaining high calibre employees.

LITIGATIONS

As at 31 March 2021, the Group was involved in certain litigations. In the opinion of the Directors, based on the advice of the Group's legal counsels, the possibility of any outflow of resources in settling these claims was remote and/or sufficient insurance policies are maintained to cover the loss, if any, and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

PROSPECT

In the coming three years, the Group shall actively participate in the construction of infrastructure projects of the Government of the Hong Kong Special Administrative Region. We shall also reduce costs and improve efficiency by introducing and enhancing artificial intelligence project management and mechanised construction abilities, so as to strengthen our market competitiveness. Meanwhile, leveraging on the huge experience in construction field and advantages of the business network of our largest shareholder, the Group continued to explore the business opportunity in overseas markets.

PRIOR YEAR ADJUSTMENT

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

SUBSEQUENT EVENTS

There is no subsequent event after the Reporting Year which was material impact to the consolidated financial statements of the Group.

OTHER INFORMATION

Corporate Governance Practice

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

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

CG Code Provision A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 March 2021, only two regular board meetings were convened. However, the management have regularly updated the Board for the Group's business development with performance review through electronic means of communication. All the Board members are encouraged to express their opinions on the Company's matters. The Board was consulted for every crucial decision and the written resolutions were also circulated to all the Directors to obtain the board consents. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code. However, the Company will consider to hold regularly board meetings at approximately quarterly intervals in the future.

Directors' Securities Transactions

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

Purchase, Sale or Redemption of Listed Securities

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

Interests in Competing Business

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

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

Sufficiency of Public Float

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

Scope of Work of the External Auditor

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

Audit Committee

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

Publication of 2021 Annual Report

The 2021 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at <http://www.kwanonconstruction.com> and the website of the Stock Exchange at <http://www.hkexnews.hk>.

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

Hong Kong, 30 June 2021

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

This announcement will remain on the "Latest Company Announcements" page of the website of the Stock Exchange at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.kwanonconstruction.com.