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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **KWAN ON HOLDINGS LIMITED**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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MAJOR TRANSACTION
DISPOSAL OF A SUBSIDIARY AND PROVISION
OF FINANCIAL ASSISTANCE

A letter from the Board is set out on pages 4 to 15 of this circular.

The transaction being the subject matter of this circular has been approved by written Shareholders' approval of Sino Coronet (the controlling shareholder of the Company) pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Agreement”	the sale and purchase agreement dated 27 March 2025 entered into between the Purchaser and the Company in relation to the Disposal
“Bank”	a licensed bank in Hong Kong
“Bank Facility”	the provision of an uncommitted fixed term loan by the Bank to Kwan On Construction with the outstanding amount of HK\$12,512,879 under the Bank Facility Agreements as at the Latest Practicable Date, secured with a second legal charge over a property owned by a wholly-owned subsidiary of the Company, along with a corporate guarantee from the Company
“Bank Facility Agreements”	the two facility agreements dated 6 September 2019 and 19 December 2022 entered into between the Bank and Kwan On Construction with respect to the Bank Facility
“Board”	the board of Directors
“Business Day”	any day on which banks in Hong Kong and the PRC are open for business (excluding Saturday or Sunday, and in the case of Hong Kong, excluding any day on which a Tropical Cyclone Warning Signal No. 8 or above or a Black Rainstorm Warning Signal is hoisted between 9:00 a.m. and 5:00 p.m.)
“close associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Company”	Kwan On Holdings Limited (均安控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1559)
“Completion”	completion of the Disposal
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning as defined under the Listing Rules
“Deed of Sale Loan Transfer”	the deed of the Sale Loan transfer executed and delivered by and among the Company, the Purchaser and the Target Company on the Completion Date

DEFINITIONS

“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan under the Agreement
“Group”	the Company and its subsidiaries
“Guarantee”	the limited guarantee provided by the Company to the Purchaser for the purpose of the Bank Facility after Completion in a maximum amount of HK\$17,000,000
“HIBOR”	Hong Kong dollar-based interest rate benchmark
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Jiangsu Chengbiao Construction”	江蘇成彪建設工程有限公司 (Jiangsu Chengbiao Construction Engineering Co., Ltd.*), a company established under the laws of the PRC
“Kwan On Construction”	Kwan On Construction Company Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company as at the Latest Practicable Date
“Latest Practicable Date”	21 May 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	7 April 2025 or such other date as mutually agreed between the Purchaser and the Company
“PHP”	Philippines Peso, the lawful currency of the Philippines
“Purchaser”	Ming Jia Investment Holdings Limited (名家投資控股有限公司), a company incorporated in Hong Kong with limited liability
“Sale Loan”	the unsecured and interest-free loan in an aggregate amount of HK\$32,430,219 as at the date of the Agreement and Completion provided by the Company to the Target Company together with any rights attaching thereto
“Sale Shares”	10,014 ordinary shares of the Target Company, representing the entire issued share capital of the Target Company

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholders”	holders of the Shares
“Sino Coronet”	Sino Coronet Group Limited, a company incorporated in the British Virgin Islands with limited liability, and a controlling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Win Vision Holdings Limited, a company established in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company as at the date of the Agreement
“Target Group”	the Target Company and its subsidiaries
“USA”	United States of America
“%”	per cent

* For identification purpose only

LETTER FROM THE BOARD



均安控股

Kwan On Holdings

KWAN ON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

Executive Directors:

Mr. Chen Zhenghua (*Chairman*)

Mr. Zhang Fangbing

Mr. Sun Xiaoran

Non-Executive director:

Ms. Li Yuping

Independent non-executive Directors:

Professor Lam Sing Kwong, Simon

Mr. Lum Pak Sum

Mr. Gong Zhenzhi

Registered Office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

Unit 3401,

118 Connaught Road West,

Hong Kong

23 May 2025

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION DISPOSAL OF A SUBSIDIARY AND PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

References are made to the announcements of the Company dated 27 March 2025, 31 March 2025 and 22 April 2025 in relation to the Disposal.

On 27 March 2025, the Company and the Purchaser entered into the Agreement in relation to the Disposal.

LETTER FROM THE BOARD

The Disposal and the Guarantee constitute a major transaction for the Company under Chapter 14 of the Listing Rules. As no Shareholder was interested in the Agreement, the Guarantee, and the transactions contemplated thereunder and was required to abstain from voting at the general meeting (if the Company were to convene a general meeting for the approval of the Agreement, the Guarantee, and the transactions contemplated thereunder), the Company had obtained the written approval of Sino Coronet, a Shareholder holding 1,039,456,250 Shares, representing approximately 55.61% of the issued share capital of the Company, pursuant to Rule 14.44 of the Listing Rules, and was exempted from convening a general meeting for the approval of the Agreement, the Guarantee, and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, further information on the Agreement, the Guarantee and the transactions contemplated thereunder and other information as required under the Listing Rules.

THE DISPOSAL

On 27 March 2025, the Company and the Purchaser entered into the Agreement, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Sale Shares and the Sale Loan.

The principal terms of the Agreement are as follows:

Date

27 March 2025

Parties

- (i) The Purchaser; and
- (ii) The Company.

Subject matter

The Company agreed to sell, and the Purchaser agreed to acquire the Sale Shares and the Sale Loan, subject to the terms and conditions contained in the Agreement.

Consideration

The consideration for the Sale Shares and the Sale Loan was HK\$100, which was paid by the Purchaser to the Company through wire transfer to the Company's designated bank account at Completion.

LETTER FROM THE BOARD

The consideration for the Sale Shares and the Sale Loan was arrived at after arm's length negotiations between the Purchaser and the Company, with reference to (i) the net deficits of the Target Company together with its current deteriorating financial condition of continued loss as explained in the section headed "Reasons and Benefits for the Disposal and the Guarantee" in this circular; (ii) the difficulty to identify suitable buyer to purchase the Target Company in order for the Company to mitigate its financial risk exposure; and (iii) the unlikelihood of repayment of the Sale Loan by the Target Group in near future because of its weak financial position. Although the consideration for the Sale Shares and the Sale Loan is nominal, the Board considered that the Disposal presents a timely and appropriate opportunity for the Company to divest its investment in the Target Group. The Disposal will allow the Group to mitigate continued losses, manage potential financial risks, and refocus resources on its other core business segments. Following the Disposal, the operating losses and liabilities of the Target Group will no longer be consolidated to the Group, thereby alleviating its overall financial burden. Thus, the Directors considered the consideration for the Sale Shares and the Sale Loan is fair and reasonable, and that the entering into of the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

From October 2024 to February 2025, the Group had discussed with a total of four potential purchasers, who are all third parties independent of the Company and the connected persons of the Company. Despite these efforts, the Group encountered considerable difficulties in identifying a purchaser who was willing to acquire the Target Company, given the total net deficit value of the Target Group was approximately HK\$69.3 million as at 28 February 2025. As disclosed in the section headed "Information on the Target Company" in the letter from the Board in this circular, the persistent losses suffered by the Target Group reflect its deteriorating operational performance and uncertainties in the future, which have significantly limited the level of interest and acceptable offers from the potential purchasers. The Purchaser is the only party which is willing to proceed with in-depth negotiation of the terms of the Disposal with the Company.

Conditions Precedent

Completion was subject to the satisfaction (or the waiver in writing by the Purchaser or the Company (as the case may be)), of the following conditions precedent:

- (a) the Purchaser having completed the financial, business, and legal due diligence on the Target Company and having been satisfied with the results of the relevant due diligence;
- (b) the Company's warranties under the Agreement being true, accurate, and not misleading as at the date of the Agreement and the Completion Date, and there being no breach of the Company's warranties;

LETTER FROM THE BOARD

- (c) all necessary consents for the transactions contemplated under the Agreement, including but not limited to the consents that both the Purchaser and the Company must obtain according to the requirements of the relevant government authorities, or any third-party consents required for the transactions contemplated under the Agreement, having been duly obtained and remaining fully valid;
- (d) the Purchaser having obtained the requisite board approval in respect of the Agreement, the Deed of Sale Loan Transfer and other ancillary documents and transactions contemplated thereunder; and
- (e) the Company having obtained the requisite Board approval and Shareholders' approval as required under the Listing Rules in respect of the Agreement, the Deed of Sale Loan Transfer and other ancillary documents and transactions contemplated thereunder.

Save for the conditions precedent set out in paragraphs (d) and (e) above, the Purchaser had the right to waive in writing any of the foregoing conditions precedent; and save for the conditions precedent set out in paragraphs (a), (b), and (e), the Company had the right to waive in writing any of the foregoing conditions precedent.

According to the Agreement, the Purchaser and the Company shall use their best commercial efforts to procure satisfaction of the above conditions precedent on or before the Long Stop Date.

Completion

Completion was expected to take place on or before the fifth (5) Business Day after the satisfaction or waiver (if applicable) of the above conditions precedent, or any other date as mutually agreed between the Purchaser and the Company.

As all conditions precedent were satisfied, Completion took place on 31 March 2025.

Post-Completion Undertaking

Pursuant to the Agreement, the Purchaser undertook to the Company that, after Completion, it shall procure the Target Company and/or its subsidiaries to change their names to names that do not include the term "Kwan On" or any name that may cause confusion or association with the Company, within thirty (30) Business Days after the Completion Date.

Termination

The Agreement could be terminated by the Purchaser or the Company under any of the following circumstances:

- (a) the Purchaser and the Company mutually agree in writing to terminate the Agreement; and
- (b) Conditions precedent to Completion are not satisfied and/or waived (if applicable) on or before the Long Stop Date.

LETTER FROM THE BOARD

THE GUARANTEE

The Bank Facility

As at the Latest Practicable Date, Kwan On Construction (a member of the Target Group) had an outstanding amount of approximately HK\$12.5 million under the Bank Facility. The salient terms of the Bank Facility are set out as follows:

Borrower:	Kwan On Construction
Total Principal and Accrued Outstanding Amount:	HK\$12,512,879 (as at the Latest Practicable Date)
Interest Rate:	3.25% per annum over one-month HIBOR
Maturity Date:	31 May 2026
Repayment Terms:	Interest payable monthly and principal of HK\$1.0 million repayable monthly
Continuing Corporate Guarantee:	Provision of a corporate guarantee by the Company to cover all existing and future bank facilities granted to Kwan On Construction
Second Legal Charge/Mortgage:	A charge over a property held by Alpha Gold Investments Limited, a wholly-owned subsidiary of the Company, in favour of the Bank as security, including all interest, default interest, and costs under the Bank Facility
Covenants by the Guarantor:	The Company must remain listed on the Main Board of the Stock Exchange and must directly or indirectly maintain 100% shareholding in Kwan On Construction

The Company is in the process of discussion with the Bank to replace Kwan On Construction with the Company as the borrower entity. As such, the Company intends to repay the Bank Facility either upon maturity of the Bank Facility or earlier, depending on the Bank's process of the change in the borrower entity. Therefore, upon Completion, members of the Target Group had ceased to be subsidiaries of the Company, the provision of Guarantee by the Company after Completion constituted provision of financial assistance by the Company to a third party under the Listing Rules.

LETTER FROM THE BOARD

The Guarantee

Pursuant to the Agreement, the Company undertook to irrevocably guarantee to the Purchaser the repayment obligations of the Company or Kwan On Construction under the Bank Facility Agreements. In any event, the Guarantee amount to be payable to the Purchaser shall not exceed HK\$17,000,000.

The duration of the Guarantee will continue until the full repayment of the Bank Facility or until the borrower is successfully changed from the Target Group to the remaining Group, whichever occurs earlier.

The Guarantee covers the repayment of both the principal and the accrued interest under the Bank Facility. The principal repayment was HK\$12,512,879 as at the Latest Practicable Date, while the only variable component is the interest, which is calculated at a rate of 3.25% per annum over one-month HIBOR. In assessing the limit of the Guarantee, the Company has prudently set a maximum Guarantee amount of HK\$17,000,000, which takes into account the principal repayment of HK\$14.5 million as at the date of the Agreement, the estimated interest accrued over 15 months of HK\$1.3 million and a buffer for potential fluctuations in interest rates over the remaining term of the Bank Facility of HK\$1.2 million.

Given that the principal amount was known as at the Latest Practicable Date; the interest rate is clearly defined and monitored; and the maximum Guarantee amount has already included a buffer for rate volatility, the Company considers that the likelihood of any extension or amendment to the Guarantee is low. Therefore, it is not anticipated that the Company will need to re-comply with the relevant Listing Rules in this regard. However, if there is any material change in terms or proposed extension to the Guarantee in the future, the Company will assess and re-comply with the applicable Listing Rules requirements as and when necessary.

The Board has thoroughly assessed the Guarantee arrangements and confirms that the maximum Guarantee amount is fair and reasonable, serving the best interests of the Company and its Shareholders. As the guarantor of the Bank Facility, the Company assumes repayment obligations irrespective of the Disposal's outcome which is a position necessitated by the Target Group's historically weak financial condition as the remaining Group has financed the repayment of the Bank Facility before.

To further facilitate the Disposal and address the Purchaser's request, the Company has agreed to either repay the outstanding Bank Facility or arrange for the borrower of the Bank Facility to be changed from the Target Group to the remaining Group prior to Completion. While discussions with the Bank to effect this borrower change are still ongoing, the Bank requires time to complete its internal procedures, and the duration of such procedures remains uncertain. Recognizing the practical constraints of immediate borrower change, the Company has negotiated an interim solution whereby it has proposed and the Purchaser has accepted that the Company will continue to provide the Guarantee and repay the Bank Facility after Completion until the borrower is formally changed. The Company considers this arrangements to be fair and reasonable as it enables the Disposal to proceed and allows the remaining Group to delay immediate repayment, preventing immediate liquidity pressure on the remaining Group.

LETTER FROM THE BOARD

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding. The Target Group is principally engaged in civil engineering business in Hong Kong involving provision of (i) waterworks engineering services; (ii) road works and drainage services and site formation works; and (iii) landslip preventive and mitigation works to slopes and retaining walls services.

The audited financial results of the Target Group (prepared in accordance with the Hong Kong Financial Reporting Standards) for each of the two financial years ended 31 March 2023 and 2024 respectively:

	For the year ended 31 March	
	2024	2023
	(Audited)	(Audited)
	HK\$'000	HK\$'000
Net loss before tax	109,116	77,978
Net loss after tax	105,464	77,036

The unaudited net deficits of the Target Group as at 28 February 2025 was recorded as approximately HK\$69.3 million.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company and its subsidiaries are principally engaged in the construction related business and trading of chemical materials.

The Purchaser

The Purchaser is an investment holding company incorporated in Hong Kong, which is wholly-owned by Jiangsu Chengbiao Construction, a company which is principally engaged in construction related business in the PRC. Jiangsu Chengbiao Construction is wholly-owned by Ms. Ye Guihua (葉桂花), an individual who resides in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

LETTER FROM THE BOARD

REASONS AND BENEFITS FOR THE DISPOSAL AND THE GUARANTEE

The Target Group has reported losses attributable to its equity owners of approximately HK\$58.7 million, HK\$77.0 million and HK\$105.5 million for the three years ended 31 March 2022, 2023 and 2024 respectively. The Target Group also suffered loss attributable to its equity owners of approximately HK\$13.7 million for the six months ended 30 September 2024. Due to COVID pandemic, there was delay in completion dates of certain projects of the Target Group for the past three years ended 31 March 2022, 2023 and 2024. Accordingly, the Target Group incurred additional costs and overhead for these projects such as wages for extended presence of project staff on-site as well as extra material costs and sub-contracting fees due to inflation. However, these additional costs and overhead costs were unlikely to be recovered under the existing contract terms with customers of the Target Group. This eroded the gross profit of these projects or even led to gross loss for certain of these projects of the Target Group. In order to mitigate the potential losses, the Target Group entered into supplementary agreements with customers to withdraw certain loss-making projects. Pursuant to the supplementary agreements, the Target Group was obligated to rectify identified defects and carry out certain works as agreed upon in the supplementary agreements before handing over the incomplete works and project sites to the customers. These rectification and works set out in the supplementary agreements contributed to gross losses of the Target Group. These resulted in the Target Group suffering substantial losses for the past three years ended 31 March 2022, 2023 and 2024.

After proceeding with the completion of the projects and the supplementary agreements to withdraw certain loss-making projects, the Target Group had only a few contracts on hand as of 31 March 2024. Moreover, the Target Group faced significant challenges in tendering bids for new projects due to intensified competition in the market. As a result, the business volume of the Target Group diminished for the six months ended 30 September 2024. In addition to handling existing projects, the Target Group managed to hand over three project sites to the customers successfully during the six months ended 30 September 2024. The diminishing business volume also inevitably led to lower costs and expenses incurred by the Target Group for the six months ended 30 September 2024. Coupled with cost control measures adopted by the Target Group, all of these ended up with less losses recorded by the Target Group for the six months ended 30 September 2024.

For the past few years, Hong Kong civil engineering industry faced industry-wide challenges including labour shortages and inflationary trends in material and labour costs. These challenges resulted in postponement of completion dates of certain civil engineering construction projects of the Target Group. The postponement resulted in extended presence of project staff on-site, and in turn, led to additional overhead costs for the Target Group, which had been further exacerbated by inflationary expenses. Moreover, the Target Group encountered difficulties to pass on the additional costs to its customers and require customers to increase the construction fee payable by customers through contracts. All of these narrowed the estimated profit or even increased the potential loss of the civil engineering construction projects of the Target Group.

Moreover, there was intense competition within the civil engineering industry in Hong Kong. The heightened competition resulted in a decline in tender bidding prices and project profitability. Therefore, the Target Group encountered growing difficulties in securing new civil engineering construction projects.

LETTER FROM THE BOARD

In response to the challenges, the Group has implemented a number of measures to overcome the difficulties by, among other things, restructuring the management team of the Target Group, divesting loss-making civil engineering construction projects of the Target Group and optimizing the resources of the Target Group so as to focus on profit-making civil engineering construction projects of the Target Group. However, all of these measures and efforts were in vain. It was stated in the annual reports of the Company that the gross loss margins were recorded for the three years ended 31 March 2022, 2023 and 2024 in respect of (i) waterworks engineering service projects; (ii) road works and drainage services and site formation work projects; and (iii) landslip preventive and mitigation works to slopes and retaining walls service projects for each of the aforesaid three financial years.

In view of the poor results of the Target Group, the Company had to support the payment of the daily operation expenses, and the repayment of the Bank Facility and other borrowings of the Target Group by lending money to the Target Group. The aggregate amount of loan provided by the Company to the Target Group was approximately HK\$32.4 million (being the Sale Loan) as at the date of the Agreement and Completion.

The persistent losses suffered by the Target Group signals its deteriorating operational performance and uncertainty in future prospects. If such situation continues, the Company may face (i) further financial losses; and (ii) working capital pressure to inject further funds to sustain the business of the Target Group. Additionally, this may lead to significant pressure on cash flow and potentially hindering the development of other core businesses of the Group. If this happens, it will further weaken the Company's statement of financial position, erode investor confidence, and limit future financing options of the Company. In the worst case, there may be going concern issues for entire businesses of the Group.

In view of the dismal business prospect of the Target Group, and with prudent assessments on the above, the Disposal represents a good opportunity for the Company to divest its investment in the Target Group, mitigate continued loss and manage the potential financial risks, and given that subsequent to the Disposal, the Group will no longer record the operating losses and liabilities of the Target Group, the overall financial burden of the Group is anticipated to be alleviated.

During negotiation of the terms of the Disposal, the Purchaser requested the Group to repay the entire outstanding amount of the Bank Facility of the Target Group or change the borrower from the Target Group to the remaining Group in respect of the Bank Facility before Completion. The remaining Group financed the repayment of the Bank Facility of the Target Group in the past because of weak financial position of the Target Group. If the Company does not proceed with the Disposal, the Company has to repay the Bank Facility of the Target Group. In short, the remaining Group is responsible for the repayment of the Bank Facility no matter whether the Disposal is proceeded with or not. Accordingly, the request by the Purchaser is accepted by the Company. The Company discussed with the Bank for the remaining Group to become the borrower of the Bank Facility of the Target Group, and understood that the Bank has to take time to go through its internal procedures before reaching a decision. Moreover, it is uncertain how long the Bank has to take to reach a decision. Therefore, the Company proposed to the Purchaser for the Company to continue to provide the Guarantee after Completion, and repay the Bank Facility before the change of lender to the remaining Group. This was accepted by the Purchaser. The Company considered the Guarantee and the continued repayment of the Bank Facility after Completion were fair and reasonable to the Company because (i) it facilitated the agreement between the Purchaser and Company to agree on the Disposal; and (ii) the Guarantee could delay the repayment of the Bank Facility by the remaining Group.

LETTER FROM THE BOARD

Taking into consideration of the aforesaid and coupled with the favourable financial effect of the Disposal as set out in the section headed “Financial Effect of the Disposal and Intended Use of Proceeds” in this circular, the Directors are of the view that the Disposal and the terms of the Agreement are fair and reasonable and on normal commercial terms, and the Disposal and the provision of the Guarantee are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

The Target Company was a direct wholly-owned subsidiary of the Company. Upon Completion, the Target Company ceased to be a subsidiary of the Company, and the financial results of the Target Group has ceased to be consolidated by the Group since the Completion Date. Therefore, the remaining Group focuses its resources primarily on (i) construction related business in the PRC and Southeast Asia, and (ii) trading of chemical materials in the PRC immediately after Completion.

Subject to final audit, it is expected that the Group will record a gain on the Disposal of approximately HK\$19.6 million, which is calculated by reference to (i) the total consideration for the Disposal of HK\$100; (ii) the total net deficits value of the Target Group of approximately HK\$69.3 million as at 28 February 2025; (iii) the Sale Loan of approximately HK\$32.4 million as at the date of the Agreement and Completion; (iv) the Guarantee of HK\$17 million; and (v) the related estimated transaction costs and expenses of the Disposal of approximately HK\$0.3 million. The actual gain on the Disposal to be recorded by the Group, which will be calculated by reference to the net deficit of the Target Group and the amount of the Sale Loan at the time of Completion and related transaction costs and expenses incurred by the remaining Group, may be different from the above figure. Moreover, the actual amount of gain will be subject to audit by the auditors of the Company and therefore may be different from the aforementioned amount. Such gain is non-recurring in nature and will be reflected in the profit and loss account of the Group for the financial year ended 31 March 2025. Having taken into consideration the reasons for the Disposal as stated in the section headed “Reasons and Benefits for the Disposal and the Guarantee” in this circular, the Company is of the view that the Disposal is in the interests of the Company and the Shareholders as a whole as it will lower the Group’s gearing ratio.

As the consideration for the Disposal is HK\$100, no proceeds are expected to be received by the Company after deducting the transaction costs and expenses.

LISTING RULES IMPLICATIONS

The Disposal and the Guarantee

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal and the Guarantee exceed 25% but all relevant percentage ratios are less than 75%, the Disposal and the Guarantee constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

The Guarantee

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Guarantee on a standalone basis exceeds 5% but all relevant percentage ratios are less than 25%, the Guarantee on a standalone basis constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder; and (b) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at the general meeting to approve the Agreement, the Guarantee and the transactions contemplated thereunder.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders had any material interest in the Agreement, the Guarantee and the transactions contemplated thereunder, and therefore no Shareholder was required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder.

As no Shareholder was interested in the Agreement, the Guarantee and the transactions contemplated thereunder, and was required to abstain from voting at the general meeting (if the Company were to convene a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder), the Company had obtained the written approval of Sino Coronet, a Shareholder holding 1,039,456,250 Shares, representing approximately 55.61% of the issued share capital of the Company as at the date of the Agreement, pursuant to Rule 14.44 of the Listing Rules, and was exempted from convening a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder.

Given none of the Directors had any material interest in the Agreement, the Guarantee and the transactions contemplated thereunder, no Directors were required to abstain from voting on the relevant Board resolutions in approving the Agreement, the Guarantee and the transactions contemplated thereunder.

LETTER FROM THE BOARD

RECOMMENDATION

For the reasons set out above, the Directors consider that the terms of the Agreement are fair and reasonable and on normal commercial terms, and the Disposal and the provision of the Guarantee are in the interests of the Company and the Shareholders as a whole. Notwithstanding that no general meeting of the Company will be convened to approve the Agreement, the Guarantee and the transactions contemplated thereunder, the Board would recommend that Shareholders vote in favour of the relevant ordinary resolution regarding the Agreement, the Guarantee and the transactions contemplated thereunder if the Company were to convene a general meeting for the approval of the Agreement, the Guarantee and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

LANGUAGE

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,
By Order of the Board
Kwan On Holdings Limited
Chen Zhenghua
Chairman

1. FINANCIAL SUMMARY OF THE GROUP

Details of (i) the audited financial information of the Group for the three years ended 31 March 2022, 2023 and 2024 are disclosed in the following annual reports of the Company for the three years ended 31 March 2022, 2023 and 2024, respectively; and (ii) the unaudited financial information of the Group for the six months ended 30 September 2024 is disclosed in the following interim report of the Company, which have been published and are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company.

- (i) The annual report of the Company for the year ended 31 March 2022 published on 14 July 2022 (pages 53 to 154) in relation to the financial information of the Group for the same year. Please see below a link to the annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0714/2022071400571.pdf>

- (ii) The annual report of the Company for the year ended 31 March 2023 published on 28 July 2023 (pages 59 to 168) in relation to the financial information of the Group for the same year. Please see below a link to the annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0728/2023072800386.pdf>

- (iii) The annual report of the Company for the year ended 31 March 2024 published on 25 July 2024 (pages 58 to 166) in relation to the financial information of the Group for the same year. Please see below a link to the annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0725/2024072500246.pdf>

- (iv) The interim report of the Company for the six months ended 30 September 2024 published on 13 December 2024 (pages 11 to 33) in relation to the financial information of the Group for the same period. Please see below a link to the interim report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1213/2024121300295.pdf>

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the available financial resources, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances. The relevant confirmation as required under Rule 14.66(12) of the Listing Rules has been obtained.

3. INDEBTEDNESS AND CONTINGENT LIABILITIES

Bank borrowings

At the close of business on 31 March 2025, indebtedness date for the purpose of ascertaining information contained in this statement of indebtedness and contingent liabilities prior to the printing of this circular, the Group had total bank borrowings of approximately HK\$7.7 million, which were secured by the Group's leasehold land and building and a bank deposit of approximately HK\$0.1 million.

Contingent liabilities and financial guarantees

As at 31 March 2025, the Group's financial guarantee contracts were as follows:	HK\$
Financial guarantees provided to third party	17,000,000

As at 31 March 2025, Kwan On Construction (a member of the Target Group) had an outstanding amount of approximately HK\$13.5 million under the Bank Facility, an uncommitted fixed term loan by a bank to Kwan On Construction with the outstanding amount of HK\$13.5 million under the Bank Facility Agreements, secured with a second legal charge over a property owned by a wholly-owned subsidiary of the Company, along with a corporate guarantee from the Company. As at the Latest Practicable Date, Kwan On Construction had an outstanding amount of approximately HK\$12.5 million under the Bank Facility.

Pursuant to the Agreement, the Company undertakes to irrevocably guarantee to the Purchaser the repayment obligations of the Company or Kwan On Construction under the Bank Facility Agreements. In any event, the Guarantee amount to be payable to the Purchaser shall not exceed HK\$17,000,000.

Save as aforesaid or as otherwise disclosed herein, apart from intra-group liabilities and normal trade payable, accruals and other payables in the ordinary course of business, the Group did not have outstanding at the close of business on 31 March 2025 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness and contingent liabilities, foreign currency denominated amounts have been translated into Hong Kong dollar at the prevailing exchange rates as at the close of business on 31 March 2025.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Immediately after Completion, the remaining Group will focus its resources primarily on (i) construction related business in the PRC and Southeast Asia, and (ii) trading of chemical materials in the PRC.

The recent administration implemented by the USA has started a global trade war that is likely to reduce the USA and world economic growth. This, in turn, will have adverse impact of the economic development of the PRC and the Southeast Asia. The National People's Congress of the PRC has set the PRC's 2025 gross domestic product growth target at about 5%. Accordingly, the PRC government is expected to formulate a number of measures to promote the economy by way of, among other things, boosting domestic demand, stabilizing the property and stock market, loosening monetary policy, and fiscal expansion. When these measures take effect, they may stimulate the demand for construction services and chemical materials in the PRC. The Company is cautiously optimistic on the economic development of Southeast Asia countries in view of the great business opportunities for construction work. Although there are challenges ahead in the short and medium term, the Company considers that the long-term prospects of the remaining businesses of the Group (i.e. the construction related business and trading of chemical materials business) remain positive.

The management will continue to leverage on the business network and expertise of controlling Shareholder to explore engineering and construction business, and other business opportunities in the PRC, the Southeast Asia and other region. The management will also optimize the resources and strengthen the management team so as to foster these revenue streams and promote the long term interests of the remaining Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the loss attributable to the Shareholders of approximately HK\$23.4 million for the six months ended 30 September 2024 as set out in the interim report of the Company for the six months ended 30 September 2024, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2024, being the date to which the latest published audited consolidated accounts of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, as far as the Company is aware, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which are required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer adopted by the Company (the “**Model Code**”), were as follows:

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

Note:

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

* The English name is for identification purpose only

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; or fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Directors' right to acquire shares

Save as disclosed above, at no time during the six months up to the Latest Practicable Date was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

(c) Substantial Shareholders' interests and short positions in the Shares, underlying Shares and debentures

As at the Latest Practicable Date, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules on the Stock Exchange:

Name	Capacity	Number of issued Shares interested	Approximate percentage of the issued share capital of the Company
Sino Coronet (<i>Note 1</i>)	Beneficial owner	1,039,456,250 (L)	55.61%
Jiangsu Construction (<i>Note 1</i>)	Interest of controlled corporation	1,039,456,250 (L)	55.61%
Jiangsu Huayuan (<i>Note 1</i>)	Interest of controlled corporation	1,039,456,250 (L)	55.61%
Greenland Infrastructure (<i>Note 1</i>)	Interest of controlled corporation	1,039,456,250 (L)	55.61%
Greenland Holdings Group Co., Ltd.* 綠地控股集團有限公司(<i>Note 1</i>)	Interest of controlled corporation	1,039,456,250 (L)	55.61%
Greenland Holdings Corporation Ltd.* 綠地控股集團股份有限公司(<i>Note 1</i>)	Interest of controlled corporation	1,039,456,250 (L)	55.61%
Mr. Chen (<i>Note 1</i>)	Interest of controlled corporation	1,039,456,250 (L)	55.61%

Note:

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

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

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

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

3. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT AND ASSETS OF THE GROUP

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective associates had any direct or indirect interests in the assets which had been, since 31 March 2024, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their close associates had any competing interests in any business that competes or is likely to compete (either directly or indirectly) with the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors and their close associates had any existing service contract or proposed service contract with any member of the Group which is not expiring or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

* The English name is for identification purpose only

6. MATERIAL LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACT

Save as disclosed below, none of the members of the Group has entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular and up to the Latest Practicable Date:

- (a) the agreement dated 15 December 2023 entered into between Robinsons Land Corporation as purchaser and Metrocity Properties Group, Inc., an indirect non-wholly owned subsidiary of the Company, in relation to the disposal of the 5-storeys building erected upon two parcels of land situated at Padre Faura St., Brgy. 669 Zone 072, Ermita District, Manila, the Philippines at a consideration of PHP927,360,000 (equivalent to approximately HK\$130,614,084);
- (b) the Agreement; and
- (c) the Deed of Sale Loan Transfer.

8. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at Unit 3401, 118 Connaught Road West, Hong Kong.
- (c) The company secretary of the Company is Mr. Fung Kwok Wai. He is a fellow member of both the Association of Chartered Certified Accountants and The Hong Kong Institute of the Certified Public Accountants.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company's website (www.kwanonconstruction.com) and the website of Stock Exchange (<http://www.hkexnews.hk>) for a period of 14 days commencing from the date of this circular:

- (a) the Agreement; and
- (b) the Deed of Sale Loan Transfer.